



Expanding Frontiers™

ANNUAL REPORT

2013



GOING THE
DISTANCE

MAKING OUR MARK ACROSS THE GLOBE



- Awarded the PFI Asia Pacific Power Deal of the year for the finance of Banten IPP, a 600 MW Coal Fired Power Plant in Indonesia
- The PFI (Project Finance International) Awards honour achievement in the global project finance market



Most Watched
Bank 2013
Malaysia

- InterContinental Finance Magazine (ICFM), UK has selected EXIM Bank for its Global Banking Award 2013, as the Most Watched BANK 2013
- The only DFI from Malaysia being awarded in 2013



HR Asia
BEST COMPANIES
TO WORK FOR
IN ASIA 2013

- Recognised as one of the Best Companies to Work for in Malaysia 2013 by HR Asia
- Selected from among 200 companies



- EXIM Bank's President/CEO, Y.Bhg. Dato' Adissadikin bin Ali has been selected as one of Asia Pacific's Outstanding Entrepreneurship Award winners of the prestigious Asia Pacific Outstanding Entrepreneurship Award 2013 (APEA 2013)



- EXIM Bank has been awarded with the "Global and ASEAN Ratings 2013 Award – Non-MYR-denominated Issue" at Rating Agency Malaysia (RAM) League Awards 2014 for its visionary support of RAM and the development of the Malaysian debt capital market.
- This Award exemplifies the industry benchmark for excellence and ingenuity and is bestowed to exceptional Organisations that have raised the bar in further advancing the Malaysian domestic bond market.



GOING THE DISTANCE

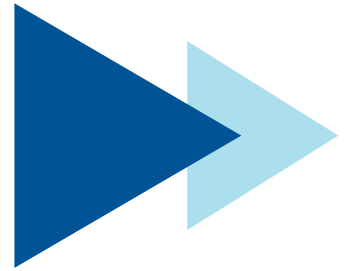
Bringing global markets closer to home

Since 1995, EXIM Bank has spurred the pioneering spirit of outward-looking Malaysian companies, providing them with the expertise and support needed to go the distance, working together in unison towards a single goal – expanding frontiers and charting new opportunities for Malaysian companies in a global market. As Malaysian companies spread their wings further afield, EXIM Bank continues to combine efficiency with strength, moving together as one with our partners and stakeholders, steering Malaysian companies across turbulent waters, as well as anchoring their presence in established markets and new frontiers. In the race ahead, EXIM Bank aims to set the pace for trade expansion and continue to go for gold.



EXPORT-IMPORT BANK OF MALAYSIA

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CORPORATE INFORMATION

DIRECTORS

Datuk Mohd Hashim bin Hassan (Chairman)

Dato' Adissadikin bin Ali
(President/Chief Executive Officer)

Zakaria bin Ismail

Dato' Rosli bin Mohamed Nor

Dato' Dr. Mohd Isa Hussain

Nik Najib bin Husain

Dato' Agil Natt

Ismail bin Mahbob

Wong Seng Foo

SHARIAH COMMITTEE

Dato' Dr. Mohd Ali bin Haji Baharum (Chairman)

Hj. Abd. Rasid bin Abd. Kadir

Dr. Suhaimi bin Ab. Rahman

Dr. Zulkifli bin Hasan

Dr. Zaharuddin bin Abd. Rahman

Assoc. Prof. Dr. Mek Wok binti Mahmud

Dr. Sharifah Faigah binti Syed Alwi

PRESIDENT/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, Lebuhr Tenggori Dua,
Pusat Bandar Seberang Jaya, 13700 Seberang Jaya,
Perai Penang, MALAYSIA

SARAWAK

No. 67, Ground Floor, 1 Avenue Business Centre
Jalan Tun Jugah, 93350 Kuching
Sarawak, MALAYSIA

JOHOR DARUL TAKZIM

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



BACKGROUND

Export-Import Bank of Malaysia (EXIM Bank) was incorporated by the Government on 29 August 1995 for the strategic purpose of promoting reverse investment and export of strategic sectors such as capital goods, infrastructure projects, shipping and value added manufactured products. EXIM Bank has also been tasked to facilitate the entry of Malaysian companies to new markets, particularly to the non-traditional markets. EXIM Bank is a Development Financial Institution that is fully owned by the Government, being a wholly owned subsidiary of the Ministry of Finance Incorporated.

EXIM BANK IN BRIEF

MANDATED ROLE

The Ministry of Finance has mandated EXIM Bank to carry out specific duties as follows:

- To provide credit facilities to finance and support the export and import of goods and services, overseas projects with an 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

EXIM Bank extends its services to a wide range of clients which include large corporations, SMEs, foreign governments and companies across many sectors such as trading, manufacturing and infrastructure.

STRATEGIC ALLIANCES

- In executing its mandate, EXIM Bank strives to expand opportunities for its clients by forging alliances with international and multilateral associations. In this context, the Bank has inked several agreements that would boost our 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 10 EXIM Banks in Asia; The Aman Union and Association of Development Financing Institutions in Asia and the Pacific.
- In undertaking efforts to promote exports, the Bank also works closely with local agencies such as 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

BANKING FACILITIES

CONVENTIONAL

- Overseas Project Financing
- Overseas Contract Financing
- Overseas Investment Financing
- Buyer Credit
- Export of Services
- MalaysiaKitchen Financing
- Supplier Credit
- Import Financing
- Export Credit Refinancing Scheme (ECR)
- Trust Receipt
- ADB-EXIM Trade Finance Program
- Bank Guarantee
- Letter of Credit
- Forward Foreign Exchange
- Vendor Financing Scheme

ISLAMIC

- Overseas Project Financing-i
- Overseas Contract Financing-i
- Overseas Investment Financing-i
- Buyer Financing-i
- MalaysiaKitchen Financing-i
- Term Financing-i
- Export of Services-i
- Supplier Financing-i
- Import Financing-i
- Trust Receipt-i
- Export Credit Refinancing-i
- IDB CO-Financing
- Bank Guarantee-i
- Letter of Credit-i
- Forward Foreign Exchange-i
- Vendor Financing Scheme-i

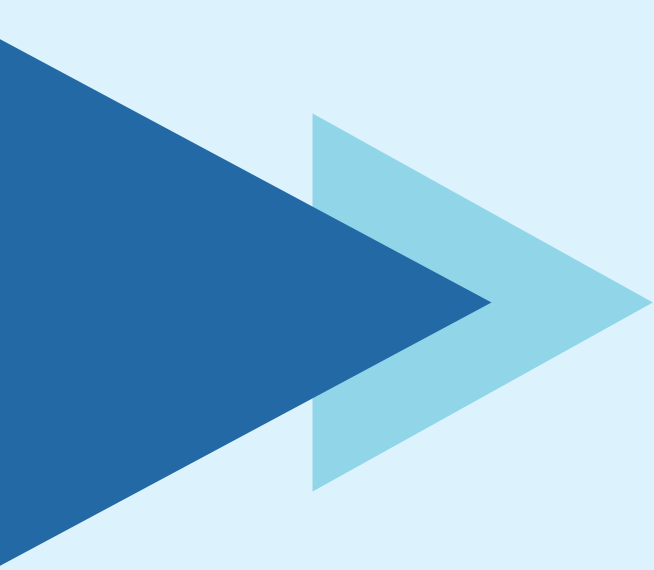
CREDIT FACILITIES

INSURANCE

- Exporters Trade Credit Insurance (Export/Domestic)
- Bankers Trade Credit Insurance
- Bank Letter of Credit Policy (BLCP)
- Multi Currency Trade Financing Scheme (MCTF)
- Indirect Exporters' Financing Scheme (IEFS)
- Specific Policy
- Overseas Investment Insurance
- Buyer Credit Guarantee
- Bond Risk Insurance

TAKAFUL

- Exporters Trade Credit Takaful (Export/Domestic)
- Bankers Trade Credit Takaful
- Specific Takaful
- Overseas Investment Takaful

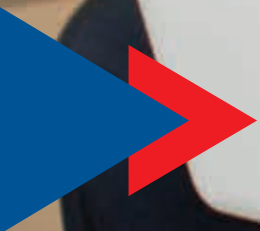


Sustaining Growth Through High

EFFICIENT

Export markets expect world class efficiency. With EXIM Bank's almost two decades of experience serving global markets and facilitating billions of Ringgit in trade, loans and investments, our many clients and partners can attest to our strength in developing and delivering efficient and effective solutions in enabling their smooth entry into even the most distant global markets, whilst ensuring dynamic and sustainable growth overall.

CIES



MESSAGE FROM THE CHAIRMAN



Datuk Mohd Hashim bin Hassan

Chairman

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

Dear Stakeholders,

On behalf of the Board of Directors, it is my pleasure to present to you our Annual Report for the financial year ended 31 December 2013.

REVIEW

2013, marks EXIM Bank's 18th year of being Malaysia's sole Development Financial Institution (DFI) mandated with expanding cross-border trade. On the eve of our second decade of existence, we stand proud and committed to our vision of being a bank that is both relevant and significant to our stakeholders and to the national economic agenda. We have gone through challenging business landscape in getting to this point. Since 2008 – when we first embarked on our transformation journey – we have been focusing our resources at building sustainable businesses. This is to ensure the Bank can continue to play its role more effectively. As evidenced in this year's performance, where we passed many key milestones as well as met and surpassed most, if not all, our performance targets.

Despite considerable challenges surrounding global political and economic scenario as well as rapidly changing business environments, our results continued to improve. Consistent with our pledge to become leading financial institution for Malaysian cross-border ventures. We have been successful in sustaining our growth momentum. As a result, the Bank is poised not only to continue on its growth trajectory but to be a vital part of national economic agenda.



We are proud that our commitment to excellence was recognised at international platform. EXIM Bank was awarded “Most Watched Bank in Malaysia 2013” by InterContinental Finance Magazine (ICFM) United Kingdom in its Global Banking Awards 2013, while HR Asia also named EXIM Bank as “Malaysia’s Best Company to Work for in Asia 2013”. These accolades represented significant milestones for us and will undoubtedly spur us on to achieve greater things in future. Overall, 2013 has indeed been an exciting and challenging year of acceleration and expansion for the Bank amidst a backdrop of uncertainties, we are therefore pleased to share these highlights with you.

FINANCIAL AND BUSINESS HIGHLIGHTS

For the year ending 2013, the Bank proudly declared a net profit of RM144.7 million, which was a healthy 16.9 per cent improvement from the RM123.8 million recorded in FY2012. With better profitability, Return on Equity (ROE) also recorded a slight improvement, at 4.9 per cent in FY2013 compared to 4.4 per cent the previous year. EXIM Bank’s total assets remained healthy, climbing from RM7.3 billion to RM8.1 billion arising from proactive and targeted marketing efforts.

The Bank’s gross loan assets recorded a 59 per cent year-on-year improvement at RM2.2 billion. The Bank also continued to improve its asset quality as evidenced from the declining trend of gross and net impaired assets, at 14.2 per cent and 7.7 per cent, respectively. Islamic banking proved a real winner for the Bank in FY2013, as the share of Islamic banking assets at RM1.5 billion recorded an impressive 189 per cent increase from the previous years’ RM524 million.

It is also noteworthy to highlight here the achievement of EXIM Bank in reaffirming the sovereign equivalent ratings from Moody’s Investor Services (Long-term Foreign Currency Issuer Rating/Outlook: A3/Stable) and Fitch Ratings (Foreign Long-term Issuer Default Rating: A-). This has enabled the Bank to establish a USD1 billion Multicurrency Sukuk Issuance Programme, which was the world’s first U.S. dollar-denominated Islamic “sukuk” bond issue by an export-import bank. The Bank had issued a USD300 million, 5-year sukuk, of which attracted USD3.2 billion of investor orders, an oversubscription by 10 times. This is to support our expansion of Islamic banking portfolio and represents a key milestone for the Bank and Malaysia towards achieving the objective of becoming a global Islamic finance hub.

MESSAGE FROM THE CHAIRMAN

OPERATIONAL HIGHLIGHTS

In tandem with financial performance improvements, FY2013 also witnessed operational improvements of the Bank. As we continue to grow our business, focus was aligned at actively reaching out to companies with proven performance, which are ready to venture overseas. The results of this targeted marketing approach have been very encouraging.

In FY2013, while we have continued to intensify and expand our business with existing large-scale clients in our drive to build quality assets. The Bank have also begun to innovate new products and services in a move to attract diverse range of clients. For example, our new Vendor Development Programmes are very much relevant to SMEs in particular. As we continue to mature and develop more capabilities, we are beginning to take on more complex international projects. For example, we have harnessed our cross-border funding expertise and experience to offer international project financing to companies with contracts in hand. We have also partnered with other financial institutions in international syndication projects. With our track record in delivering infrastructure development projects in Asia, we anticipate international syndication to be an exciting and growing part of our business in future.

Even with our transformation plan well on track in FY2013, we remain committed to our pursuit of sustainable business and quality asset growth. In FY2013 we have continued to review and refine our 4-pronged approach of transforming people, processes, procedures and technology with commendable results. We will thus continue to monitor our operations and make any necessary adjustments to ensure effective and efficient operations as we move to the next level.

DIVIDEND

On the back of improved financial and operational performance and in light of the Bank's sustained growth trend, the Board of Directors has recommended a final dividend of 0.8014 sen per ordinary share on 2,708,665,284 ordinary shares, amounting to a dividend payable of RM21,708,113

PROSPECTS

Successfully shedding our past image, we are excited to witness EXIM Bank's positive turn around and our performance improvements going from strength to strength. Our success has come despite a background of uncertain economic prospects and challenges, deepening our conviction that the resilience and competitiveness we have built over the years now puts us in a solid position to confront and manage future challenges more systematically.

Looking to the future, the Bank will continue to build on our achievements and drive future growth by focusing efforts towards maintaining sustainable business growth via improvements in operational efficiency, risk management and asset quality. These



endeavours, we anticipate, will support us through the expected economic growth of 5.0-5.5 per cent, and the risk of global market uncertainty. Much of the focus in the year ahead will be on the further consolidation of our human capital development initiatives so as to elevate the competencies and competitiveness of our people in areas where we foresee the most growth, including Islamic business, credit financing, business development (banking and credit insurance), as well as advisory services.

ACKNOWLEDGEMENT

As we close the books on 2013, I wish to express my heartfelt thanks to the management and members of the Board, for their unwavering support and contributions during the year under review. On behalf of my fellow members of the Board, I would like to take this opportunity to express our gratitude to the Government of Malaysia (as our shareholder through Minister of Finance Inc. and Federal Lands Commissioner) and Bank Negara Malaysia, for their guidance and cooperation. The confidence of our partners, business associates, relevant government agencies and other stakeholders in spurring the Bank's performance, too are very much appreciated.

There is no doubt the journey ahead will remain challenging. However, with the momentum that we have built, we believe we shall continue to drive sustainable growth. We look forward towards a more prosperous year in 2014.

DATUK MOHD HASHIM BIN HASSAN

Chairman



OPERATIONS REVIEW

BY PRESIDENT/CHIEF EXECUTIVE OFFICER

INTRODUCTION

A trading nation for centuries, Malaysia has benefited from its optimal geographical position at the centre of the world's major shipping lanes. Today, Malaysia's economy is still largely predicated on international trade as indicated by our total trade value of RM1.4 trillion in 2013.

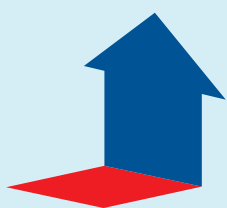
Malaysia's aspiration to be a high-income, developed country by 2020, however, necessitates the vibrant expansion of trade – particularly exports – given the country's small domestic market of 30 million people which may not form an ample base to drive sufficient domestic economic activities to achieve this target.

EXIM Bank, with its mandated role, stands at the forefront of the nation's economic growth agenda. Established in 1985, EXIM Bank was formed by the Government of Malaysia as a Development Financial Institution (DFI) to promote the country's external trade and facilitate the diversification of its export markets, acting as a bridge for outwardly-looking Malaysian companies and reverse investments into the country. With this pivotal role, the Bank remains highly relevant to Malaysia's economic future.

To play a more significant role in the economic agenda of the country, the Bank had undertaken a journey of transformation beginning 2008 with the ultimate goal of achieving sustainable growth for the Bank while increasing our contribution to the country's GDP. The target set was the achievement of an asset size of at least 3 per cent of the country's GDP, in line with other EXIM banks in developed countries, by 2018. Designed as a 3-phase transformation plan, the Corporate Improvement Programme (CIP) was a holistic plan intended to increase operational effectiveness and efficiency through a restructuring of its processes, procedures, governance frameworks, people and technology.

With the positive results of the CIP being fully realised in 2011, the Bank entered into the final phase of our transformation plan, namely business acceleration whereby the growth pace was accelerated but remained sustainable. A target year-on-year business growth rate of 30 per cent was set from 2011 to 2015, which in testament to the Bank's diligence and disciplined execution of the transformation plan, has been met and surpassed for the past 3 years.

A key part of the Bank's successful expansion continues to be a fruitful targeted marketing campaign whereby the Bank actively reaches out to potential customers, at times in partnership with industry associations and relevant government



30%

A target year-on-year business growth rate of 30 per cent was set from 2011 to 2015

agencies, as in the case with SMEs, construction and ICT-based companies which are seen to be new growth sectors for the Bank. This also mirrors the country's movement away from agro-based and commodity-based sectors to service-oriented sectors.

While business acceleration had taken place, it did not come at the expense of prudence as the Bank continued to adhere meticulously to its principles for sustainable growth, including quality asset growth and risk mitigation. To ensure asset quality, only companies that meet stringent requirements such as proven performance and financial viability are taken on. To mitigate risk, the Bank continues to diversify into new markets and new economic sectors with high potential, as well as to diversify our funding sources away from short-term high-risk funding sources towards long-term funding from international financial capital markets.

While we have expanded, our primary mission remains the same: to assist export-oriented Malaysian companies not only with their funding needs, but also to support their endeavour through the promotion of advisory services and risk mitigation tools such as trade credit insurance which is still relatively unknown in Malaysia.

For the year under review, 2013, the Bank pushed forward in business acceleration mode, well on track in terms of meeting growth and profitability targets, while continuing to pursue sustainable growth, as guided by the new business model introduced in 2011. With an overarching theme of improving the Bank relevance and significance to the economy, the initiatives implemented in 2013 have been largely successful in driving the Bank's improved asset quality, focus and overall performance, while propelling greater awareness and recognition of the Bank as Malaysia's premier global bank.

While Malaysian exporters faced a challenging year in 2013 with global uncertainty representing a constant challenge, nevertheless, the Malaysian economy picked up momentum with better economic performance overall. On the back of increased business opportunities, the Bank disbursed a total of RM3.91 billion in loans as well as RM1.9 billion in credit insurance coverage during the year under review.



Dato' Adissadikin bin Ali
President/Chief Executive Officer

OPERATIONS REVIEW

BY PRESIDENT/CHIEF EXECUTIVE OFFICER

Constant innovation and the regular introduction of new and exciting services, products and facilities have helped EXIM Bank to remain at the leading edge of trade financing. In FY2013, the Bank introduced new products such as Vendor Financing Programmes to encourage high-performing SMEs to export as well as Buyer Credit Trade Facilities. The new vendor financing programme is aimed at addressing the working capital needs of highly-rated SMEs that have contracts in hand, with a number of major export-orientated corporations expected to generate higher utilisation in the years to come. With regards to the Buyer Credit Trade Facility, we have established up to USD55 million counterparty limits with 4 banks (in Turkey, India and Vietnam) to facilitate Malaysians transacting in these countries.

New markets, particularly in Asia which is home to two thirds of the world's population, continued to be a focus in 2013. The Bank's departure from our traditional market focus of the West is also in line with Malaysia External Trade Development Corporation's (MATRADE) own assessment of a shifting trade focus towards Asia.

In 2013, the Bank also continued its current trajectory of growing our Islamic business. We are currently mapping all our conventional banking products, transforming them into Islamic offerings with great success. Our efforts extend beyond banking facilities to also include Islamic Trade Credit Insurance as an alternative facility for our customers. To expand our Islamic business further, we sought to increase our Islamic capital fund by launching a USD1.0 billion Multicurrency Sukuk Programme, structured based on Wakalah structure, in September 2013.



**USD1.0
billion**

To increase our Islamic capital fund by launching a USD1.0 billion Multicurrency Sukuk Programme, structured based on Wakalah structure, in September 2013



Our strong performance and growing international stature were undoubtedly crucial factors in helping us to garner several prestigious international awards in 2013. Of note, the Bank was awarded the 'Most Watched Bank 2013 in Malaysia' by InterContinental Finance Magazine (ICFM) United Kingdom in its Global Banking Awards 2013. Earlier in the year, HR Asia also named EXIM Bank Malaysia as one of the Best Company to Work for in Asia 2013. These achievements were not only feathers in our cap, but also testimonies to well-implemented plans, especially in elevating the Bank's presence within the business communities as well as the importance placed on human capital initiatives.

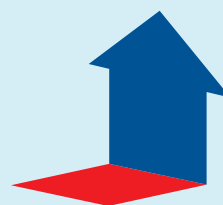
FINANCIAL PERFORMANCE

In FY2013, the Bank's total assets stood at RM8.1 billion, recording a healthy growth of 12 per cent over the previous year. Generally softer economic conditions notwithstanding, the Bank, in utilising a more targeted approach, had managed to steer itself towards markets with high demand, allowing us to disburse a total of RM3.91 billion in net loans and financing against RM3.07 billion in the previous year. This marked a commendable 27 per cent year-on-year increase.

In line with the Bank's transformation plan to build a more sustainable growth trajectory through the reduction of non-performing loans, we are proud to report another year of declining gross and net impaired assets ratios (exclude ECR) to 15.2 per cent and 8.2 per cent, respectively, against 22.2 per cent and 11.2 per cent in the previous year. While attributable to some degree to our enlarged loan asset base, the steady decline in our non-performing loans also bore testament to a focused and dedicated effort on the part of the Bank to building a healthy asset base for long-run sustainability.

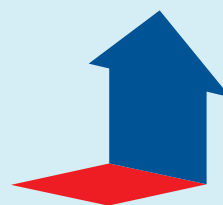
For the year under review, the Bank once again chalked up an increase in its operating revenue, rising by 48 per cent from RM185.2 million in FY2012 to RM273.5 million in FY2013. Likewise, net interest income also marked a 20 per cent increase from the previous year, in sharp contrast to the decline of 13 per cent experienced in the previous year. This points to the Bank's successful management of interest and operational expenses during the year in question.

Overall, the Bank recorded a pre-tax profit of RM190.3 million in FY2013, a commendable increase of 12 per cent from RM169.7 million recorded in the previous year. This was achieved on the back of an increased contribution from our Islamic business, higher income from fees, and lower allowances on loans disbursed during the year on account of asset quality improvements, despite higher operational costs incurred this year.



12%

Bank's total assets stood at RM8.1 billion, recording a healthy growth



48%

An increase in its operating revenue, from RM185.2 million in FY2012 to RM273.5 million in FY2013

OPERATIONS REVIEW

BY PRESIDENT/CHIEF EXECUTIVE OFFICER

BANKING BUSINESS

Our focus on building sustainable growth through quality asset growth, via a targeted optimum portfolio mix which helps to identify and acquire the right blend of borrowers and facility type, continued to yield dividends in FY2013. A more targeted, selective marketing campaign also saw a movement away from traditional sectors such as construction, towards new, high-profit sectors such as manufacturing (including agro-based), property development and export credit financing to become the largest contributors to the banking portfolio in FY2013. In the year under review, our Banking section contributed approximately two-thirds to the Bank's total net income, marking a 67 per cent share.

On the back of this, the Bank recorded a 35 per cent improvement in our interest income from non-impaired loans totalling RM149.2 million from RM110.8 million. The Bank also recorded an increase in its trade finance business. A total of 42 per cent was contributed from the disbursement of trade finance, or total disbursement amounting to RM1,980 million against RM1,160.1 million in the previous financial year.

In line with the Bank's aim to further expand to promote better international trade, the Trade Services and Financial Institutions Department had established 18 new correspondent banking relationships worldwide. Locally, EXIM has also expanded to Sarawak with the opening of its East Malaysia Representative Office (EMRO) in Kuching.



Improvement in our interest income from non-impaired loans totalling RM149.2 million from RM110.8 million



Total loans rose from RM3,151.1 million to RM5,301.5 million.



Risk mitigation will continue to be a priority in building our loan portfolio, with international 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.

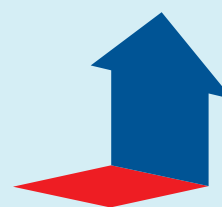
CREDIT INSURANCE BUSINESS

As the only DFI in Malaysia that offers trade credit insurance, the Bank continued to strengthen its position with regards to domestic and international credit insurance in 2013, as evidenced by the increase in the number of new policies issued up from 39 policies in 2012 to 73 in 2013.

Compared to their developed country counterparts, Malaysian traders have limited awareness of the importance of credit insurance in mitigating trade risk such as non-payment in the event of an economic crisis or general uncertainty in the global economy. This may explain its slow uptake among Malaysians. Nevertheless, credit insurance's importance as a banking product can be seen through its emergence as the second most important product to banking in developed countries.

Against this backdrop, throughout 2013, the Bank had doubled its effort to increase awareness amongst local exporters on the benefits of trade credit insurance, which it is anticipated, will allow the Credit Insurance arm of the Bank to grow in tandem. As part of its marketing effort, the Bank continued to actively approach a targeted segment of international traders, in particular those who sought to venture into emerging markets where trading risks are higher. With the right strategy in place, the Bank is confident that credit insurance will be positioned as an important risk mitigation tool by Malaysian exporters, its growing utilisation in the coming years met with great success.

For FY2013, the Bank's credit insurance portfolio stood at RM816.78 million. Comprehensive Policy insurance remained the largest contributor at RM219.62 million, followed by Comprehensive Takaful insurance of RM153.87 million, representing a 27 per cent and 19 per cent share respectively, of the business. The East Asian region, meanwhile, recorded the most significant increase for Medium/Long Term (MLT) Insurance from 1.9 per cent in FY2012 to 50.3 per cent in FY2013, pointing to the increasing success of the Bank's marketing efforts geared towards traders in this region. Meanwhile, MLT insurance for Europe fell from 94.7 per cent in FY2012 to 36.2 per cent in FY2013. For Short Term Insurance, Europe was the trading destination that recorded an increase of 14 per cent, contributing 26 per cent in 2013, compared to 11.2 per cent in 2012.



14%

Short Term Insurance, Europe was the trading destination that recorded an increase of 14 per cent, contributing 26 per cent in 2013, compared to 11.2 per cent in 2012

OPERATIONS REVIEW

BY PRESIDENT/CHIEF EXECUTIVE OFFICER

ISLAMIC CREDIT AND TAKAFUL

Fully in-gear in our fourth year of Islamic banking operations, we are pleased to report a surge in performance in 2013, on the back of increasing demand which had started to gain momentum the previous year.

For the year under review, Islamic banking recorded vibrant asset growth to achieve RM1.5 billion gross advances and financing against RM534 million in 2012, representing a growth of 183 per cent. This led the Bank to increase the share of Islamic financing to total loans to 25.9 per cent, from 14.6 per cent recorded in 2012. Given this steady growth, we are well positioned to achieve our target of growing Islamic financing share to 30 per cent of total loans by 2015.

The Bank's two-year old Credit Takaful business, which provides protection for exporters against the risk on non-payment resulting from commercial or political risks, had also recorded commendable growth, insuring exports worth RM862.79 million in 2013, translating into a premium contribution of RM1.2 million.

In expectation of continued robust growth in Islamic banking in 2014, the Bank had planned for more targeted marketing programmes to be undertaken in the year under review, while continuing to expand the number and types of facilities on offer to cater to customers inclined towards Shariah-compliant business.

DIVERSIFICATION OF FUNDING SOURCES

The Bank is fully reliant on capital and bank borrowings to fund our asset growth, unlike commercial banks that can rely on deposits for this purpose. In an effort to reduce our reliance on short-term tenured borrowings, as well as to manage the tenor gap and mitigate foreign exchange risk, the Bank had decided in 2012 to pursue international capital market financing.

Following the successful launch in 2012 of our Multicurrency Medium Term Notes (MTN) programme valued at USD1.5 billion, in 2013, the Bank established a US\$1 billion Multicurrency Sukuk Issuance Programme under a special purpose vehicle (SPV) called EXIM Sukuk Malaysia Bhd. We take great pride in being the first export-import bank in the world to undertake such an exercise.

To begin with, we had successfully priced our USD300 million, five-year, Reg-S sukuk issuance at 140 basis points over US Treasury (UST) securities, which resulted in an all-in yield of 2.874 per cent per annum. The successful pricing of our sukuk indicates strong investor demand and trust in the Bank, especially



Islamic banking recorded vibrant asset growth to achieve RM1.5 billion gross advances and financing against RM534 million in 2012

taking into consideration that the sukuk was oversubscribed by approximately 10 times with orders amounting to US\$3.2 billion which was fully distributed to over 185 Islamic and conventional investors.

The successful pricing came on the back of a positive rating by internationally renowned rating agencies, Moody's Investor's Services and Fitch Ratings. Bestowing a rating outlook of positive, Moody's had assigned an A3 rating to this sukuk issuance, which is the same level as the A3 foreign-currency senior unsecured debt rating of EXIM. Fitch Ratings, meanwhile, assigned the Sukuk a final rating of 'A-'.

Moody's Investors Service had also assigned an A3 rating to our proposed HKD-denominated senior unsecured fixed-rate notes, giving us a stable outlook rating. Likewise, Moody's also gave an A3 rating on our long-term foreign currency senior unsecured debt and (P) A3 on the Bank's long-term foreign currency senior unsecured MTN programme with a stable outlook.

All these are important milestones for the Bank. These ratings indicated the confidence that the rating agencies have in our transformation plan, as well as the internal process, procedures and systems that we have put in place, in addition to the relevancy of the Bank in the overall nation's economic agenda.

STRATEGIC DIRECTION: GOING FORWARD

While the slower growth of the global economy in FY2013 had posed many challenges to the Bank in fulfilling its mandated role, nevertheless, many new opportunities also arose making for an eventful and exciting year. With strong discipline and meticulousness to stay the course through the uncertain times, we continued to make admirable progress on our transformation course, achieving most, if not all, of our headline KPIs for the year.

The Bank's growth prospects in 2014 will continue to be influenced by the global economy, though the degree would be moderated by risk mitigation measures, including market and sector diversification, that we continue to undertake.

Real GDP growth is projected to be a moderate 5 to 5.5 per cent on the back of rising cost of living and challenges to real economic activities. However, external demand is expected to provide strong support for GDP growth, given gaining momentum of the world economy. This augurs well for the Bank, as we will be well positioned to take advantage of improving economic conditions in markets in which we have exposure, and expanding into new markets should conditions be favourable.

OPERATIONS REVIEW

BY PRESIDENT/CHIEF EXECUTIVE OFFICER

Our emphasis will continue to be on Asian countries with special focus on untapped markets, taking into consideration our own strength in sectors such as infrastructure and construction. We will continue to ensure sustainable investments based on our target optimum portfolio mix with any potential risks weighed carefully.

In line with our mandate and positioning as the preferred choice for international trade financing for export-oriented Malaysian companies, the Bank will continue to make any strategic and operational improvements necessary, including reviewing and improving every aspect of our business – comprising approach, people and capacity – to improve our performance and profitability, value-adding to our customers and enhancing our significance to the national economy in the process. Measures to ensure the long-term sustainability of our business will continue to be undertaken to enable us to continuously discharge our mandate effectively. In this, we will continue to be guided by the established risk management framework that ensures the sufficiency of capital, quality assets and optimal liquidity is maintained at all times.

In FY2014, we expect to expand our international project financing profile through international syndication as we anticipate more opportunities to be presented based on our earlier success in similar projects undertaken in Indonesia in FY2013. We are well placed to offer our capabilities in tandem with the other players in the region for a range of sectors, such as oil and gas where we have proven success, and we anticipate playing a more substantial role in funding such ventures in FY2014.

We also take cognisance of the low public awareness of credit insurance facilities despite its value as an important safety net for those involved in international or domestic trade. Thus, in FY2014, we will make a concerted push to deepen awareness of the importance of credit insurance among our relevant target markets, a move which we anticipate will help to grow the Bank's Credit Insurance division's share of our overall business.

Overall, we anticipate another year of accomplishments in 2014 despite the vagaries of an uncertain and challenging economic environment. On the back of our strong year-on-year growth, we remain on track and fully prepared to support new and existing customers seeking to expand their brand presence internationally.



ACKNOWLEDGMENTS

The Bank has shown tremendous progress in the past few years, surpassing our targets each year and winning a number of awards. Indeed, I see a very bright future for the Bank and its employees, as we go forward on our path towards being the preferred financial institution for Malaysian cross-border ventures.

To all the personnel of EXIM Bank, I wish to pay a sincere tribute to your belief and hard work in implementing the transformation agenda. Each of us must realise the value that we as individuals bring to the Bank. Reciprocally, I would also remind you of the value that each of us derives from serving the Bank. As Malaysia's sole international trade finance bank, the unique and invaluable experience gained serves as an opportunity to mould ourselves to be a truly global banker, exposed to the legal systems and banking institutions the world over. The Bank's management and I remain committed to ensure that all personnel will have these opportunities open to them, as together we take EXIM Bank to new heights.

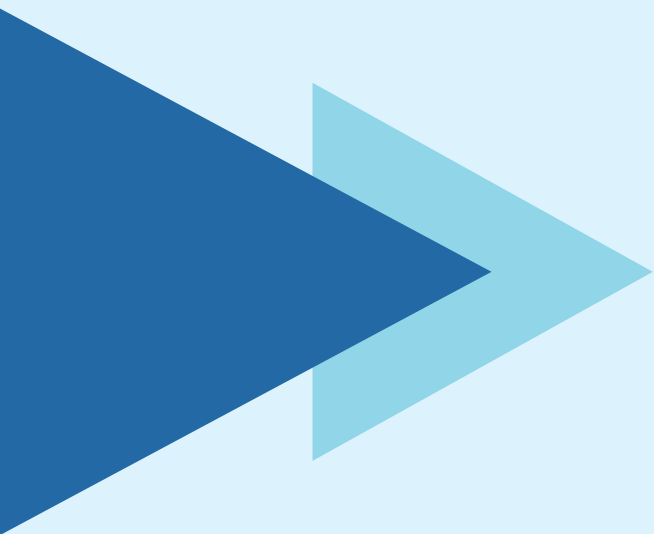
To the Board of Directors, I thank you for the patience, trust and understanding granted to the Management and I. To the Government and Bank Negara Malaysia, we remain deeply appreciative of the trust they have placed on us, which we will continuously endeavour to deserve. To our business partners, associates, regulatory authorities and other stakeholders, I would like to record our sincere appreciation for the spirit of collaboration and teamwork which has pervaded our relationships, helping to elevate our performance over the years. Last but not least, we extend our heartfelt gratitude to our clients, whose continued belief and confidence in EXIM Bank serve as the foundation of our continuous quest to develop and improve our performance.

As we mark another past year of accomplishments against a backdrop of challenging circumstances, I am deeply heartened to know that our transformation plan has proven itself and continues to serve as a valuable guide to support our efforts as we forge ahead to expand the Bank's frontiers, extending our relevance and significance to all our stakeholders.

In the years ahead, I foresee much to which we can look forward to. I remain steadfast in my belief that with a shared commitment to excellence coupled with meticulous planning, we will be able to enhance our long-term value, paving the way towards achieving our long-term vision of being a recognised global trade finance institution.

DATO' ADISSADIKIN BIN ALI

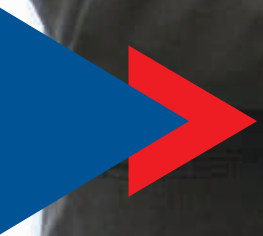
President/Chief Executive Officer



Excellent companies need an excellent banking partner. EXIM Bank's clientele represent Malaysia's best enterprises with world-class products and skills to serve the demanding international market. Recognising this, we have made it our mission to identify and support high-impact enterprises seeking to become global players, resulting in significant improvements to our asset portfolio quality over the years.

Extending A Record Of

EXCELLENCE



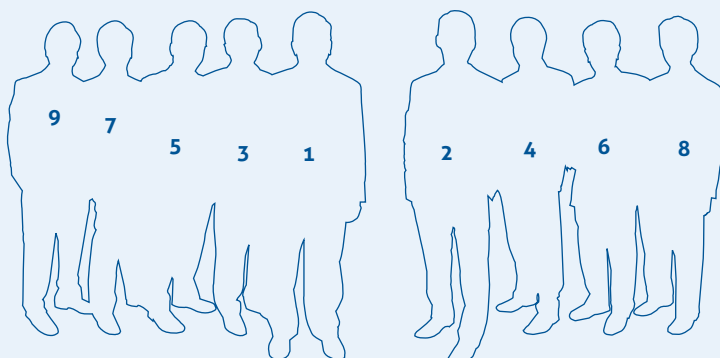
NCE

BOARD OF DIRECTORS



- 1 **DATUK MOHD HASHIM BIN HASSAN**
Chairman
- 2 **DATO' ADISSADIKIN BIN ALI**
President/Chief Executive Officer
- 3 **ZAKARIA BIN ISMAIL**
- 4 **DATO' ROSLI BIN MOHAMED NOR**

- 5 **DATO' DR. MOHD ISA HUSSAIN**
- 6 **NIK NAJIB BIN HUSAIN**
- 7 **DATO' AGIL NATT**
- 8 **ISMAIL BIN MAHBOB**
- 9 **WONG SENG FOO**



PROFILE: BOARD OF DIRECTORS



Datuk Mohd Hashim bin Hassan
Chairman

Datuk Mohd Hashim bin Hassan is the Chairman of EXIM Bank, a position he has held since 2008.

He has had a long and varied career, beginning in 1970 as a food technologist attached to the Ministry of Agriculture. In 1975, he joined the Malaysian Agricultural Research and Development Institute (MARDI), working his way up to his final appointment as Director of the Food Technology Division in 1981. After 15 years with MARDI, Datuk Mohd Hashim had a brief stint with Harrisons Malaysia Plantation before joining Kumpulan FIMA Berhad in 1985 where he served as General Manager until his appointment as the Executive Director of FIMA Metal Box in 1990.

Thereafter, Datuk Mohd Hashim began his stint in public service, serving the Kedah State Government as Chief Executive Officer between 1993 and 1996. 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 from 1994 to 1997.

In 1996, Datuk Mohd Hashim joined Putrajaya Holdings Sdn. Bhd., first as its Chief Executive Officer in 1996, then as its Deputy Chairman in 2002, and finally, as its Chairman in 2003 until 2004. He also served as Chairman of Pedoman Semarak Sdn. Bhd. between

2002-2005; Chairman of Padiberas Nasional Berhad between 2004 and 2006; and Chairman of Juta Asia Properties Sdn. Bhd. between 2005 and 2009.

Between 2003 and 2012, Datuk Mohd Hashim also held directorships in several prominent companies, including Bank Kerjasama Rakyat Malaysia Berhad (2003-2010); Sinaria Corporation Berhad (2009-2010); Al-Hijrah Broadcasting Corporation (2009-2010); Amanah Raya Berhad (2005-2011); and Lebtech Berhad (formerly known as Lebar Daun Berhad) (2004-2012).

In June 2005, Datuk Mohd Hashim also became a member of the Investment Committee of the Employees Provident Fund and subsequently, in 2007-2008 was appointed to its Board of Directors. He was also appointed as Chairman of Amanah Raya Development Sdn. Bhd. from 2005 to 2012 and Amanah Raya Hartanah Sdn. Bhd. from 2007 to 2012.

Datuk Mohd. Hashim graduated from the University of Malaya with a Bachelor's degree in Agricultural Science (Honors). He also holds two Masters degrees, in Food Science from Michigan State University, United States, as well as in Business Administration from Ohio University, United States.

Dato' Adissadikin bin Ali
President/Chief Executive Officer



Dato' Adissadikin bin Ali is the President/Chief Executive Officer of EXIM Bank, a position he has held since September 2010. Prior to this, he served as the Chief Operating Officer of EXIM Bank since 2008. He is also presently 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.

Dato' Adissadikin began his career as a Management Trainee Executive with Renong Berhad in 1995. During his four year tenure with the Group, he served in various 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, later on becoming 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 rationalisation program in Bank Islam.

Dato' Adissadikin 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.

PROFILE: BOARD OF DIRECTORS



Zakaria bin Ismail

Director

Zakaria bin Ismail was appointed as a Director of EXIM Bank in September 2008. He is also the current Director of Syarikat Takaful Malaysia Berhad.

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.

Returning to Bank Negara Malaysia thereafter, he assumed a number of positions at various departments from Economics, Banking Supervision, Investment, Insurance Supervision and Insurance Regulation, holding positions from Manager, Deputy Director and Director. Zakaria then served as Director of Credit Guarantee Corporation Malaysia Berhad from 1995 to 1996 as well as 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 again seconded as Director of Training and Administration for the South East Asia Central Bank Training and Research Centre (The SEACEN Centre) until his retirement in November 2007, after which he joined EXIM Bank.

Zakaria holds a Master of Arts in Economics and Master in Business Administration from Boston University, USA as well as a Bachelors degree in Economics (Honours) from University of Malaya. He is also an Associate of The Institute of Bankers, London.

Dato' Rosli bin Mohamed Nor
Director



Dato' Rosli bin Mohamed Nor joined EXIM Bank as a Director in September 2009. Presently, he is also the Business Development Director of a company wholly owned by TRC Synergy Berhad, listed on Bursa Malaysia. He also sits on the Boards of ADS Projek Sdn. Bhd., Guomara Sdn. Bhd., KMK Plus Sdn. Bhd., KMK Ventures Sdn. Bhd. and Econpile Holdings Bhd. Econpile Holdings Bhd. is scheduled for listing on Bursa Malaysia in the middle of 2014.

Dato' Rosli has built a long and steady career in infrastructure development and construction, starting 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 Contractor. The company undertook various projects that included 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.

Thereafter, he continued to develop new businesses, including KMK Plus Sdn. Bhd. (construction), Landas Idaman Sdn. Bhd. (property development) and Guomara Sdn. Bhd. (coal trader), of which he currently retains shareholdings.

Dato' Rosli holds a Bachelor of Science in Civil Engineering from Brighton University, United Kingdom. He also attended a Finance Course at Harvard Business School in the United States.

PROFILE: BOARD OF DIRECTORS



Dato' Dr. Mohd Isa Hussain

Director

Dato' Dr. Mohd Isa Hussain was appointed as a Director of EXIM Bank in May 2011. He also currently serves as the Deputy Under Secretary of Government Investment Companies in the Ministry of Finance Malaysia.

Dato' Dr. Mohd Isa has also been appointed onto the Boards of several companies owned by MOF Inc., including Felcra Bhd., Permodalan Felcra Sdn. Bhd., Felcra Properties, Felcra Cambodia, Lembaga Pembangunan Langkawi (LADA), Lembaga Pelaburan Kelang (LPK), Integrated Nautical Resort (INR), Garuda Suci Sdn. Bhd., K.L. International Airport Bhd., Penang Port Holdings Bhd., Pelaburan Hartanah Bhd., Syarikat Jaminan Pembiayaan Perniagaan Bhd., Syarikat Jaminan Kredit Perumahan Bhd., Piramid Pertama Sdn. Bhd., Danaharta Hartanah Sdn. Bhd. and Assets Global Network Sdn. Bhd.

Dato' Dr. Mohd Isa began his career in 1983 as Assistant Director in the Prime Minister's Department and subsequently appointed as Assistant Director at the Pahang State Economic Planning Unit of Pahang in 1985.

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

He moved to the Ministry of Transport Malaysia in 2008 as Deputy Secretary General (Operation). Prior to assuming his current position, he was appointed as Interim Head of the Public Land Transportation Commission (SPAD) from 2009 to 2010.

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

Nik Najib bin Husain
Director



Nik Najib bin Husain was appointed as a Director of EXIM Bank in June 2011.

Nik Najib started his career in the public sector where he served in the Economic and Finance Divisions in the Ministry of Finance, Malaysia from 1973 to 1990. During his time with MOF, Nik Najib was responsible for managing the Government's external borrowings from the World Bank, Overseas Economic Cooperation Fund of Japan (OECF) and Kreditanstalt für Wiederaufbau of Germany (KfW) as well as the Government's lending programme to the State Governments for housing and water sectors.

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

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

Nik Najib holds a B. A. Econs. (Hons) from University of Malaya and Masters in Public Administration from University of Wisconsin-Madison, U.S.A.

PROFILE: BOARD OF DIRECTORS



Dato' Agil Natt
Director

Dato' Agil Natt joined EXIM Bank as a Director in February 2012. Presently, he is also the Independent and Non-Executive Chairman of Credit Guarantee Corporation Malaysia and Manulife Insurance Berhad and sits on the Boards of Cagamas 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 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. He then joined Kleinwort Benson Ltd. serving as its Regional Chief Representative.

Thereafter, Dato' Agil joined the Maybank Group where he served in various senior management positions,

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.

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.

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

Ismail bin Mahbob

Director



Ismail bin Mahbob was appointed as a Director of EXIM Bank in August 2012.

Ismail has vast experience in 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 with Magnet Insurance Brokers, Kota Kinabalu. In 1979 he joined Progressive Insurance Sdn. Bhd. where he served in various managerial positions until 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.

In 1997, he moved to Labuan Reinsurance (L) Ltd. and served as a Senior Vice President. At Labuan Reinsurance, Ismail was entrusted with developing new markets covering countries in Africa, the 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 until his retirement in mid 2012.

Utilising his knowledge and experience, Ismail has also contributed towards the production of a book on takaful and mutual insurance produced by the World Bank.

Ismail holds a Diploma in Marketing from Chartered Institute of Marketing, United Kingdom, and is a member of the Associate Chartered Islamic Finance Professionals (ACIFP), Malaysia. He is currently a Board member of Saudi Reinsurance Company, Saudi Arabia and an Adjunct Fellow of College of Business, University Utara Malaysia, Malaysia.

PROFILE: BOARD OF DIRECTORS



Wong Seng Foo
Director

Wong Seng Foo was appointed as a Director of EXIM Bank in October 2012. He also holds the post of Senior Director of Economic and Trade Relations Division of the Ministry of International Trade and Industry (MITI), a position he has held since 2009.

Since joining MITI in 1983, Wong Seng Foo has served in many capacities, whilst specialising in issues related to Malaysia's participation in intra-ASEAN economic cooperation. He started out as Assistant Director attached to the ASEAN Economic Cooperation Unit of the International Trade Division where he was responsible for ASEAN regional trade initiatives and programmes, including the coordination of Malaysia's participation in the ASEAN Dialogue Partners relating to trade and economic issues.

Between 1989 and 1991, he was attached to the Industrial Development Division of MITI where he oversaw regional investment and industrial coordination programmes in the context of ASEAN. His scope of work also included bilateral trade

investment promotion policy relating to Investment Guarantee Agreements and industrial cooperation programmes within the EC and UN bodies. In 1992, as Principal Assistant Director of Multilateral Trade Relations Division, he oversaw WTO/GATT affairs and multilateral trade relations in the context of UN and other international bodies.

In 2001, he served as Minister-Counselor (Economic) attached to the Embassy of Malaysia in Washington D.C., U.S.A. for 5 years, before returning to Malaysia to assume the position of Director of Investment and Industrial Strategy (2006-2007) and Senior Director of Trade Policy and Negotiations (2007-2009).

Wong Seng Foo holds a Master 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).



SHARIAH COMMITTEE

(Seated)

**DATO' DR. MOHD ALI
BIN HAJI BAHARUM**
(Chairman)

(From left to right)

**ASSOC. PROF. DR. MEK WOK
BINTI MAHMUD**

**DR. SHARIFAH FAIGAH
BINTI SYED ALWI**

**DR. ZAHARUDDIN
BIN ABD. RAHMAN**

**DR. ZULKIFLI
BIN HASAN**

**DR. SUHAIMI
BIN AB. RAHMAN**

**HJ. ABD. RASID
BIN ABD. KADIR**





PROFILE: SHARIAH COMMITTEE



Dato' Dr. Mohd Ali bin Haji Baharum (Chairman)

Dato' Dr Mohd Ali bin Haji Baharum holds a PhD (Law) from University of Essex, England. He also holds a Master in Law (LLM) from University of Malaya and a Degree in Islamic Studies (Hons) from University Kebangsaan Malaysia. He has been awarded a Diploma of Translation and Diploma in Arabic from Islamic Africa Centre Sudan, Master of Business Administration from Universiti Kebangsaan Malaysia and Diploma of English from Stamford College. Dato' Dr. Mohd Ali's portfolio includes being the member of Shariah Advisor of banks and trust funds vis-a-

vis Bank Negara Malaysia, Securities Commission Malaysia, Bank Pertanian Malaysia Berhad, the Royal Bank of Scotland Berhad, RHB Capital Berhad, Permodalan Unit Trust Terengganu Berhad, Opus Asset Management Sdn. Bhd. and in addition to being a member of the Board of Directors of Kanz Holding Sdn. Bhd. He was appointed as the Chairman of EXIM Bank's Shariah Committee on 4 March 2013. Presently, he is the Chairman of Koperasi Pembiayaan Syariah ANGKASA Berhad (KOPSYA) and Shariah Advisor for BNP Paribas.



Hj. Abd. Rasid bin Abd. Kadir

Hj. Abd. Rasid bin Abd. Kadir holds a Masters Degree in Business Administration (MBA), a 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 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.



Dr. Suhaimi bin Ab. Rahman

Dr. Suhaimi Ab. Rahman is a Senior Lecturer at the Faculty of Economics and Management Universiti Putra Malaysia (UPM) and the Head of the Research Program in Halal Business and Management at the Halal Products Research Institute, UPM. He holds a PhD in Law from the University of Wales, Aberystwyth, United Kingdom and Masters in Comparative Law from the International Islamic University, Malaysia. He obtained his first degree in Syariah from Al-Azhar University, Egypt. He was appointed as a member of EXIM Bank Shariah Committee on 16 September 2011. At UPM, he is a Shariah Committee member of Dana Wakaf Ilmu UPM and Koperasi UPM Berhad. He has been an advisor for SIRIM, Halal Development Corporation (HDC), JAKIM and National Fatwa Councils in developing national Halal policies and standards. To date, he has been invited and moderated several seminars in Halal and Shariah compliant transactions throughout the country. He has also published books and various articles in academic and professional journals.

PROFILE: SHARIAH COMMITTEE



Assoc. Prof. Dr. Mek Wok binti Mahmud

Assoc. Prof. Dr. Mek Wok Mahmud was appointed as a member of EXIM Bank Shariah Committee on 7 December 2012. She holds a PhD 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 specialisation 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 holds a PhD in Islamic Banking and Finance from International Islamic University, Malaysia. She also holds a Master in Shariah (Islamic Banking) from University of Malaya where she also obtained her B.A. (Hons) Shariah (Economics). She is a senior lecturer in the Islamic Banking Department at the Faculty of Business Management, Universiti Teknologi MARA (UiTM). She also holds a position as the Coordinator of Quality and Accreditation in Arshad Ayub Graduate Business School UiTM. 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 a member of Shariah Committee of EXIM Bank on 7 December 2012. She has presented many papers, particularly on Islamic Trade Finance in various seminars and conferences both locally and internationally.



Dr. Zulkifli bin Hasan

Dr. Zulkifli Hasan is a senior lecturer at the Faculty of Shariah and Law, Islamic Science University of Malaysia (USIM). He holds a PhD in Islamic Finance from Durham University, U.K. 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 December 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 a member of Shariah Committee of Affin Islamic Bank.

His industry experience include as an 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 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.



Dr. Zaharuddin bin Abd. Rahman

Dr. Zaharuddin bin Abd. Rahman holds a PhD in Shariah and Islamic Finance from the University of Wales, United Kingdom. He also holds a Master in Islamic Law (Hons) from Al-Yarmouk University, Jordan and a Bachelor of Arts (Hons) in Usuluddin from University of Malaya. He is one of the few Shariah scholars in Islamic Banking and Finance who possess both strong academic research background and hands on Islamic finance application in Islamic banks. He was appointed as a member of Shariah Committee of EXIM Bank on 2 April 2013. He has written numerous books and hundreds of articles on Islamic Jurisprudence and Islamic Banking and other Shariah journals, including local and international magazines. He frequently appears on local television and radio presenting on various Shariah issues especially with regard to Islamic commercial transactions. He also advises other Islamic Financial Institutions and corporate companies in Malaysia and abroad. He currently serves as an Assistant Professor at the Kuliyyah of Economics & Management Sciences, International Islamic University, Malaysia.

MANAGEMENT TEAM



1 DATO' ADISSADIKIN BIN ALI
President/Chief Executive Officer

2 WAN ZALIZAN WAN JUSOH
Chief Operating Officer

3 NORZILAH MOHAMMED
Chief Risk Officer

4 THARIQ ABDULLAH
Head, President/CEO Office

5 NORLELA SULAIMAN
Chief Financial Officer

6 JULINA MOHD SALLEH
Company Secretary

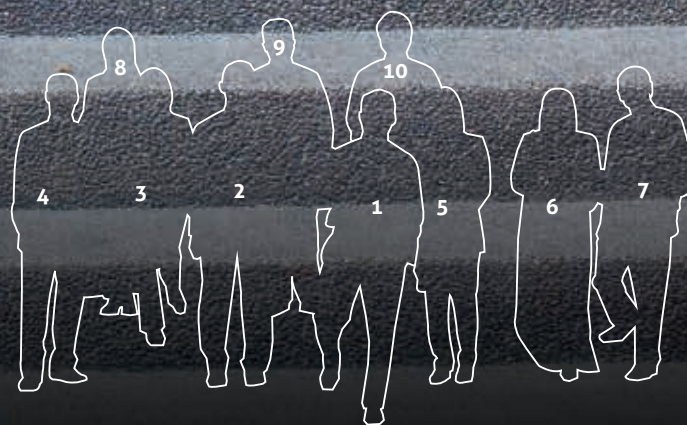
7 MOHD NASIR JOHAR
*Head, Communications
& Stakeholder Management*

8 NOR AIDAH MOKHTAR
Head, Human Capital Management



9 CHAIRIL MOHD TAMIL
Chief Business Officer

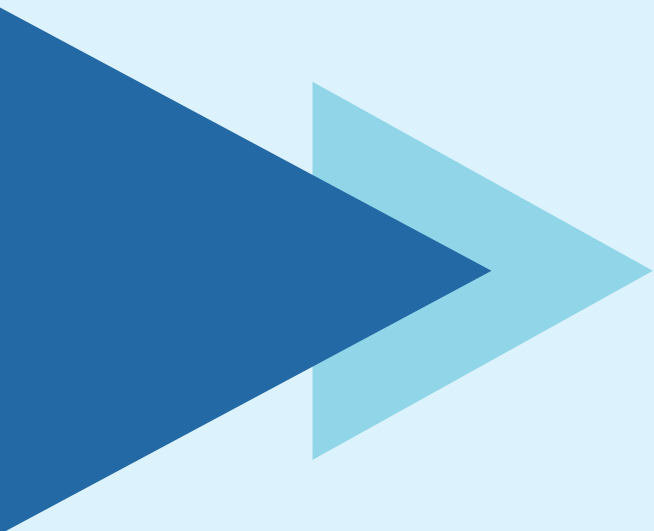
10 AMINUDDIN BIN BASHAH
Chief Credit Officer



Bridging Opportunities Through

INNOVAT

Innovation distinguishes leaders from followers. EXIM Bank continues to drive the movement into global markets through our innovative solutions to facilitate trade and investment in the services, manufacturing and technology sectors. EXIM Bank's offerings – including cross-border finance, project guarantees and credit insurance – are designed to remove the guesswork, making our clients entry into international markets a smooth and rewarding experience.



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CORPORATE GOVERNANCE DISCLOSURE REPORT

INTRODUCTION

The Board of Directors (Board) of Export-Import Bank of Malaysia Berhad (EXIM Bank) is committed to high standards of good corporate governance by continuously advocating transparency, accountability, responsibility and integrity, subscribes to the Principles and Best Practices of 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) in achieving an optimal governance framework and maximising the shareholder value of EXIM Bank.

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 President/Chief Executive Officer (P/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 P/CEO of the Bank.
- iii) To approve succession planning policy and continuously monitor P/CEO and senior management officers' performance.
- iv) To approve key human resource matters including selection, recruitment, termination and promotion of senior management officers.
- v) To approve human resource policies including compensation package and benefits pertaining to Management and staff of the Bank.
- vi) To approve changes to the corporate organisation structure of the Bank.

5. Responsibilities in relation to Anti-Money Laundering 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;

CORPORATE GOVERNANCE DISCLOSURE REPORT

- 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, 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 (P/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 P/CEO so that no individual or group dominates the decision-making process. A brief profile of each member of the Board is presented on pages 028 to 036 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 EXIM Bank's Policy on Fit and Proper Criteria (Fit and Proper Policy) Policy on the Appointment/ Reappointment of Chairman, Directors and P/CEO of EXIM Bank.

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

1. Probity, personal integrity and reputation

The person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.

2. Competence and Capability

The person must have the necessary skills, experience, ability and commitment to carry out the role.

3. Financial Integrity

The person must manage his debts or financial affairs prudently.

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 2013, the Board met 16 times. All Directors have complied with the requirement that Directors must attend at least 75 per cent 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.

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 2013 are as follows:-

NO	NAME OF DIRECTOR	NO. OF MEETING ATTENDED *
1	Datuk Mohd Hashim bin Hassan (Chairman)	16/16
2	Zakaria bin Ismail	16/16
3	Dato' Rosli bin Mohamed Nor	15/16
4	Dato' Dr. Mohd Isa Hussain	14/16
5	Nik Najib bin Husain	15/16
6	Dato' Agil Natt	15/16
7	Ismail bin Mahbob	16/16
8	Wong Seng Foo	14/16
9	Dato' Adissadikin bin Ali	15/16

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

Training and Development of Directors

Newly appointed Directors are required to attend an induction programme coordinated by the Management of the Bank in order to facilitate new Directors with the necessary information and overview to assist them in understanding the operations of the Bank and appreciating the challenges and issues the Bank faces in achieving its objectives. The programme covers subject matters, amongst others, EXIM Bank business and strategy, work processes and Board Committee

and the duties and responsibilities of Directors of financial institutions.

For financial year ended 2013, all Directors appointed to the Board, have attended various training programmes and seminars held in Malaysia and abroad for their continuing education and skills improvement.

As commenced in 2008, Board members have also attended a key training programme for Directors of financial institutions, namely Financial Institutions Directors' Education (FIDE). Additionally, EXIM Bank is a registered corporate member of the FIDE Forum since July 2013, which was established with the aim of allowing FIDE alumni members to become leading influencers of governance practices and thought leaders within financial institutions, and to benefit from, among others, the roundtree discussions, and industry update sessions and materials provided by subject matter specialists.

Training programmes, conferences and forums attended by the Directors for the financial year ended 31 December 2013 were as follows:-

1. FIDE/ICLIF

- FIDE Core Programme by ICLIF: Leadership and Governance Centre
- FIDE Forum: Breakfast Talk on the Personal Data Protection Act 2010
- FIDE Elective Programme: Winning The War for Talent Program
- FIDE Elective Programme: The Directors' Legal Tool-Kit

2. External Seminars/Conferences

- Corporate Directors Onboarding Programme
- Directors Forum: Board Rising to the Challenges of Corporate Entrepreneurship
- Breakfast Talk: Successful Corporate Banking – Focus on Fundamentals, An Ernst & Young Global Survey of Corporate Financial Executives
- Breakfast Talk: Y.Bhg. Tan Sri Datuk Seri Dr. Sulaiman Mahbob – National Economic Development and Challenges
- Breakfast Talk: Linda Price – What the Board Needs to Ask About It
- Talk: Leading a Learning Organisation in an Age of Change

CORPORATE GOVERNANCE DISCLOSURE REPORT

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 (<i>Chairman</i>) RM2,000.00 per meeting
Board Credit Committee (maximum twice a month)	– RM2,000.00 per meeting (<i>Chairman</i>) 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 (<i>Chairman</i>) RM2,000.00 per meeting

The Directors' aggregate remuneration for FY2013 distinguishing between ED and NEDs is set out on page 152 of this Annual Report.

BOARD COMMITTEES

The Board has established the Board Credit Committee (BCC), Board Audit Committee (BAC), Board Risk Committee (BRC), Remuneration Committee (RC) and Nomination Committee (NC) to assist the Board in discharging its duties and responsibilities. This delegation ensures that adequate time is devoted by the Board members to the independent oversight of key controls. All five (5) Board Committees are chaired by Independent Non-Executive Directors, who are responsible for the effective operation of the Board Committees and the fulfilment of their duties, as clearly outlined in the Terms of References approved by the Board.

The Board Committees report to the Board on their deliberations, findings and recommendations. The Chairmen of the Board Committees will report to the Board on matters dealt with at their respective Committee Meetings. Minutes of the Board Committees are also presented at the Board meeting for further discussion and direction. The Board accepts that while these Committees have the authority to deliberate on matters delegated to them, all decisions and/or recommendations made by these Committees are brought to the attention of the Board, who is collectively responsible for the Bank's business, strategy, risk management, operational and financial performance and success.

Further details of the Board Committees are set out below:-

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

Based on the Terms of Reference of the BCC, the meeting is to be held at least twice a month. During the financial year ended 31 December 2013, the Board Credit Committee met 25 times. Details of members of the Committee and attendance of each member for year 2013 are as follows:-

NO.	NAME OF DIRECTOR	NO. OF MEETING ATTENDED *
1	Datuk Mohd Hashim bin Hassan (Chairman)	25/25
2	Zakaria bin Ismail	25/25
3	Dato' Rosli bin Mohamed Nor	25/25
4	Dato' Dr. Mohd Isa Hussain	21/25
5	Nik Najib bin Husain	24/25
6	Dato' Agil Natt	21/25
7	Ismail bin Mahbob	23/25
8	Wong Seng Foo	19/25
9	Dato' Adissadikin bin Ali	23/25

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

CORPORATE GOVERNANCE DISCLOSURE REPORT

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 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

Based on the Terms of Reference of the BAC, the meeting is to be held at least once every quarter. During the financial year ended 31 December 2013, the BAC met 7 times. Details of members of the Committee and attendance of each member for year 2013 are as follows:-

NO.	NAME OF DIRECTOR	NO. OF MEETING ATTENDED *
1	Nik Najib bin Husain (<i>Chairman</i>)	7/7
2	Dato' Rosli bin Mohamed Nor	7/7
3	Dato' Agil Natt	7/7
4	Zakaria bin Ismail	7/7
5	Ismail bin Mahbob	6/7

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

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 other supervisory authority.
- Review internal controls, including the scope of the internal audit programme, the internal audit findings, and recommend action to be taken by management. The reports of internal auditors and BAC should not be subject to the clearance of the Chief Executive Officer or Executive Directors.
- Approve the Audit Charter before being endorsed by the Board, so that the internal audit function may be effectively discharged.
- Approve the audit plan for the internal audit and should be flexible to respond to changing priorities and needs.
- Ensure that adequate and appropriate resources are made available to the internal audit function and the compensation scheme of internal auditors are consistent with the objectives and demands of internal audit function.
- Ensure that the continuing professional development for internal audit staff and to ensure that they have sufficient up to date knowledge of auditing and the activities of the Bank.

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

Based on the Terms of Reference of the BRC, the meeting is to be held at least once every quarter. During the financial year ended 31 December 2013, the Board Risk Committee met 11 times. Details of members of the Committee and attendance of each member for year 2013 are as follows:-

NO.	NAME OF DIRECTOR	NO. OF MEETING ATTENDED *
1	Dato' Agil Natt (<i>Chairman</i>)	11/11
2	Zakaria bin Ismail	11/11
3	Dato' Rosli bin Mohamed Nor	11/11
4	Nik Najib bin Husain	10/11
5	Ismail bin Mahbob	9/11

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

CORPORATE GOVERNANCE DISCLOSURE REPORT

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

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 risk 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 processes and internal controls throughout the Bank; and approving the Bank's key risk control and mitigation processes.
- Periodically reviewing risk exposures of the Bank in line with its risk strategy and objectives.
- Determining and empowering (to the MRC or members of management) the authority to approve deviations from limits and the extent of deviations from limits.
- Approving the contingency plan for dealing with various extreme internal/external events disasters.

- Ensuring the adequacy of tools, systems and resources for the successful management of risk management functions within the Bank.
- Reviewing the progress of all core risk management initiatives within the Bank.

Remuneration Committee

1. Objective

The primary objective of the Remuneration Committee is to provide a formal and transparent procedure for developing a remuneration policy for Directors, President/Chief Executive Officer (P/CEO), 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

Based on the Terms of Reference of the RC, the full committee is to be held at least once a year. During the financial year ended 31 December 2013, the RC met 5 times. Details of members of the Committee and attendance of each member for year 2013 are as follows:-

NO.	NAME OF DIRECTOR	NO. OF MEETING ATTENDED *
1	Dato' Rosli bin Mohamed Nor (Chairman)	5/5
2	Zakaria bin Ismail	5/5
3	Dato' Dr. Mohd Isa Hussain	4/5
4	Nik Najib bin Husain	5/5
5	Dato' Agil Natt	5/5

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

CORPORATE GOVERNANCE DISCLOSURE REPORT

3. Roles and Responsibilities

- i) To propose and recommend to the Board the remuneration policy and guidelines for the Directors, P/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 organisation 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 subsidise 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, P/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, P/CEO, CFO, CBO, CRO and CCO;
 - 3) Take due consideration of the assessments of the nominating committee of the effectiveness and contribution of the Director, P/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 is to establish a documented, formal and transparent procedure for the appointment of Directors, P/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 P/CEO, COO, CFO, CBO, CRO and CCO.

2. Composition

Based on the Terms of Reference of the NC, the full committee is to be held as and when required, at a minimum of once a year. During the financial year ended 31 December 2013, the NC met 12 times. Details of members of the Committee and attendance of each member for year 2013 are as follows:-

NO.	NAME OF DIRECTOR	NO. OF MEETING ATTENDED *
1	Zakaria bin Ismail (<i>Chairman</i>)	12/12
2	Dato' Rosli bin Mohamed Nor	12/12
3	Dato' Dr. Mohd Isa Hussain	9/12
4	Nik Najib bin Husain	12/12
5	Dato' Agil Natt	11/12

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

3. Roles and Responsibilities

The functions and responsibilities of the NC are as follows:-

- To establish minimum requirements for the Board and the P/CEO to perform their responsibilities effectively. It is also responsible

for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required, through annual reviews;

- To recommend and assess the nominees for directorship, the Directors to fill Board committees, as well as nominees for the P/CEO. This includes assessing directors and P/CEO proposed for reappointment, before an application for verification is submitted to Bank Negara Malaysia;
- 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;
- To recommend to the Board on removal of a Director if he is ineffective, errant or negligent in discharging his responsibilities;
- To ensure that all Directors undergo appropriate induction programmes and receive continuous training;
- To oversee appointment, management succession planning and performance evaluation of P/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
- To formulate, review and recommend to the Board in respect of human resource development (training) policies and human resource management policies, including the terms & conditions of service of the company.

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 year, ten (10) series of meeting were held. The details of their attendance are as follows:

SC MEMBERS	ATTENDANCE
Dato' Dr. Mohd Ali bin Haji Baharum*	6/10
Haji Abd. Rasid bin Abd. Kadir	10/10
Dr. Suhaimi bin Ab. Rahman	10/10
Dr. Zulkifli bin Hasan	10/10
Dr. Zaharuddin bin Abd. Rahman*	5/10
Assoc. Prof. Dr. Mek Wok binti Mahmud	9/10
Dr. Sharifah Faigah binti Syed Alwi	8/10

** Dato' Dr. Mohd Ali – Appointed as a member of SC with effect from 4 March 2013*

** Dr. Zaharuddin – Appointed as a member of SC with effect from 2 April 2013*

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.

3. ROLES AND RESPONSIBILITIES (CONT'D)

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

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 advise on matters to be referred to the Shariah Advisory Council (SAC) 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.

i) To recommend on the appointment and reappointment of SC members and Chairman

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

SPECIFIC DISCLOSURE ON GOVERNMENT FUND

MALAYSIAKITCHEN FINANCING FACILITY

MalaysiaKitchen Financing Facility ("MKFF") is a financing facility that assists Malaysians to venture into the restaurant business overseas. MKFF was initiated by the Government of Malaysia with a fund size of RM170,100,000.

The main objective of MKFF is to introduce Malaysian cuisine to the world and the spill over impact in attracting the influx of tourist into Malaysia. Generally, MKFF covers opening of new restaurant overseas, expansion of existing restaurant or opening of new branches, and development of Malaysian food franchises internationally.

To date, MKFF has supported over 30 borrowers setting up Malaysian restaurants overseas, introducing Malaysian cuisine across 4 continents covering countries like Australia, Canada, China, United Kingdom, Tajikistan and the United States of America.



BANKING AND CREDIT INSURANCE EXPOSURE



1	Algeria	15	Canada	29	Finland	43	Japan
2	Angola	16	Chile	30	France	44	Jordan
3	Argentina	17	China	31	Germany	45	Kazakhstan
4	Australia	18	Colombia	32	Ghana	46	Kenya
5	Bahrain	19	Costa Rica	33	Greece	47	Korea (South)
6	Bangladesh	20	Croatia	34	Guatemala	48	Kuwait
7	Belgium	21	Cyprus	35	Hong Kong	49	Laos
8	Bolivia	22	Czech Republic	36	Hungary	50	Latvia
9	Belize	23	Denmark	37	India	51	Macao
10	Bosnia-Herzegovina	24	Dominican Republic	38	Indonesia	52	Madagascar
11	Brazil	25	Ecuador	39	Iraq	53	Malawi
12	Brunei	26	Egypt	40	Ireland	54	Malaysia
13	Cambodia	27	Ethiopia	41	Italy	55	Maldives
14	Republic of Cameroon	28	Fiji	42	Jamaica	56	Mauritius

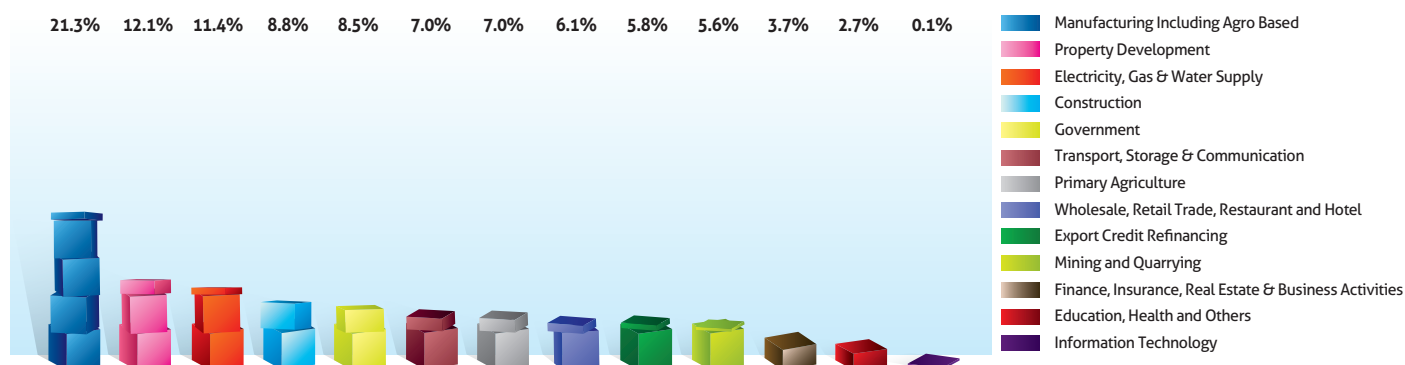


57 Mexico	71 Philippines	85 South Africa	99 United Arab Emirates (UAE)
58 Mongolia	72 Papua New Guinea	86 Spain	100 U.S.A.
59 Morocco	73 Poland	87 Sri Lanka	101 United Kingdom
60 Myanmar	74 Portugal	88 Sudan	102 Ukraine
61 Nepal	75 Puerto Rico	89 Sweden	103 Uruguay
62 Netherlands	76 Qatar	90 Switzerland	104 Uzbekistan
63 New Caledonia	77 Réunion	91 Syrian Arab Republic	105 Venezuela
64 New Zealand	78 Romania	92 Taiwan	106 Vietnam
65 Nigeria	79 Russia	93 Tajikistan	
66 Norway	80 Saudi Arabia	94 Tanzania	
67 Oman	81 Senegal	95 Thailand	
68 Pakistan	82 Seychelles	96 Turkey	
69 Panama	83 Singapore	97 Turkmenistan	
70 Peru	84 Solomon Islands	98 Uganda	

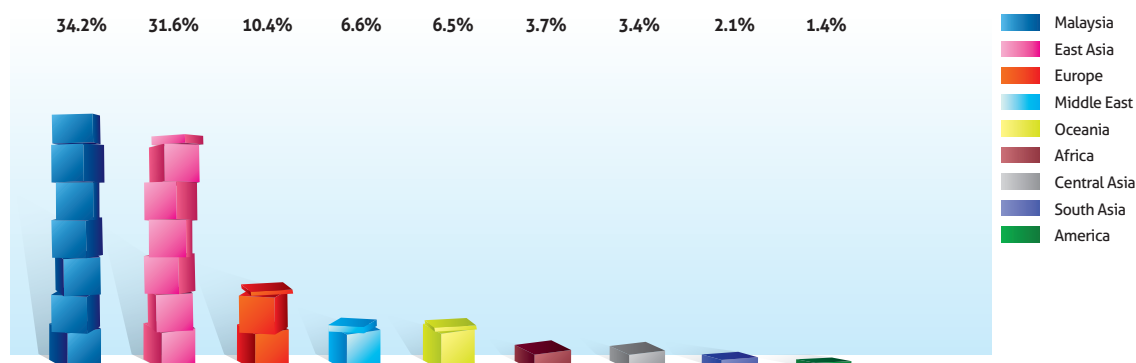
BANKING

PORTFOLIO 2013

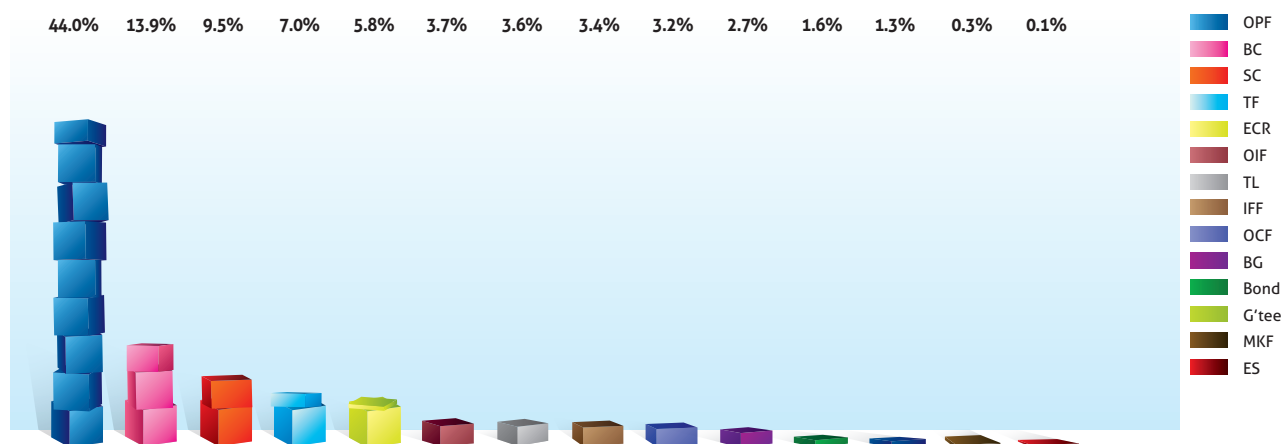
LOAN AND GUARANTEE EXPOSURE – Sector (Including Impaired)



LOAN AND GUARANTEE EXPOSURE – Region (Including Impaired)



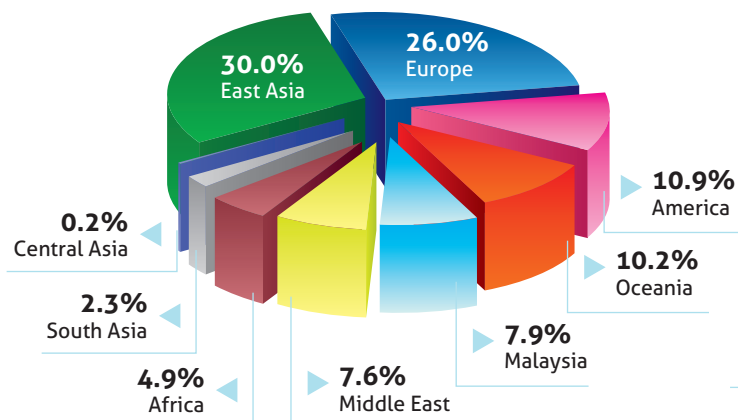
LOAN AND GUARANTEE EXPOSURE – Facilities (Including Impaired)



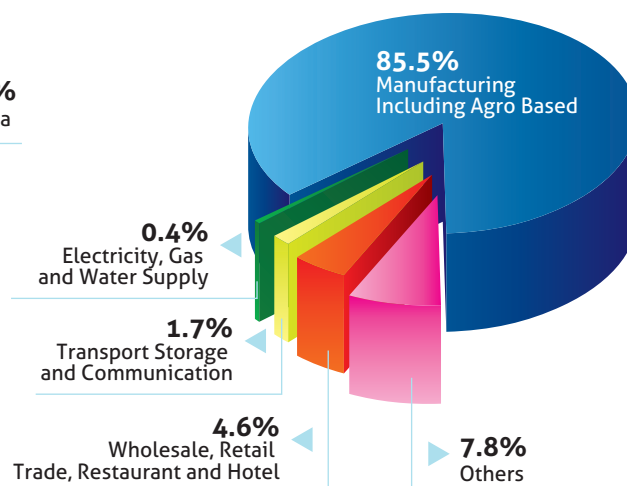
CREDIT INSURANCE PORTFOLIO 2013

CREDIT INSURANCE PORTFOLIO SHORT-TERM: Region And Sector

Region

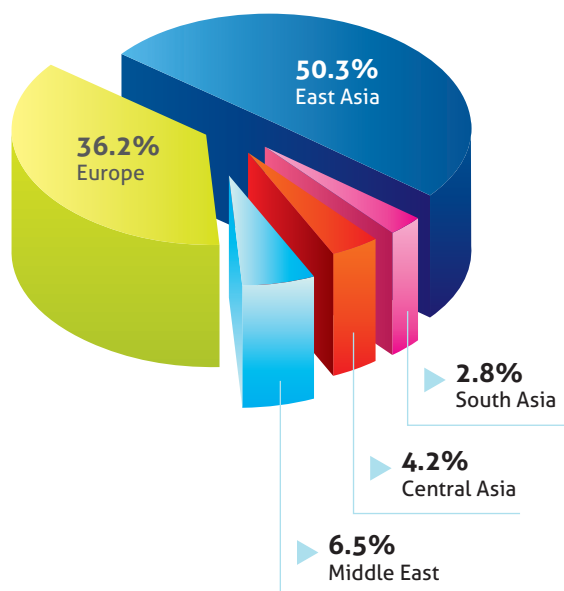


Sector

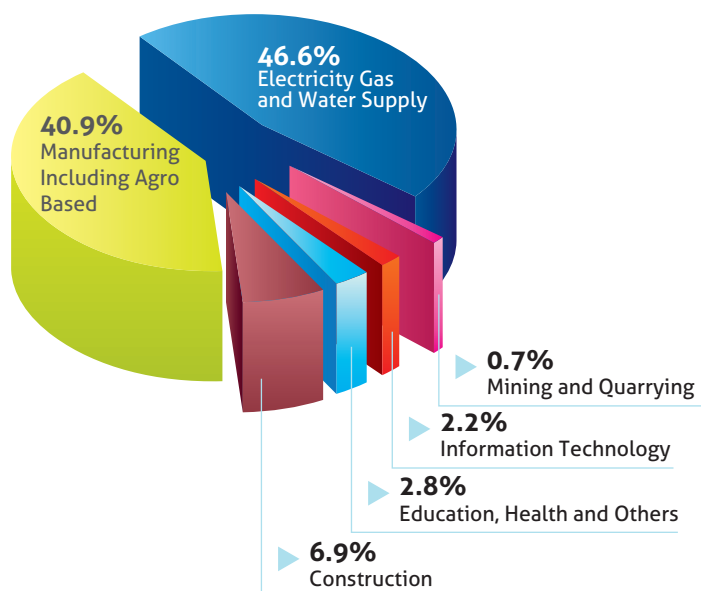


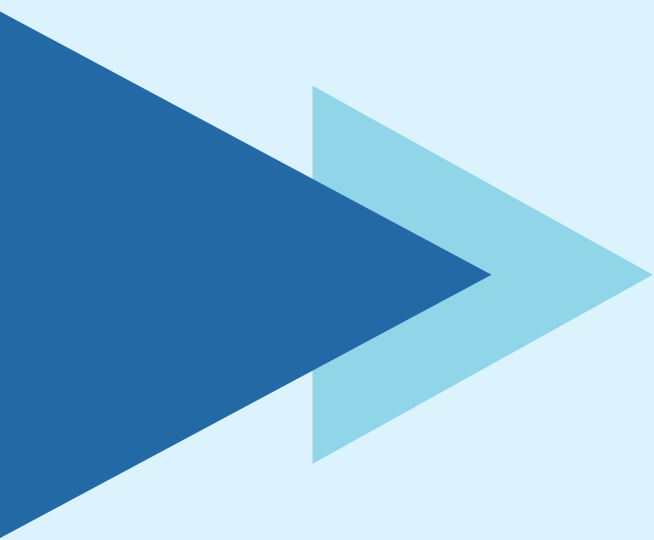
CREDIT INSURANCE PORTFOLIO MEDIUM/LONG-TERM: Region And Sector

Region



Sector





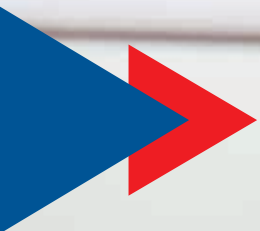
Forging Ties With

MUTUAL RESPE

While we are known for investing in exporters and their markets, our other great investment is in our people and our partners. The basis of our ability to deliver high-quality and innovative services, we take advantage of our multicultural roots to help our clientele bridge distances and cultures, keeping them ahead of the game, even while far from home.



CT



MEDIA HIGHLIGHTS



Exim Bank targets RM3b sukuk for global market

by FARAH ADILLA

GOVERNMENT-OWNED Export-Import Bank of Malaysia Bhd (Exim Bank) is looking at the potential of arranging a US\$1 billion (RM3.1 billion) sukuk.

of lenders, foreign exchange neutral and the right pricing.

"In order to achieve this, we have to find the lowest, cheapest cost available. We are mindful of our mandate. We are not going after a big profit. Our mandate is to help

was quoted in the report as saying that its target will be supported by higher loan disbursements, targeted to grow at least 30% annually until 2015.

Adissadikin said total loan disbursements last year surpassed 30%.



Exim Bank gets A3 rating from Moody's

KUALA LUMPUR: Moody's Investors Service has assigned an A3 rating to Export-Import Bank of Malaysia Bhd's (Exim Bank) proposed HKD-denominated senior unsecured fixed-rate notes. With a stable outlook.

The rating agency said Exim Bank's other

medium-term notes (MTN) programme with a stable outlook. The proposed HKD-denominated notes would be issued pursuant to Exim Bank's US\$1.5bil multi-currency programme, Moody's said in a statement.

The A3 rating is the lowest rating for

AUCMS lonjak nama negara di Eropah

Pencetus perubahan kampus baharu pertamanya di luar negara melalui perjanjian dengan Export-Import Bank of Malaysia Bhd.

Oleh ZAMRU'AZHAR ASHARI



ADISSADIKIN AS (tiga dari kiri) menerima dokumen perjanjian pembiayaan Exim Bank. (AUCMS) kepada Zaimuddin Md. Wazir (satu dari kanan) dan Hajin Yus Razak (satu dari kanan) dan Yusoff London, (satu dari kanan).

EXIM Bank biayai projek di Indonesia

PTGCE bina loji jana kuasa hidro mini RM38 juta

Oleh Mohd Zaky Zaimuddin zaky@medialipsum.com.my



EXPORT-IMPORT bank of Malaysia Bhd (EXIM Bank), mempunyai pembiayaan AS\$11.9 juta (RM38 juta) kepada sebuah syarikat di Indonesia, PT GCE Colour Energy (PTGCE) membina dan membiayai projek jana kuasa hidro mini di republik itu.

EXIM Bank dalam satu kenyataan semalam, berkata, perjanjian pembiayaan dimeterai kedua-dua syarikat itu akan membiayai PTGCE membina projek mini hidro bernilai AS\$11.9 juta.

"Tempoh pembiayaan selama 12 tahun berjumlah AS\$11.9 juta adalah menerusi Projek Pembiayaan-i Luar Negara

Thanksgiving
Export-Import Bank of Malaysia Bhd (Exim Bank) beraya Hari Raya dengan keluarga dan sahabat-sahabatnya di hotel mewah di Kuala Lumpur. Exim Bank mengucapkan terima kasih kepada semua yang telah membantu bank ini dalam menjalankan tugas-tugasnya. Semua pihak yang terlibat dalam projek-projek bank ini juga beraya bersama-sama.

EXIM Bank biayai stesen hidro

EXIM Bank akan membiayai projek pembangunan stesen hidro tenaga elektrik di kawasan pergunungan di negeri Selangor. Projek ini akan membiayai pembangunan stesen hidro tenaga elektrik yang akan menghasilkan tenaga elektrik yang bersih dan mampan. Projek ini akan membiayai pembangunan stesen hidro tenaga elektrik yang akan menghasilkan tenaga elektrik yang bersih dan mampan.

Companies advised to focus on strength for SOBA 2013

PELALING JAYA: Rather than putting all eggs in one basket, companies should focus on their strengths when applying for the Star Business Awards (SOBA) 2013. The awards are open to all local companies that are part of multinational corporations or SOBA groups.

The SOBA award is a recognition of excellence in business performance. The award is given to companies that have achieved outstanding results in their respective industries. The award is given to companies that have achieved outstanding results in their respective industries.

EXIM Bank Expands To East Malaysia

PR VALUE: RM4,258,487

EXPORT-IMPORT Bank of Malaysia Bhd (EXIM Bank) has expanded its network by opening branches in East Malaysia. The bank is committed to providing financial services to all its customers in East Malaysia.



Exim Bank, MAS in aircraft financing deal

Exim Bank and MAS have entered into a financing deal for aircraft. The deal is a significant milestone for the bank and MAS.



The signing ceremony was held at the Exim Bank headquarters in Kuala Lumpur. The ceremony was attended by senior officials from both institutions.

Exim Bank among best firms to work for

KUALA LUMPUR: Export-Import Bank of Malaysia Bhd (Exim Bank) was named one of the recipients for "Best Companies to Work For in Malaysia 2013" award by HR Asia magazine. Besides Exim Bank, a total of 20 companies received the award this year including CIMB Group, RHB Banking Group, Air Asia and Malakoff. Bernama

Exim Bank has entered into a financing deal for aircraft. The deal is a significant milestone for the bank and MAS.

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 as well as the provision of export credit insurance services, export financing insurance, overseas investment insurance and guarantee facilities.

Bank seeks faster fund disbursement

STREETS YOUR NEWS

DETECTION: Triwangsa members of Parliament to ask government to gazette land that Tasputra Perkini sits on

to protect the way in the future between education, work and personal, family and community life.

"We need to promote the evolution of 'life'."

At the summit, a panel featuring Nobel laureate Hans Bethe and others called for a "new vision" to direct the United States and other nations to develop the "new life" after successful "Yankee" nuclear energy came out of the cold-war era.

At the summit, a panel featuring Nobel laureate Hans Bethe and others called for a "new vision" to direct the United States and other nations to develop the "new life" after successful "Yankee" nuclear energy came out of the cold-war era.



• Biaya didorong permintaan tinggi syarikat tempatan

Oleh Ahmad Faisal Othman
halalmediaprima.com.my

EXPORT-IMPORT Bank Malaysia Bhd (Exim Bank Malaysia) untuk menyokong pembiayaan perdagangan RM3 bilion tahun ini.

ia wujudan pertama: rancangan daripada syarikat

COVER STORY
**START
SMALL.
AIM BIG**

As it helps many local businesses to grow abroad, EXIM Bank leads the charge in uncharted territories

It invited proposals for dollar-denominated debt for possible Q2 offering

[illegible]

It is aiming for 30% contribution from the segment.

[illegible]

MNC IN STRENGTH IN REGIONAL SEA A special Inquest Bank of Malaysia and MNC Bank (MNC) have signed up a 4-year partnership program to accelerate its growth in the Southeast Asia region. The partnership is a result of the signing of a Memorandum of Understanding (MOU) between the two banks. The signing ceremony was held at the MNC Bank headquarters in Kuala Lumpur, Malaysia. The signing was witnessed by the MNC Bank Chairman, Mr. M. S. Subramaniam, and the MNC Bank Managing Director, Mr. M. S. Subramaniam. The signing was also witnessed by the MNC Bank Managing Director, Mr. M. S. Subramaniam, and the MNC Bank Managing Director, Mr. M. S. Subramaniam.

REPEAT AUDIENCE:
140,747,599

**Program
MalaysiaKitchen
masih ada dana
RM150 juta**

[illegible][illegible]

CORPORATE EVENTS



16 May 2013

Visit from China EXIM Bank



26-28 May 2013

The 19th Asian EXIM Banks Forum Technical Working Group Meeting in Beijing



31 May 2013

Media Briefing on Financial Performance



27 Jun 2013

Tea Talk with Insurance Brokers



27 Jun 2013

Visit from Ethiopia – Export & Investment Study Tour



5 Jul 2013

Visit from Japan Bank for International Cooperation (JBIC)

CORPORATE EVENTS



24 Jul 2013

EXIM Bank Annual Iftar with the children from Rumah Kebajikan Baitul Hidayah



24 Jul 2013

EXIM Bank's Raya Open House



30 Sep 2013

Student visit from Politeknik Nilai



6 Nov 2013

EXIM Bank's official Opening of East Malaysia Representative Office (EMRO) in Kuching, Sarawak



SOBA Awards Night 2013



Visit by Autonomous Region of Muslim Mindanao



Luncheon Talk by Ogun State, Nigeria

CORPORATE EVENTS



4 Dec 2013

EXIM Eco Club Launching



17 Dec 2013

Unveiling of EXIM Bank's
Aircraft Livery on Firefly's
ATR 72-600



17 Dec 2013

ASIAN EXIM Banks CEO Forum at Wu Yi Mountain, Fujian Province,
China

SIGNING CEREMONY



8 Feb 2013

Management Agreement
between EXIM Bank & MOF
on Green Lane Policy



12 Mar 2013

Signing Ceremony of MoU
between EXIM Bank & Malaysian
Franchise Association (MFA)



28 Feb 2013

Signing Ceremony of Facility
Agreement between EXIM
Bank & Dolphin Applications
Sdn. Bhd.



9 Apr 2013

Signing Ceremony of Facility
Agreement between EXIM Bank
& Nautilus Tug & Towage
Sdn. Bhd.

SIGNING CEREMONY



5 May 2013

Signing Ceremony of Facility Agreement between EXIM Bank & PT Senagan Energi



9 Jul 2013

Signing Ceremony of Facility Agreement between EXIM Bank & PT Great Colour Energy



22 Mar 2013

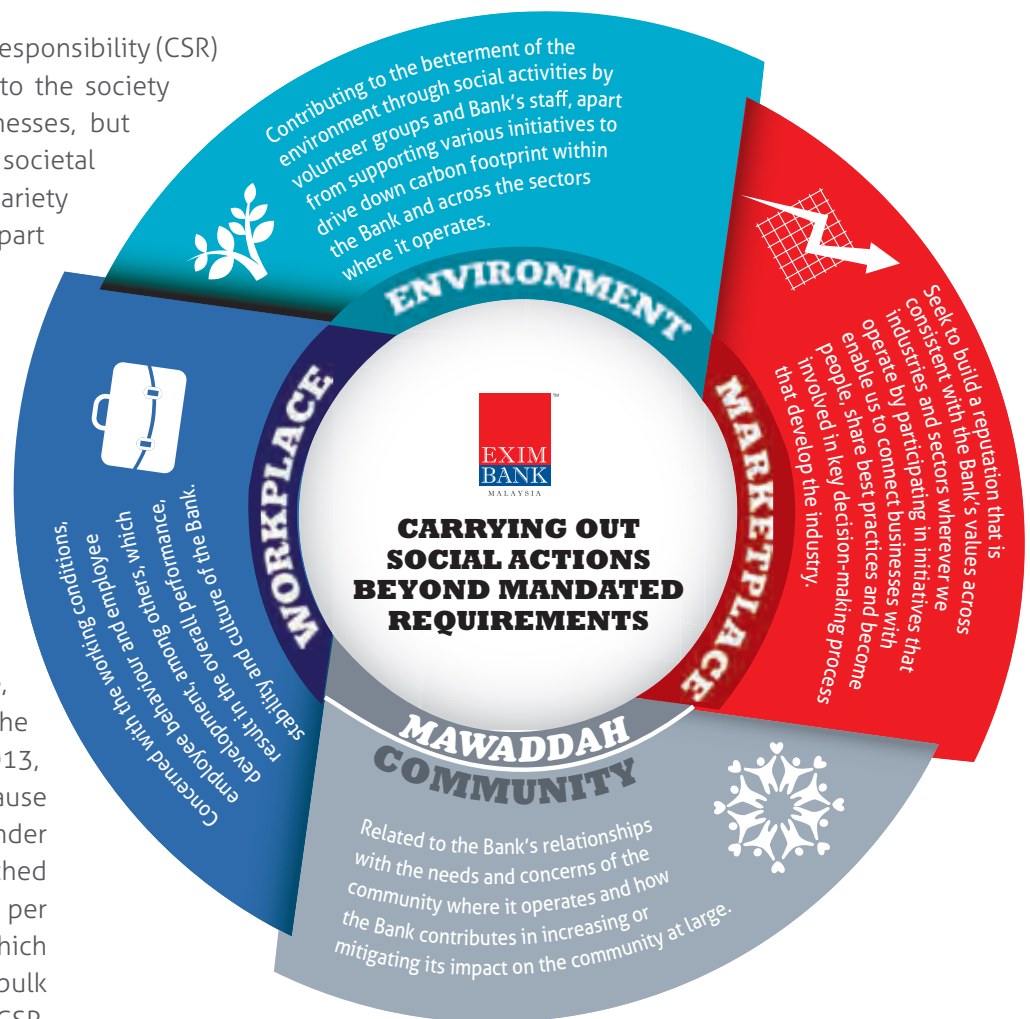
Signing Ceremony of Memorandum of Collaborative Arrangement (MOCA) between EXIM Bank, CIDB & MDeC

CORPORATE SOCIAL RESPONSIBILITY REPORT

EXIM Bank comes into contact with a wide variety of stakeholders in the course of its operations. The Bank provides sophisticated loans and credit insurance, as well as shariah-based financing and Credit Takaful to support the on-going growth and the internationalisation of Malaysian firms from a financial perspective. Parallel to its business commitments, EXIM Bank also engages in various social activities that are beyond its mandated requirements.

At EXIM Bank, Corporate Social Responsibility (CSR) involves not only contributing to the society through loans and other businesses, but also taking into account the societal needs and living up to a variety of responsibilities by being part of the society.

This report focuses on EXIM Bank's initiatives and activities as a socially responsible organisation with respect to the four key areas of priorities. Thus, you will find in this report, how the Bank and its employees conduct their CSR activities with constant consideration of the Marketplace, Community, Workplace and the Environment. For the year 2013, total contribution to CSR cause covering all the key areas under the Bank's CSR Framework reached RM1.36 million. This was 30 per cent higher than FY2012 which was about RM950,000. The bulk of it went to Marketplace CSR, reaching RM935,000. The balance, RM410,000 were contributions made to the remaining categories which are interrelated, with a total of 52 entities/programs benefitting from it.



EXIM Bank is committed to developing all areas of our Corporate Social Responsibility (CSR) programmes and ensuring that we work together to achieve the highest possible standards. We aim to have the 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.

MARKETPLACE

EXIM Bank believes that effective partnerships between the Bank and other organisations are the building block of its CSR Marketplace initiatives. We view these initiatives as opportunities for the Bank and its staff to engage in knowledge sharing, expertise building and networking while undertaking sustainability, social and business projects. It is through this philosophy that we see our shared values of Efficient, Excellence, Innovation and Mutual respect come to life and underpin our vision of making EXIM Bank the leading financial institution for cross-border ventures. This is evident when EXIM Bank was chosen to receive the Project Finance International Awards 2013 (PFI Awards 2013), awarded by Thomson Reuters for "Asia Pacific Power Deal of the Year".



EXIM Bank as the main presenter for Star Outstanding Business Awards (SOBA) 2013

The year under review saw EXIM Bank continuing to work closely with The Star Media Group on the Star Outstanding Business Awards (SOBA) program for the third consecutive year. SOBA is a platform to recognise local businesses that implement innovative approaches and best practices in the management and operations of their businesses, resulting in higher quality output, increase productivity, efficient operations at lower costs and profitability growth. As a media-based partner for the awards in boosting excellence and innovation among the country's SMEs, and with the largest pool of readerships, the Group contributed to EXIM Bank's wider audience reach with over 200,000 participations in SOBA to-date.

As part of its stakeholder relationship exercise to encourage cross-border trade and investments by our local businesses, EXIM Bank introduced business networking sessions at its headquarters for its customers, other local companies, government agencies and other related stakeholders, to meet with foreign government representatives that would present business opportunities available in their countries. Linking local businesses with foreign establishments across the globe is another EXIM Bank's corporate responsibility in opening up opportunities for them to pursue. The initiatives are also in line with the Malaysian Government aspiration to see more local companies doing business abroad.

EXIM Bank organised the visit by HE Governor Mujiv Hataman of the Autonomous Region of Muslim Mindanao to brief EXIM Bank and local businessmen on the business opportunities available in the region during the Governor's and his entourage private visit to Malaysia in July 2013, after the signing of the peace treaty in Manila. In November 2013, EXIM Bank had also linked about 30 local businessmen with delegation members of Ogun State of Nigeria led by HE The Governor of Ogun State. The Governor, Hon. Senator Ibikunle Amosun personally briefed the businessmen on the opportunities available in his home state.

Being a responsible Bank mandated by the Government, EXIM Bank in 2013 has expanded its coverage to East Malaysia with Kuching as its first representative office in that region. It was officially opened by Y.B. Dato' Sri Wong Soon Koh, Sarawak's Finance Minister II on 6th November 2013. Its role is similar to other representative offices in Johor Bahru and Penang and currently it is staffed by four employees.



Project Finance International Awards



Luncheon Talk by Ogun State, Nigeria



Official Opening Ceremony of East Malaysia Representative Office (EMRO) in Kuching

COMMUNITY



EXIM Bank's Charity Jumble Sale in collaboration with Tasputra Perkim, Pusat Majudiri Y for the Deaf (YMCA) & Wisma Harapan (SAMH)



Annual Iftar with the children

EXIM Bank recognises the importance of co-existing with the local community where it operates. Given this recognition, our people at EXIM Bank are actively engaged in a myriad of activities to address appropriately the need of the community. These activities cover many sections of the community including the less fortunate who are often under represented or left out altogether in the mainstream of life, the unfortunate children that are either sick, handicapped or without parents, the needs of the religions' infrastructure development, education, tragedies and natural disasters, that we contribute in a small meaningful way.

Fund for these philanthropic contributions came from two main sources namely EXIM Bank corporate account and a special charity account by EXIM Bank called Mawaddah Account created under its Islamic Banking philosophy. A Working Committee chaired by the Chief Operating Officer looks into the distribution of funds of the Mawaddah Account. Beginning 2014, the committee decided that the Account will be audited annually and report to the Shariah Committee.

For the year under review, total contributions reached RM608,938, a 33 per cent increase as compared to the previous year contribution. Mawaddah Account alone distributed about RM317,000 as compared to the previous year of RM196,000, a 38 per cent increase in contribution. While the bulk of EXIM Bank contribution went to charitable associations or charitable activities by various NGOs, 76 per cent of Mawaddah Account beneficiaries went to non-profit religious institutions that managed the needy and underprivileged, with the remaining funds channeled to the destitute.



Majlis Penyerahan Cek Sumbangan Tabung Kumpulan Wang Amanah Pelajar Miskin (KWAPM)

Some of the major charitable programs organised or co-organised by EXIM Bank staff include Grand Charity Jumble Sale for the benefit of three different NGOs namely Tasputra PERKIM, Wisma Harapan and Pusat Majudiri Y For the Deaf. The event was widely covered and showcased the overwhelming support by EXIM Bank staff that not only co-organised the event with the participating NGOs, but were also involved in the jumble sales promotion with the profit channeled to the organisations.



EXIM Bank's volunteers during the 'Feed The Homeless' Programme

EXIM Bank also extended the spirit of love and compassion to the homeless through its support to the Feed the Homeless programs involving the staff of the Bank. It is a monthly program in feeding the homeless on one selected day of the month by EXIM Bank. It runs for six consecutive months that spill over to 2014.

EXIM Bank's philanthropy services had also reached the East Malaysia region in conjunction with its official opening of Kuching representative office. The local community was invited to a simple dinner at the Kuching office coupled with thanksgiving ceremony. Upholding the spirit of patriotism, the Bank also contributed to Tabung Wira Lahad Datu in honour of the bravery and sacrifice of Malaysia's police and armed forces personnel in defending the country.

WORKPLACE

The Transformation Plan implemented since 2008 have made great strides in boosting the Bank's performance. Over the years of its implementation, changes made to the human capital management resulted in all the 280 employees of the Bank adapting to the new work culture with an entirely different mindset required of them. The changes made and implemented in the Bank did not go unnoticed.

In 2013 EXIM Bank was recognised as one of twenty Malaysia's Best Employers by HR Asia, and voted as one of "The Best Companies to Work for in Asia 2013". Some 200 Malaysian companies participated in the selection and judging process through anonymous feedback and sharing in the Employee Input Survey™ as well as the Workplace and Employee Engagement Survey™, complete with intensive interviews and site audits, apart from evaluation by an independent judging panel comprising of industry experts, academics, journalists and government representatives. Such recognition will undoubtedly provide further impetus for the Bank to continue improving its human resource competencies.

EXIM Bank has also made its mark across the Globe. It is the result of its employees untiring efforts in promoting the Bank. It has been selected by InterContinental Finance Magazine (ICFM) United Kingdom for its Global Banking Award 2013 as "The Most Watched Bank 2013". It is an award of great honour to the Bank as it is the only Development Financial Institution in Malaysia to be recognised as such, from 250 financial institutions worldwide.



HR Asia Award 2013



ICFM Award 2013



Asia Pacific Entrepreneurship Awards 2013



APEA Award 2013



Basic Occupational First Aid and CPR Course



Excellent Student Ceremony 2013



Majlis Berkhatan

On the leadership front, we are not without recognition as well. EXIM Bank's President/Chief Executive Officer was awarded with "Outstanding Entrepreneurship Award" during the Asia Pacific Entrepreneurship Award in Malaysia (APEA), by Enterprise Asia, a non-governmental organisation for entrepreneurship in the Asia Pacific. In its simplest form, the award meant EXIM Bank development is well guided by a clear vision, persistence and hard work, utilised to build the Bank to where it is today.

Moving forward to the next level, The Human Capital Management Blueprint (2013-2015), a part of The Transformation Plan's final phase was introduced earlier in 2013 as reported previously. It details out various key strategies with over 20 initiatives for implementations to take the employees further to greater heights. The main objective of the Blueprint is to accelerate business by developing a high performing team to deliver calculated and sustainable growth. It is also a testament to the Bank's earnestness in providing opportunities for the employees to increase their skill sets and competencies that drive performance and represent the Bank's brand and reputation.



Mount Kinabalu Expedition

During the year under review, the Bank continued with its annual initiatives that include Health and Safety Programmes in association with National Institute of Occupational Safety and Health (NIOSH), Birthday Celebration trips, long-service awards, family days and various sporting activities all year long organised by the staff themselves through the sports club and eco club covering climbing Mount Kinabalu and environmental awareness programmes.

ENVIRONMENT

When trying to become a more environmentally friendly organisation, it is important to think of it as an on-going mission rather than a one-off project. Building it into the Bank's values is important for the intention to materialise and get the rest of the workforce motivated.

While we started the initiatives for the year by educating and motivating our employee to be eco-friendly, at corporate level, EXIM Bank demonstrated its environmental concern and awareness through the extensive renovation of its own headquarters. Renovated at a cost of RM5 million, the new look of EXIM Bank building is "dressed" with advanced composite cladding materials that are non-toxic and recognised as environmentally friendly. Apart from weather resistance, the structure reduces noise and the use of energy whilst reducing heat permeation, making the working environment more conducive. In addition to the environment-friendly building, EXIM Bank can also be proud of a property that improves its image.

At the workforce level, we started by implementing a structured approach in building up an eco-friendly attitude and concern for the environment through the following stages:

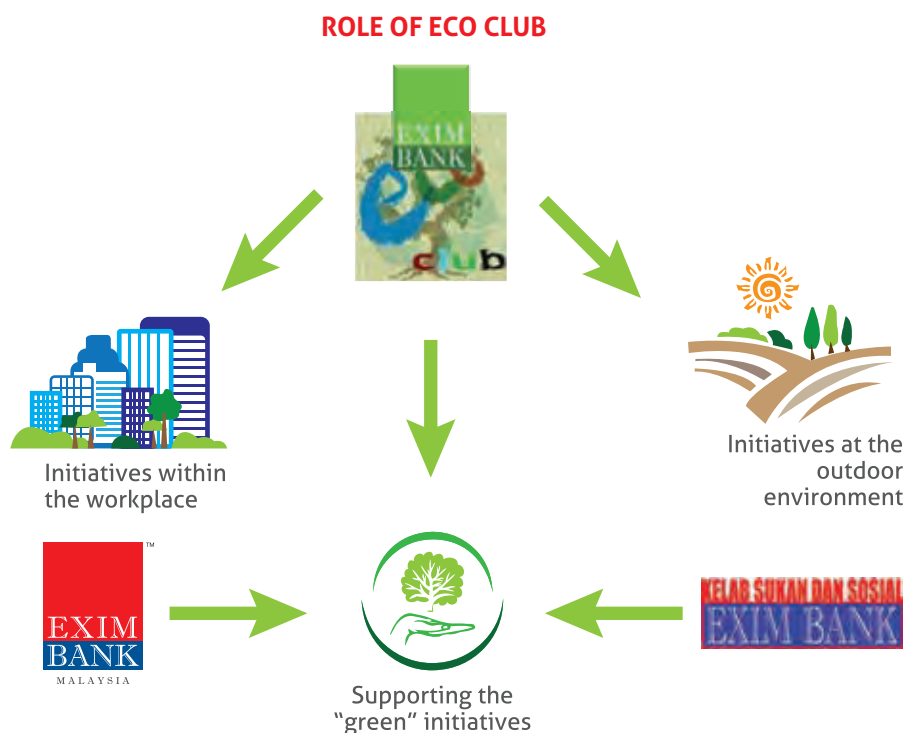
AIM AND OBJECTIVES

Internalise the importance of environmental responsibility among staff in order to improve EXIM Bank's impact on society and the environment, while driving stronger business results such as brand enhancement, market differentiation, employee satisfaction and cost-saving administration.



- Broaden and deepen the awareness of environmental matters among the workforce.
- Promote social contributions (volunteer activities, etc.) with the participation of EXIM Bank's staff.
- Implement EXIM Bank's Eco-friendly activities to benefit the staff, the community where the staff live and work, and ultimately the Bank.

- **ENGAGING THE STAFF**



Recycle Bin at EXIM Bank's Building

The Sports and Social Recreation Club (KSSEB) is the best platform for engagement, knowledge dissemination and volunteerism as all staff of the Bank are members of the Club. A unit of working committee focusing on eco-friendly initiatives was established reporting to KSSEB. Known as EXIM Bank Eco Club, it was launched with the following purpose:

- As a secretariat to monitor, manage and report on all activities, run by interested staff of the Bank
- Act as the organising body for various environmental impact initiatives planned by the Bank and the staff
- A means of promoting environmental literacy.

- **WITHIN THE WORKPLACE**

Several initiatives were implemented during the year. These include producing a booklet on the terms used in environmental sustainability in educating our staff, a copy of which is loaded onto the portal; organised environmental literacy talk in association with Jabatan Alam Sekitar (JAS) and placement of recycle bins at the office building.



CORPORATE SOCIAL RESPONSIBILITY REPORT

• ENVIRONMENT OUTSIDE THE WORKPLACE

In November 2013, EXIM Bank Eco Club organised an environmental-themed program called the "EcoBakau". This "enriching the earth" program involved the planting of 300 mangrove saplings along the Kuala Selangor Nature Park by members of KSSEB. In addition, they did cleanup activities at the swamps to preserve Mother Nature.



Staff participation during "Program Menghijaukan Alam" at Kuala Selangor Nature Park



Staff planting of 300 mangrove saplings

• SUPPORTING THE "GREEN" INITIATIVES

EXIM Bank actively participated in supporting various government agencies initiatives related to the preservation of the ecology and the environment. These include Participation in International Greentech & Eco Products Exhibition 2013; Malaysian Green Technology Corporation – Business Review Presentations and Biomass Asia Conference 2013. The Bank will continue to engage actively in these areas as part of its intention to continuously educate its workforce to value the environment, as well as funding more "green" projects in the future.



Eco products produced by EXIM Bank



FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors here by present their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries and the jointly controlled equity 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	144,717	144,721

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 0.69 sen per ordinary share less tax at 25% totalling RM13,924,310 (0.51 sen net per ordinary shares) in respect of the year ended 31 December 2012 on 30 May 2013.

At the forth coming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2013, of 0.80 sen per ordinary share amounting to RM21,708,113 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 2014.

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
Dato' 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
Encik Wong Seng Foo

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.

DIRECTORS' REPORT

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

SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) In September 2013, the Bank launched its USD1.0 billion Multicurrency Sukuk Programme ("Sukuk Programme"), which was structured based on Wakalah structure. Under the Sukuk Programme, the Bank can issue Sukuk denominated in any currencies as required to fund the business of the Bank. Any future proceeds from each series of Sukuk received by the Bank, will be applied by the Bank for its shariah compliant working capital, general banking and financing activities as well as for other corporate purposes.

Subsequently, on 10 February 2014, the Bank had priced its USD300 million, 5-year, Reg S Sukuk issuance pursuant to the Sukuk Programme. The Sukuk was priced at 140 basis points over US Treasuries, which is equivalent to an all in yield of 2.874% per annum. The allocation was well-spread out globally with over 19% of the issue distributed to the Middle East investors, 65% to Asian investors and the remaining 16% to European investors.

- (b) The Bank had on 31 December 2013, fully repaid its term loan of RM1.0 billion from Bank Negara Malaysia. The loan was obtained on 26 June 2006 with interest charged at fixed rate of 1% as disclosed in Note 17 to the financial statements.
- (c) Moody's Investors Service and Fitch Ratings have also re-affirmed the Bank's rating during their annual review for 2013 as follows:

Rating agencies	Date	Ratings
Moody's Investors Service	26 June 2013	Long-term Foreign Currency Issuer Rating/ Outlook: A3/Stable
Fitch Ratings	27 September 2013	Foreign Long-term Issuer Default Rating: A- Support Rating: 1 Support Rating Floor: A-

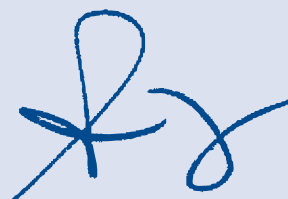
AUDITORS

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 27 February 2014.



Datuk Mohd Hashim bin Hassan



Dato' Adissadikin bin Ali

SHARIAH COMMITTEE'S REPORT



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

All Praise is due to Allah, the Cherisher of the World, and the Peace and Blessing be upon the Prophet of Allah, on his Family and all his Companions.

السَّلَامُ عَلَيْكَ يَا رَسُولَ اللَّهِ وَبَارِكْ وَسَلِّمْ 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 2013:-

1. The Committee had conducted ten (10) meetings during the financial year to review and approve various new and enhancement to the Bank's Islamic financial and Takaful products as well as guidelines and manuals relating to Shariah compliant transactions and internal processes. We confirmed that we have reviewed the applicability and appropriateness of Shariah principles and the Shariah contracts adopted relating to the new and enhancement products, transactions and operational processes of Islamic financing and Takaful activities of EXIM Bank for the period from 1 January 2013 until 31 December 2013.
2. The Committee has provided appropriate advisory and counsel on various aspects of the Bank's Islamic business operations in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of Bank Negara Malaysia.
3. The Committee have assessed the work carried out by Shariah review and Shariah audit and the report has been presented and deliberated in the Committee meeting, which the findings shall be the basis for the Committee to form an opinion on its compliance to Shariah rules and principles, Shariah guidelines and rulings issued by the Shariah Advisory Council of Bank Negara Malaysia as well as Shariah decisions and resolutions made by the Committee.
4. During the financial year, training sessions and briefing were organised to provide awareness and understanding on Shariah application in the banking business and financial activities as well as to infuse Islamic values among staff.
5. Money which derived from the compensation for late payment charges on Islamic financing activities was distributed to charity.
6. The Committee has reviewed the financial statements of the Bank, including the calculation of Zakat and confirmed that the financial statements prepared are in compliance to the Shariah rules and principles as well as the minimum disclosure requirements as stipulated by Bank Negara Malaysia.

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

Hence to the best of our knowledge based on the information provided to us and decisions made during the Shariah Committee meeting, we are of the opinion that the Islamic banking and takaful business operations of EXIM Bank for the financial year ended 31 December 2013 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,

A stylized handwritten signature in blue ink, consisting of a large 'M' followed by a long horizontal stroke.

Dato' Dr. Mohd Ali bin Haji Baharum
Chairman

A stylized handwritten signature in blue ink, featuring a large 'Z' and 'H' intertwined.

Dr. Zulkifli Hasan
Member

Kuala Lumpur, Malaysia
24 February 2014

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 099 to 196 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 2013 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 27 February 2014.



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 099 to 196 are in our opinion correct, and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Datuk Mohd Hashim bin Hassan and Dato' Adissadikin bin Ali at Kuala Lumpur in the Federal Territory on 27 February 2014.



Datuk Mohd Hashim bin Hassan

Before me,



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 2013 of the Group and of the Bank, 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 099 to 196.

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 errors.

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 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 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

OTHER MATTERS

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



Ernst & Young
AF: 0039
Chartered Accountants



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

Kuala Lumpur, Malaysia
27 February 2014

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Assets					
Cash and bank balances	4	38,932	43,747	38,932	43,747
Deposits and placements with banks and other financial institutions	5	1,705,276	2,961,894	1,705,276	2,961,894
Investment securities	6	445,621	248,088	445,621	248,088
Amount due from Export Credit Refinancing ("ECR") debtors	7	382,345	572,570	382,345	572,570
Loan, advances and financing	8	5,301,508	3,151,128	5,301,508	3,151,128
Insurance receivables	9	835	864	835	864
Derivative financial instruments	10	379	20,927	379	20,927
Other assets	11	157,802	127,945	157,802	127,945
Deferred tax assets	12	7,633	28,660	9,948	30,973
Investment in subsidiaries	13(a)	–	–	64,154	64,161
Investment in jointly controlled entity	13(b)	**	**	**	**
Investment properties	14	491	509	491	509
Intangible assets	15	337	790	337	790
Property and equipment	16	101,678	99,080	101,678	99,080
Total assets		8,142,837	7,256,202	8,209,306	7,322,676
Liabilities					
Borrowings	17	4,789,406	4,217,539	4,789,406	4,217,539
Other payables and accruals	18	285,739	167,197	285,739	167,197
Derivative financial instruments	10	58,335	–	58,335	–
Deferred income	19	15,915	13,533	15,915	13,533
Provision for guarantee and claims	20	27,073	20,291	27,073	20,291
Amount due to subsidiaries	36	–	–	64,142	64,151
Amount due to joint venture	13(b)	**	**	**	**
Total liabilities		5,176,468	4,418,560	5,240,610	4,482,711

** 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 2013

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financed by:					
Share capital	21	2,708,665	2,708,665	2,708,665	2,708,665
Reserves		136	716	136	716
Retained profits	22	259,987	129,194	262,314	131,517
Shareholders' funds		2,968,788	2,838,575	2,971,115	2,840,898
Takaful participants funds	39	(2,419)	(933)	(2,419)	(933)
Total liabilities, shareholders' fund and Takaful funds		8,142,837	7,256,202	8,209,306	7,322,676
Commitments and contingencies	35	4,346,020	3,832,274	4,346,020	3,832,274

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

STATEMENTS OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Operating Revenue	23	273,511	185,157	273,511	185,157
Interest income	24	269,994	217,166	269,994	217,166
Interest expense	25	(91,358)	(67,785)	(91,358)	(67,785)
Net interest income		178,636	149,381	178,636	149,381
Underwriting results	26	2,118	(1,371)	2,118	(1,371)
Income from Islamic business	39	57,860	21,364	57,860	21,364
Other income	27	34,490	75,617	34,490	75,617
Net income		273,104	244,991	273,104	244,991
Overhead expenses	28	(70,251)	(59,590)	(70,242)	(59,581)
Operating profit		202,853	185,401	202,862	185,410
Allowance for diminution in value of investment in a subsidiary		–	–	(7)	(6)
Allowance for losses on loans, advances and financing	31	(12,600)	(15,664)	(12,600)	(15,664)
Profit before taxation		190,253	169,737	190,255	169,740
Taxation	32	(44,841)	(45,542)	(44,839)	(45,541)
Zakat		(695)	(429)	(695)	(429)
Net profit for the year		144,717	123,766	144,721	123,770
Earnings per share (sen)	33	5.34	4.57	5.34	4.57

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net profit for the year	144,717	123,766	144,721	123,770
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Fair value changes on available-for-sale investments securities	(580)	(434)	(580)	(434)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	(580)	(434)	(580)	(434)
Total comprehensive income for the year, net of tax	144,137	123,332	144,141	123,336

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital RM'000	Distributable retained profits RM'000	Non distributable fair value adjustment reserve RM'000	Total RM'000
Group				
At 1 January 2012	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
Total comprehensive income	–	144,717	(580)	144,137
Dividend paid (Note 34)	–	(13,924)	–	(13,924)
At 31 December 2013	2,708,665	259,987	136	2,968,788
Bank				
At 1 January 2012	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
Total comprehensive income	–	144,721	(580)	144,141
Dividend paid (Note 34)	–	(13,924)	–	(13,924)
At 31 December 2013	2,708,665	262,314	136	2,971,115

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from operating activities				
Profit before taxation	190,253	169,737	190,255	169,740
Adjustments for:				
Individual allowance				
– Charged for the year	60,914	31,309	60,914	31,309
– Written back during the year	(62,272)	(36,610)	(62,272)	(36,610)
Collective allowance				
– Charged for the year	16,091	20,965	16,091	20,965
Claim and guarantee				
– Charged for the year	7,157	–	7,157	–
– Written back during the year	(9,290)	–	(9,290)	–
Depreciation				
– Property and equipment	4,335	3,985	4,335	3,985
– Investment properties	18	18	18	18
Amortisation of intangible assets	453	553	453	553
Allowance for diminution in value of investment in a subsidiary	–	–	7	6
Dividend income	–	(477)	–	(477)
Loss/(Gain) on				
– Disposal of equipment	(9)	(25)	(9)	(25)
– Assets written off	–	4	–	4
Unrealised foreign exchange loss	27,599	29,735	27,599	29,735
Unrealised loss/(gain) evaluation of derivative	77,903	(20,990)	77,903	(20,990)
Unrealised gain MTN evaluation	(73,073)	–	(73,073)	–
Allowance for doubtful debts	(81)	(1,874)	(81)	(1,874)
Amortisation of premium less accretion of discount	816	(2,369)	816	(2,369)
Premium liabilities	1,831	71	1,831	71
Operating profit before changes in working capital	242,645	194,032	242,654	194,041

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

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from operating activities (cont'd)				
Changes in working capital:				
Amount due from ECR debtors	190,225	405,362	190,225	405,362
Loans, advances and financing	(2,165,113)	(1,222,972)	(2,165,113)	(1,222,972)
Insurance receivables	110	2,415	110	2,415
Other assets	(23,752)	(9,406)	(23,752)	(9,406)
Other payables and accruals	92,501	31,505	92,501	31,505
Deferred income	551	450	551	450
Net claims paid for bank guarantee and insurance claims	8,915	(4,142)	8,915	(4,142)
Takaful participant funds	(1,486)	(933)	(1,486)	(933)
Amount due to subsidiaries	–	–	(9)	(9)
Cash used in operations	(1,655,404)	(603,689)	(1,655,404)	(603,689)
Income tax paid	(4,142)	(11,458)	(4,142)	(11,458)
Zakat paid	(431)	(48)	(431)	(48)
Net cash used in operating activities	(1,659,977)	(615,195)	(1,659,977)	(615,195)
Cash flows from investing activities				
Dividend received	–	477	–	477
Proceeds from disposal investment	–	220,485	–	220,485
Proceeds from disposal of property and equipment	9	21	9	21
Purchase of property and equipment	(6,933)	(3,369)	(6,933)	(3,369)
Purchase of derivative financial instruments	980	63	980	63
Purchase of investments	(198,929)	(17,544)	(198,929)	(17,544)
Net cash (used in)/generated from investing activities	(204,873)	200,133	(204,873)	200,133

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from financing activities				
Net drawdown of borrowings	617,341	827,334	617,341	827,334
Dividend paid	(13,924)	(7,110)	(13,924)	(7,110)
Net cash generated from financing activities	603,417	820,224	603,417	820,224
Net (decrease)/increase in cash and cash equivalents	(1,261,433)	405,162	(1,261,433)	405,162
Cash and cash equivalents at beginning of the year	3,005,641	2,600,479	3,005,641	2,600,479
Cash and cash equivalents at end of the year	1,744,208	3,005,641	1,744,208	3,005,641

Cash and cash equivalents comprise the following balances:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	38,932	43,747	38,932	43,747
Deposits and placements with banks and other financial institutions	1,705,276	2,961,894	1,705,276	2,961,894
	1,744,208	3,005,641	1,744,208	3,005,641

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

1. CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 February 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

2.2 Changes in accounting policies

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

On 1 January 2013, the Group and the Bank adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial period on or after 1 January 2013.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

Description	Effective for annual periods beginning on or after
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009–2011 Cycle	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

The adoption of the MFRSs and amendments to MFRSs and Ics above did not have any material impact on the financial statements of the Group and the Bank in the current financial year except for those discussed below:

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (eg. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (eg. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Bank's financial statements are disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

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

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion.

The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

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

(ii) Basis of consolidation

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(b) Property and equipment

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(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 building. Freehold land is not depreciated.

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

(e) Impairment of non-financial assets

The carrying amount of the assets, other than deferred tax assets, non-current 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(f) Financial assets

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

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

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include loans and receivables, held-to-maturity investments 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 12 months after the reporting date which are classified as non-current.

(ii) Financing and receivables

Financing and receivables consist of Murabahah, Istisna, Bai' Al-Dayn, Tawarruq, Ijarah and Kafalah. These contracts are recognised at amortised cost (except for kafalah contract), including direct and incremental transaction costs using the effective profit method. These contracts are stated at net of unearned income and any amounts written off and/or impaired.

Definition of Shariah concept:

- (a) Murabahah: Sale of an asset by the Bank to the customer at cost plus a mark-up in which the profit and the rate has to be disclosed to the customer. The sale price is payable by the customer on deferred terms.
- (b) Tawarruq: An arrangement that involves sale of commodity by the Bank to the customer in which the sale price is payable on a deferred basis and subsequent sale of the commodity to a third party on a cash basis to obtain cash.
- (c) Ijarah: A lease contract to transfer the usufruct (benefits) of a particular property of the Bank to customer in exchange for a rental payment for a specified period.
- (d) Istisna': An agreement to sell to a customer a non-existent asset that is to be manufactured or build according to the agreed specifications and delivered on a specified future date at a predetermined selling price.
- (e) Bai' Al Dayn: Sale of debt in which the customer sells his payable right to the Bank at discount price or at cost price on the spot payment basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(f) Financial assets (cont'd)

(ii) Financing and receivables (cont'd)

Definition of Shariah concept: (cont'd)

- (f) Kafalah: Conjoining the guarantor's liability to the guaranteed party's liability such that the obligation of the guaranteed party is established as a joint liability of the guarantor and the guaranteed party.

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale investments

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(f) Financial assets (cont'd)

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

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

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

(vi) Derivative instruments and hedge accounting

(a) Derivative instruments

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

(b) Hedge accounting

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(f) Financial assets (cont'd)

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

(b) Hedge accounting

(i) Fair value hedge

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

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

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

(i) Loan, advances, financing and receivable

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised loans 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 the overall interest income.

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

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

(iii) Available-for-sale investments

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

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

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

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

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, deposits with banks/financial institutions and short-term, highly liquid investments 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(l) Insurance/Takaful contract liabilities (cont'd)

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

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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.

(v) Islamic income recognition

Income from financing and receivables is recognised in the statements of income using the effective profit method. The effective profit rate is the rate that discounts the estimated future cash payment and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The calculation of the effective profit rate includes all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate.

Murabahah/Tawarruq and Istisna'

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

Ijarah

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

Bai' Al Dayn

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

Fee income

Fee income from processing fee arrangement, facility fee and upfront fee is recognised on an accrual basis. Fee income is also derived from Kafalah contract.

Takaful income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(p) Income tax

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

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

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

(q) Zakat

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

(i) Method Applied

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

(ii) Beneficiaries of zakat fund

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

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

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(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.

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 cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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

(i) Individual impairment allowance

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

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

3.1 Key sources of estimation uncertainty (cont'd)

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

(ii) Collective impairment allowance

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

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

(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).

NOTES TO THE FINANCIAL STATEMENTS

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4. CASH AND BANK BALANCES

	Group and Bank	
	2013 RM'000	2012 RM'000
Cash and bank balances	38,932	43,747

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2013 RM'000	2012 RM'000
Deposits and placements with:		
Licensed banks	1,141,399	2,155,378
Other financial institutions	563,877	806,516
	1,705,276	2,961,894

Included in deposits and placements with licensed banks and other financial institutions are placements of the unutilised fund from the Government of Malaysia under MKFF Scheme amounting to RM173,622,460 (2012: RM162,378,000). The accounting policy in respect of MKFF Scheme is disclosed in Note 2.4(n).

6. INVESTMENT SECURITIES

	Group and Bank	
	2013 RM'000	2012 RM'000
Available-for-sale investments:		
Unquoted debt securities	435,616	238,080
Held-to-maturity investments:		
Unquoted debt securities	10,005	10,008
	445,621	248,088

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

	Group and Bank	
	2013 RM'000	2012 RM'000
Amount due from participating licensed banks under ECR Scheme	382,345	572,570
The maturity structure of the ECR debtors are as follows:		
Maturity within one year	382,345	572,570

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	
	2013 RM'000	2012 RM'000
At amortised cost		
Loans, advances and financing	5,812,766	3,637,766
Loans under MKFF Scheme	21,320	21,474
Staff loans and advances	2,585	3,588
Gross loans, advances and financing	5,836,671	3,662,828
Less: Allowance for impaired loans, advances and financing:		
– Individual allowance	(407,954)	(400,582)
– Collective allowance	(127,209)	(111,118)
Net loans, advances and financing	5,301,508	3,151,128

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

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

	Group and Bank	
	2013 RM'000	2012 RM'000
Buyer Credit	832,385	760,225
Overseas Contract Financing	448,443	313,890
Overseas Project Financing	2,852,740	1,890,765
Supplier Credit	161,909	146,651
Export Finance	4,056	2,563
Supplier Financing – i	436,952	214,216
Term Financing – i	438,367	–
Overseas Contract Financing – i	15,256	2,156
Overseas Project Financing – i	622,658	307,300
Malaysian Kitchen Financing Facility ("MKFF")	21,320	21,474
Staff loans and advances	2,585	3,588
	5,836,671	3,662,828

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

	Group and Bank	
	2013 RM'000	2012 RM'000
Within one year	1,304,413	1,086,367
One year to three years	1,480,482	380,310
Three years to five years	327,324	804,633
Over five years	2,724,452	1,391,518
	5,836,671	3,662,828

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

	Group and Bank	
	2013 RM'000	2012 RM'000
Conventional		
Fixed rate	213,365	199,877
Variable rate	4,110,076	2,928,907
Islamic		
Fixed rate	553,122	305,538
Variable rate	960,108	228,506
	5,836,671	3,662,828

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

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

	Group and Bank	
	2013 RM'000	2012 RM'000
At 1 January	812,321	879,562
Impaired during the year	99,821	8,825
Reclassified as non-impaired	(54,812)	(2,856)
Recoveries	(11,789)	(36,624)
Amount written off	(23,948)	(14,652)
Exchange differences	62,764	(21,934)
At 31 December	884,357	812,321
Gross impaired loans as a percentage of gross loans, advances and financing		
– with ECR debtors	14.2%	19.2%
– without ECR debtors	15.2%	22.2%
Net impaired loans as a percentage of gross loans, advances and financing		
– with ECR debtors	7.7%	9.7%
– without ECR debtors	8.2%	11.2%

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

	Group and Bank	
	2013 RM'000	2012 RM'000
<u>Individual allowance</u>		
At 1 January	400,582	433,649
Allowance made during the year (Note 31)	60,914	31,309
Amount written back (Note 31)	(62,272)	(36,610)
Net charge to statements of income	(1,358)	(5,301)
Amount written off	(23,947)	(14,652)
Allowance recoverable from the Government of Malaysia for MKFF Scheme	1,938	–
Interest accrued on impaired loans, advances and financing	(607)	–
Forex revaluation gain	31,346	(13,114)
At 31 December	407,954	400,582
<u>Collective allowance</u>		
At 1 January	111,118	90,153
Allowance made during the year (Note 31)	16,091	20,965
At 31 December	127,209	111,118
As % of net loans, advances and financing	2.34%	3.41%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

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

	Group and Bank	
	2013 RM'000	2012 RM'000
Malaysia	264,181	301,992
East Asia	445,653	382,591
South Asia	101,271	62,483
Middle East	–	14,508
Africa	27,050	25,866
Europe	8,087	4,613
America	2,330	1,758
Oceania	35,785	18,510
	884,357	812,321

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

	Group and Bank	
	2013 RM'000	2012 RM'000
Primary agriculture	20,019	70,218
Manufacturing	87,727	67,392
Transport, storage and communication	25,338	23,495
Construction	338,985	625,132
Wholesale and retail trade, and restaurants and hotels	93,714	26,084
Others	318,574	–
	884,357	812,321

9. INSURANCE RECEIVABLES

	Group and Bank	
	2013 RM'000	2012 RM'000
Amount due from agents, brokers and co-insurers	1,440	1,550
Less: Allowance for doubtful debts	(605)	(686)
	835	864

10. DERIVATIVE FINANCIAL INSTRUMENTS

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

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

The table below shows the fair value of derivative financial instruments recorded as assets or liabilities together with their notional amounts:

	Group and Bank					
	2013			2012		
	Fair Value Assets RM'000	Liability RM'000	Notional Amount RM'000	Fair Value Assets RM'000	Liability RM'000	Notional Amount RM'000
<u>Derivative used as fair value hedges</u>						
Interest rate swaps	–	31,070	1,844,107	20,927	–	1,721,654
Cross currency interest rate swap	–	26,774	548,275	–	–	–
<u>Derivative held for trading</u>						
Forward foreign exchange contract	379	491	48,567	–	–	–
Total	379	58,335	2,440,949	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.

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

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over-time based on specified notional amounts, in relation to movements in a specified underlying index such as 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 against each other with the difference being paid by one party to the other.

In a cross currency interest rate swap, the Bank swaps its fixed coupon interest rate into a floating rate coupon on a different currency.

Forwards

Forward are contractual agreements to buy or sell a specified financial instrument of a specific price and date in the future. Forwards are customised contracts transacted in the over the-counter market. Future contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

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

NOTES TO THE FINANCIAL STATEMENTS

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10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Fair values

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

Fair value hedge

The Bank's fair value hedges consist of interest rate swaps and cross currency interest rate swaps. The financial instruments hedged for interest rate risk and foreign currency risk consist of the Medium Term Notes issued by the Bank.

As at 31 December 2013, the Bank has entered into the following derivative financial instruments:

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

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

Full details of hedging as follows:

Group and Bank

2013

Notional amount	Hedge instrument: Interest Rate Swap	Hedged item: MTN	Hedging relationship	Nature of risk
USD350 million	Floating rate of 3 months Libor + 1.755% pa (receive fixed USD semi-annually/ pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million	Floating rate of 3 months Libor + 1.765% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.78% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD25 million	Floating rate of 3 months Libor + 1.75% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Fair value hedge (cont'd)

Group and Bank

2013

Notional amount	Hedge instrument: Interest Rate Swap	Hedged item: MTN	Hedging relationship	Nature of risk
USD63 million	Floating rate of 3 months Libor + 1.85% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.509% per annum (payable semi-annually)	Fair value hedge	Interest rate
Notional amount	Hedge instrument: Cross Currency Interest Rate Swap	Hedged item: MTN	Hedging relationship	Nature of risk
HKD402 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24 p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.6% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency risk
HKD596 million	USD51.82 million at floating rate of 3 months USD Libor + 0.88 p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency risk
HKD300 million	SGD47.88 million at floating rate of 6 months SGD SOR + 1.00 p.a (receive fixed HKD annually/pay float SGD semi annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency risk

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

	Group and Bank	
	2013 RM'000	2012 RM'000
Gain/(Loss) arising from fair value hedges:		
Hedged items	(77,792)	—
Hedging instruments	73,073	—
	(4,719)	—

NOTES TO THE FINANCIAL STATEMENTS

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11. OTHER ASSETS

	Group and Bank	
	2013 RM'000	2012 RM'000
Interest receivables (excluding interest on loans, advances and financing)	32,182	17,844
Other receivables, deposits and prepayments	21,689	13,302
Foreclosed property	69,707	69,707
Tax recoverables	34,224	27,092
	157,802	127,945

12. DEFERRED TAX ASSETS

Recognised deferred tax assets:

	Accelerated capital allowance on property equipment RM'000	Other deductible temporary differences RM'000	Unutilised tax losses RM'000	Unabsorbed capital allowances RM'000	Total RM'000
Group					
At 1 January 2012	(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
Recognised in income statement	(36)	(20,991)	–	–	(21,027)
At 31 December 2013	(5,455)	13,088	–	–	7,633
Bank					
At 1 January 2012	(5,808)	31,966	32,639	–	58,797
Recognised in income statement	389	4,426	(32,639)	–	(27,824)
At 31 December 2012	(5,419)	36,392	–	–	30,973
Recognised in income statement	(36)	(20,989)	–	–	(21,025)
At 31 December 2013	(5,455)	15,403	–	–	9,948

12. DEFERRED TAX ASSETS (CONT'D)

No deferred tax has been recognised for the following items:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unutilised tax losses				
– bank	–	–	–	–
– subsidiary	67,289	67,289	–	–
	67,289	67,289	–	–
Tax rate	25%	25%	25%	25%
	16,822	16,822	–	–

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is substantial change in shareholders, unutilised tax losses carried-forwards amounting to RM67,289,000 (2012: RM67,289,000).

13. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

(a) Investment in subsidiaries

	Group and Bank	
	2013 RM'000	2012 RM'000
Unquoted shares – at cost	73,419	73,419
Less: Allowance for diminution in value	(9,265)	(9,258)
	64,154	64,161

The subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest (%)	
			2013	2012
Malaysian Export Credit Insurance Berhad **	Dormant	Malaysia	100	100
Pengkalan Megaria Sdn Bhd	Dormant	Malaysia	100	100
Morning Glory Company Limited **	Dormant	Laos	100	100

** Not audited by Ernst & Young, Malaysia

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

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

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

(a) Investment in subsidiaries (cont'd)

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	
	2013 RM'000	2012 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	351	333
Accumulated impairment losses	530	530
	881	863
Charged for the year (Note 28)	18	18
At 31 December	899	881
Carrying amount	491	509
Included in the investment properties carrying amount are:		
Freehold land	400	400
Buildings	33	50
Long term leasehold building with unexpired lease period of more than 50 years	58	59
	491	509
Fair value of investment properties	780	780

The investment properties were valued by Raine & Horne International Zaki & Partners Sdn. Bhd., an independent professional valuer on 25 January 2012. The fair value is determined by reference to open market values based on an existing use basis.

14. INVESTMENT PROPERTIES (CONT'D)

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

Management has conducted an internal assessment regarding the latest market value of the investment properties and there is no significant difference noted in market value between the last valuation done by professional valuer and market value as at 31 December 2013.

15. INTANGIBLE ASSETS

	Group and Bank	
	2013 RM'000	2012 RM'000
Computer software		
Cost		
At 1 January	3,717	3,717
Transfer from property and equipment (Note 16)	–	–
At 31 December	3,717	3,717
Accumulated depreciation		
At 1 January	2,927	2,374
Charged for the year (Note 28)	453	553
At 31 December	3,380	2,927
Carrying amount	337	790

NOTES TO THE FINANCIAL STATEMENTS

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16. PROPERTY AND EQUIPMENT

	Freehold Land RM'000	Building RM'000	Office equipment RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture electrical fittings and equipment RM'000	Computer RM'000	Work-in- progress RM'000	Total RM'000
Group and Bank									
Cost									
At 1 January 2013	30,000	33,000	1,046	19,023	773	4,511	7,193	19,505	115,051
Additions	–	–	223	150	92	318	820	5,330	6,933
Reclassifications	–	–	–	2,553	–	–	–	(2,553)	–
Disposals	–	–	–	–	(63)	(3)	–	–	(66)
At 31 December 2013	30,000	33,000	1,269	21,726	802	4,826	8,013	22,282	121,918
Accumulated depreciation									
At 1 January 2013	–	2,310	728	4,023	551	2,352	6,007	–	15,971
Charge for the year	–	660	130	2,163	109	502	771	–	4,335
Disposal	–	–	–	–	(63)	(3)	–	–	(66)
At 31 December 2013	–	2,970	858	6,186	597	2,851	6,778	–	20,240
Carrying amount									
At 31 December 2013	30,000	30,030	411	15,540	205	1,975	1,235	22,282	101,678

16. PROPERTY AND EQUIPMENT (cont'd)

	Freehold Land RM'000	Building RM'000	Office equipment RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture electrical fittings and equipment RM'000	Computer RM'000	Work-in- progress RM'000	Total RM'000
Group and Bank									
Cost									
At 1 January 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

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17. BORROWINGS

		Group and Bank	
		2013 RM'000	2012 RM'000
(i)	Term loans – unsecured		
	Repayable within one year	1,936,535	998,594
	One year to two years	16,379	123,446
	Two years to five years	225,446	191,976
	Over five years	170,100	1,189,212
		2,348,460	2,503,228
(ii)	Medium Term Notes		
	Two years to five years	1,898,121	1,521,668
	Over five years	542,825	192,643
		2,440,946	1,714,311
	Total borrowings	4,789,406	4,217,539

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

Group and Bank

	Year of maturity RM'000	Carrying amount RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	Over 5 years RM'000
2013						
– USD	2022	2,956,631	1,105,606	16,379	1,644,965	189,681
– RM	2022	170,100	–	–	–	170,100
– EURO	2017	337,569	157,161	–	180,408	–
– GBP	2014	484,145	484,145	–	–	–
– SGD	2014	56,380	56,380	–	–	–
– AUD	2018	264,477	133,243	–	131,234	–
– HKD	2023	520,104	–	–	166,960	353,144
		4,789,406	1,936,535	16,379	2,123,567	712,925
2012						
– USD	2022	2,509,244	621,794	123,446	49,692	1,714,311
– RM	2022	1,170,100	–	–	–	1,170,100
– EURO	2012	312,800	151,404	–	161,396	–
– GBP	2012	218,707	218,707	–	–	–
– SGD	2012	6,688	6,688	–	–	–
		4,217,539	998,594	123,446	211,088	2,884,411

17. BORROWINGS (CONT'D)

Term loans

- (a) Revolving multi-currency loan of 1 year up to an aggregate of USD60,000,000 (approximately RM196,530,000) (2012: USD120,000,000 (approximately RM366,960,000)) renewable after one year.

The loan was obtained on 14 September 2006 and subsequently renewed on 6 September 2012. The loan was revised to USD60,000,000 on 16 July 2013. Interest rate on the loan is charged at the rate of 0.85% (2012: 0.85%) per annum above the cost of fund ("COF").

- (b) Term loan of USD20,000,000 (approximately RM65,510,000) (2012: USD20,000,000 (approximately RM61,160,000)) repayable by 32 quarterly installments commencing September 2007.

The loan was obtained on 30 June 2006. Interest on the loan is charged at the rate of 0.33% (2012: 0.33%) above LIBOR per annum.

- (c) Term loan of RM1,000,000,000 (2012: RM1,000,000,000) from 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% (2012: 1.00%) per annum. The loan was fully repaid in December 2013.

- (d) Term loan of USD35,000,000 (approximately RM114,642,500) (2012: USD35,000,000 (approximately RM107,030,000)). The loan is repayable semi-annually within 28 semi-annual installments 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% (2012: 0.395%) above LIBOR per annum.

- (e) Revolving multi-currency loan of 6 months up to an aggregate of USD20,000,000 (approximately RM65,510,000) (2012: USD20,000,000 (approximately RM61,160,000)).

The loan was obtained on 25 June 2009. Interest on the loan is charged at the rate of 1.00% (2012: 1.00%) above London Inter Bank Offer Rate ("LIBOR") per annum.

- (f) Term loan up to an aggregate of USD100,000,000 (approximately RM327,550,000) (2012: USD100,000,000 (approximately RM305,800,000)). 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% (2012: 0.60%) above LIBOR per annum.

- (g) Syndicated term loan of USD100,000,000 (approximately RM327,550,000) (2012: USD100,000,000 (approximately RM305,800,000)) repayable within a period of three years.

The loan was obtained on 14 January 2010. Interest on loan is charged at 1.00% above LIBOR (2012 – 1.00%) per annum. The loan was fully repaid during the year.

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17. BORROWINGS (CONT'D)

Term loans (cont'd)

(h) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM131,020,000 (2012: USD40,000,000 (approximately RM122,320,000))) renewable after one year. The financing was obtained on 10 November 2010 for USD30,000,000, 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% (2012: 0.80%) above the Islamic Cost of Fund per annum.

(i) Revolving US dollar loan up to an aggregate of USD100,000,000 (approximately RM327,550,000 (2012: USD50,000,000 (approximately RM152,900,000))).

The loan was obtained on 28 January 2011. Interest on loan is charged at the rate of 0.80% above LIBOR per annum (2012: 0.80%).

(j) Revolving Euro loan of 1 year up to an aggregate of EUR30,000,000 (approximately RM135,306,000) (2012: 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 0.80% (2012: 0.80%) per annum above Euro Interbank Offer Rate ("EURIBOR").

(k) Structured Commodity Financing-i of 1 year up to an aggregate of USD35,000,000 (approximately RM114,642,000) (2012: USD25,000,000 (approximately RM76,450,500)).

The financing was obtained on 25 July 2012 for USD25,000,000 and was renewed on 11 July 2013 with an additional amount of USD10,000,000. Profit rate on the financing is charged at the rate of 1.3% (2012: 1.3%) above LIBOR per annum.

(l) Term loan of EUR40,000,000 (approximately RM180,408,000) (2012 : 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% (2012: 0.80%) above Euro Interbank Offer Rate ("EURIBOR") per annum.

(m) Multi-Currency Commodity Murabahah Revolving Credit-i up to an aggregate of USD85,000,000 (approximately RM278,417,500) renewable after one year.

The financing was obtained on 14 June 2013 for USD25,000,000. The limit was revised to USD85,000,000 on 12 August 2013. Profit rate on the financing is charged at the rate of 0.85% above the Islamic Cost of Fund per annum.

(n) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM81,887,500) renewable after one year.

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

(o) Revolving multi-currency loan of 1 year up to an aggregate of USD100,000,000 (approximately RM327,550,000) renewable after one year.

The loan was obtained on 2 April 2013. Interest rate on the loan is charged at the rate of 0.70% per annum above London Inter Bank Offer Rate ("LIBOR").

17. BORROWINGS (CONT'D)

Term loans (cont'd)

- (p) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM131,020,000) renewable after one year.

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

- (q) Multi-Currency Murabahah Revolving Credit-i up to an aggregate of EUR120,000,000 (approximately RM541,224,000) renewable after one year.

The financing was obtained on 18 September 2013. Profit rate on the financing is charged at the rate of 0.80% above Euro Interbank Offer Rate ("EURIBOR")

- (r) 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 RM4,913,250,000). Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenors, and may bear fixed or floating of interest.

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenor	Coupon rate	Fixed/ Floating
14 June 2012	USD500 mil	5.5 years	2.875%	Fixed
11 July 2012	USD63 mil	10 years	3.509%	Fixed
8 March 2013	HKD402 mil	5 years	1.600%	Fixed
12 March 2013	HKD896 mil	10 years	2.950%	Fixed
19 March 2013	AUD45 mil	5 years	BBSW+1.2%	Floating

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18. OTHER PAYABLES AND ACCRUALS

	Group and Bank	
	2013 RM'000	2012 RM'000
Sinking fund and debt services reserve accounts	161,522	94,234
Interest payable	30,426	18,355
Amount due to the Government of Malaysia for MKFF Scheme	16,611	12,386
Provision for zakat	695	431
Provision for taxation	36,295	17,728
Others	40,190	24,063
	285,739	167,197

19. DEFERRED INCOME

	Gross RM'000	Reinsurance RM'000	Net RM'000
Group and Bank			
2013			
Arising from:			
(i) Guarantee from banking activities			
At 1 January	540	–	540
Addition during the year	–	–	–
Recognised in income statement	(462)	–	(462)
At 31 December	78	–	78
(ii) Premium liabilities			
At 1 January	14,091	(2,504)	11,587
Increase in reserve (Note 26(i))	6,586	(4,755)	1,831
At 31 December	20,677	(7,259)	13,418
(iii) Takaful premium liabilities			
At 1 January	1,406	–	1,406
Increase in reserve	1,013	–	1,013
At 31 December	2,419	–	2,419
	23,174	(7,259)	15,915

19. DEFERRED INCOME (CONT'D)

	Gross RM'000	Reinsurance RM'000	Net RM'000
Group and Bank			
2012			
Arising from:			
(i) Guarantee from banking activities			
At 1 January	1,496	–	1,496
Addition during the year	377	–	377
Recognised to income statement	(1,333)	–	(1,333)
At 31 December	540	–	540
(ii) Premium liabilities			
At 1 January	13,431	(1,915)	11,516
Increase in reserve (Note 26(i))	660	(589)	71
At 31 December	14,091	(2,504)	11,587
(iii) Takaful premium liabilities			
At 1 January	–	–	–
Increase in reserve	1,406	–	1,406
At 31 December	1,406	–	1,406
	16,037	(2,504)	13,533

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20. PROVISION FOR GUARANTEE AND CLAIMS

	Gross RM'000	Net RM'000
Group and Bank		
2013		
Arising from:		
(i) Insurance claims		
At 1 January	19,930	19,930
Addition during the year	6,064	6,064
Paid during the year (Note 26)(ii)	(594)	(594)
At 31 December	25,400	25,400
(ii) Takaful claims		
At 1 January	361	361
Addition during the year	2,495	2,495
Paid during the year	(1,313)	(1,313)
At 31 December	1,543	1,543
(iii) Expenses liabilities		
At 1 January	–	–
Addition during the year	130	130
At 31 December	130	130
	27,073	27,073
2012		
Arising from:		
(i) Insurance claims		
At 1 January	24,433	24,433
Reversal during the year	17,209	17,209
Paid during the year (Note 26)(ii)	(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

21. SHARE CAPITAL

	Group and Bank			
	2013		2012	
	Number of shares	Amount RM	Number of shares	Amount RM
Authorised				
Ordinary shares of RM1 each	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Special Rights	1	1	1	1
At 31 December	3,000,000,001	3,000,000,001	3,000,000,001	3,000,000,001
Issued and fully paid				
Ordinary shares of RM1 each	2,708,665,283	2,708,665,283	2,708,665,283	2,708,665,283
Special Rights	1	1	1	1
At 31 December	2,708,665,284	2,708,665,284	2,708,665,284	2,708,665,284

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

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

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

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

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

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

22. RETAINED PROFITS

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 dividends 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 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

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22. RETAINED PROFITS (CONT'D)

The Bank did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the 108 balance to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2012, the Bank has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings. Any 108 balance which has not been utilised as at 31 December 2013 is disregarded. Thereafter, the Bank may distribute dividends out of its entire retained earnings under the single tier system.

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	
	2013 RM'000	2012 RM'000
Loans, advances and financing		
– Interest income from non-impaired loans	149,200	110,760
– Interest income from impaired loans	607	–
– Recoveries from impaired loans	10,171	10,882
Money at call and deposit placements with banks and other financial institutions	80,450	71,419
Investment securities	9,759	15,139
Amortisation of premium less accretion of discount	(816)	2,369
Net income from interest rate and cross currency interest rate swaps	20,623	6,597
	269,994	217,166

25. INTEREST EXPENSE

	Group and Bank	
	2013 RM'000	2012 RM'000
Borrowings		
Term loans	21,214	39,558
Medium Term Notes	70,144	28,227
	91,358	67,785

26. UNDERWRITING RESULTS

	Group and Bank	
	2013 RM'000	2012 RM'000
Gross premium	13,985	14,328
Reinsurance	(4,631)	(4,300)
Net premium	9,354	10,028
Increase in premium liabilities reserves (Note 19)	(1,831)	(71)
Net earned premium (Note 26 (i))	7,523	9,957
Other fee income	558	706
Write-back of allowance for doubtful debts	81	1,874
Net claims incurred (Note 26 (ii))	8,162	12,537
	(6,044)	(13,908)
Underwriting results	2,118	(1,371)
(i) Net earned premium		
Gross premium	13,985	14,328
Change in premium liabilities reserves (Note 19)	(1,831)	(71)
	12,154	14,257
Premium ceded	(4,631)	(4,300)
Net earned premium	7,523	9,957
(ii) Net claims incurred		
Gross claims paid less salvage (Note 20)	(594)	(21,712)
Recoveries	118	4,631
Bad debt written off	(98)	(1,330)
Net claims paid	(574)	(18,411)
Net outstanding claims		
– 1 January	19,930	24,433
– 31 December	(25,400)	(19,930)
Net claims incurred	(6,044)	(13,908)

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27. OTHER INCOME

		Group and Bank	
		2013 RM'000	2012 RM'000
Fee income		44,027	22,112
Dividend income from shares quoted in Malaysia		–	477
Foreign exchange (loss)/gain			
– unrealised		(27,599)	(29,735)
– realised		22,692	60,785
Gain on disposal of equipment		9	25
Assets written off		–	(4)
Rental income		12	32
Net (loss)/gain on financial instruments designated through at fair value through profit or loss		(77,903)	20,990
Net gain on MTN designated at fair value profit or loss		73,073	–
Others		179	935
		34,490	75,617

28. OVERHEAD EXPENSES

		Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Note					
Personnel costs	(i)	41,616	32,178	41,616	32,178
Establishment related expenses	(ii)	9,710	8,695	9,710	8,695
Promotion and marketing expenses	(iii)	4,354	2,896	4,354	2,896
General administrative expenses	(iv)	14,571	15,821	14,562	15,812
		70,251	59,590	70,242	59,581

(i) Personnel costs

		Group and Bank	
		2013 RM'000	2012 RM'000
Salaries, allowances and bonuses		33,430	24,594
Defined contribution plan		3,945	3,347
Other staff related expenses		4,241	4,237
		41,616	32,178

28. OVERHEAD EXPENSES (CONT'D)

(ii) Establishment related expenses

	Group and Bank	
	2013 RM'000	2012 RM'000
Depreciation:		
– Property and equipment (Note 16)	4,335	3,985
– Investment properties (Note 14)	18	18
Amortisation of intangible assets (Note 15)	453	553
Rental of leasehold land and premises	267	233
Repairs and maintenance of property and equipment	4,637	3,906
	9,710	8,695

(iii) Promotion and marketing expenses

Advertisement and publicity	4,354	2,896
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(iv) General administrative expenses

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Administrative expenses	2,902	2,433	2,902	2,433
Auditors' remuneration				
– statutory audit	283	270	279	266
– regulated related services	5	5	5	5
– other assurance services	430	360	430	360
General expenses	7,337	8,742	7,332	8,737
Professional fees	3,029	3,439	3,029	3,439
Others	585	572	585	572
	14,571	15,821	14,562	15,812

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29. DIRECTORS' FEES AND REMUNERATION

Group and Bank

	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
2013					
Executive Director:					
Dato' Adissadikin bin Ali	540	–	270	203	1,013
	540	–	270	203	1,013
Non-Executive Directors:					
Datuk Mohd Hashim bin Hassan	–	204	–	–	204
Haji Zakaria bin Ismail	–	174	–	–	174
Dato' Rosli bin Mohamed Nor	–	172	–	–	172
Dato' Dr. Mohmad Isa bin Hussain	–	122	–	–	122
Encik Nik Najib bin Husain	–	168	–	–	168
Dato' Md Agil bin Mohd Natt	–	162	–	–	162
Encik Ismail bin Mahbob	–	134	–	–	134
Encik Wong Seng Foo	–	92	–	–	92
	–	1,228	–	–	1,228
Total Directors' remuneration (excluding benefits in-kind)	540	1,228	270	203	2,241
2012					
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
Dato' 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

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 President/Chief Executive Officer of the Group and of the Bank.

The key management personnel compensation is as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
Short-term employee benefits (excluding benefit in-kind)	1,013	808
Included in the total key management personnel is:		
Executive Director's remuneration (Note 29)	1,013	808

31. ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2013 RM'000	2012 RM'000
Claims guarantee		
– Charge for the year	7,157	–
– Written back during the year	(9,290)	–
Individual allowance		
– Charge for the year	60,914	31,309
– Written back during the year	(62,272)	(36,610)
Collective allowance		
– Charge for the year	16,091	20,965
	12,600	15,664

32. TAXATION

The major components of taxation for the years ended 31 December 2013 and 2012 are:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax expense:				
– Current year	36,295	17,728	36,295	17,728
– Over provision in prior years	(12,481)	(10)	(12,481)	(10)
Deferred tax expense:				
– Origination and reversal of temporary differences	12,615	27,824	12,613	27,823
– Underprovision in prior years	8,412	–	8,412	–
	44,841	45,542	44,839	45,541

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32. TAXATION (CONT'D)

Income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. Effective year of assessment 2016, the income tax rate will be reduced to 24%.

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

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before taxation	190,253	169,737	190,255	169,740
Income tax using Malaysian statutory tax rate of 25% (2012: 25%)	47,563	42,434	47,564	42,435
Non-deductible expenses	1,347	1,733	1,344	1,733
Recognition of previously unrecognised deferred tax assets	–	1,385	–	1,383
Overprovision in prior years	48,910	45,552	48,908	45,551
Underprovision of deferred tax asset in prior years	(12,481)	(10)	(12,481)	(10)
	8,412	–	8,412	–
	44,841	45,542	44,839	45,541

33. EARNINGS PER SHARE

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Issued ordinary shares as at 31 December ('000)	2,708,665	2,708,665	2,708,665	2,708,665
Profit after taxation (RM'000)	144,717	123,766	144,721	123,770
Basic earnings per share (sen)	5.34	4.57	5.34	4.57

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 0.69 sen per ordinary share less tax at 25% totalling RM13,924,310 (0.51 sen net per ordinary shares) in respect of the year ended 31 December 2012 on 30 May 2013.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2013, of 0.80 sen per ordinary share amounting to RM21,708,113 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 2014.

35. COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2013 RM'000	2012 RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	368,025	160,179
Letter of credit	375,357	1,123
Undrawn loans and financing	2,770,460	2,081,150
	3,513,842	2,242,452
<u>Insurance operation commitments</u>		
Contracted but not provided for:		
Within one year	415,743	1,422,414
One year or later and no later than five years	401,035	149,142
	816,778	1,571,556
<u>Operational commitments</u>		
Approved but not contracted for:		
Within one year	15,400	18,266
Total commitments and contingencies	4,346,020	3,832,274

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 transactions and balances with the following parties:

(a) Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel consists of the President/Chief Executive Officer of the Group and the Bank. The key management personnel compensation is disclosed in Note 30.

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

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

	Group and Bank	
	2013 RM'000	2012 RM'000
<u>Amount due to subsidiaries:</u>		
Amount due to subsidiaries	64,142	64,151

(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	
	2013 RM'000	2012 RM'000
<u>Transaction during the year</u>		
Other income: Management fee	2,552	2,552
Expenses: Bad debt written off	1,337	–

The Government of Malaysia

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

	Group and Bank	
	2013 RM'000	2012 RM'000
Fund under MKFF Scheme	170,100	170,100
Less:		
Loan and financing	(20,965)	(21,810)
Allowance for losses on loans and financing	(9,555)	(7,616)
Bad debt written off	(3,002)	(1,823)
Add:		
Interest earned from financing	1,026	745
Interest income on investment	26,895	21,075
Net repayable	164,499	160,671

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

(c) Government related parties (cont'd)

Bank Negara Malaysia

	2013 RM'000	2012 RM'000
Amount due to:		
Borrowings	–	1,000,000
Interest payable	5,041	5,027

	Group and Bank	
	2013 RM'000	2012 RM'000
Transaction during the year:		
Interest expense	10,000	10,000

(d) Licensed banks and other financial institutions

	Group and Bank	
	2013 RM'000	2012 RM'000
Deposits and placements	580,274	806,516

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.

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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.

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 President/Chief Executive Officer chairs MRC. The Committee focuses on the overall business strategies and daily business operations of the Group and the Bank in respect of risk management.

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

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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%.

Regulatory capital

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

	2013 RM'000	2012 RM'000
Ordinary share capital	2,708,665	2,708,665
Retained profit	117,593	7,747
Current year profit	144,721	123,770
Eligible Tier 1 capital	2,970,979	2,840,182
Collective allowance on loans, advances and financing*	114,895	83,596
Provision for guarantee and claims	8,034	5,954
Eligible Tier 2 capital	122,929	89,550
Investment in subsidiaries	(64,154)	(64,161)
Total capital base	3,029,754	2,865,571
Risk weighted assets	8,421,544	6,874,076
Risk weighted capital ratio	36.0%	41.7%
Tier 1 Capital Ratio		
– With proposed dividend	35.0%	41.1%
– Without proposed dividend	35.3%	41.3%

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

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Capital management

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.

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:

	Changes in foreign exchange rates (+/-) %	Effect on profit/loss		Effect on equity	
		Increase in FX rate RM'000	Decrease in FX rate RM'000	Increase in FX rate RM'000	Decrease in FX rate RM'000
2013					
AED	10	(3)	3	(3)	3
EUR	5	(152)	152	(152)	152
GBP	5	1,354	(1,354)	1,354	(1,354)
JPY	10	9	(9)	9	(9)
SGD	5	5,622	(5,622)	5,622	(5,622)
USD	10	(24,831)	24,831	(24,831)	24,831
		(18,001)	18,001	(18,001)	18,001

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Market risk management (cont'd)

Measurement (cont'd)

	Changes in foreign exchange rates (+/-) %	Effect on profit/loss		Effect on equity	
		Increase in FX rate RM'000	Decrease in FX rate RM'000	Increase in FX rate RM'000	Decrease in FX rate RM'000
2012					
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

Asset liability management

Approach and risk strategy

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

The Group's and the Bank's Asset and Liability Management ("ALM") strategies

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

Risk identification

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

Measurement

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

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.

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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:

	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
2013						
Assets						
Cash and bank balances	–	–	–	–	38,932	38,932
Deposits and placement with banks and placement financial institutions	1,410,276	295,000	–	–	–	1,705,276
Investment securities	35,028	229,344	181,249	–	–	445,621
Amount due from ECR debtors	293,957	88,388	–	–	–	382,345
Loans, advances and financing	57,704	1,246,709	1,807,806	2,189,289	–	5,301,508
Derivative financial instruments	–	–	–	379	–	379
Other assets	–	–	–	–	335,245	335,245
Total assets	1,796,965	1,859,441	1,989,055	2,189,668	374,177	8,209,306
Liabilities and equity						
Borrowings	1,800,229	136,306	2,139,946	712,925	–	4,789,406
Derivative financial instruments	–	–	–	58,335	–	58,335
Other liabilities	–	–	–	–	390,450	390,450
Shareholders' fund	–	–	–	–	2,971,115	2,971,115
Total liabilities and equity	1,800,229	136,306	2,139,946	771,260	3,361,565	8,209,306
Period gap	(3,264)	1,723,135	(150,891)	1,418,408	(2,987,388)	–
Cumulative gap	(3,264)	1,719,871	1,568,980	2,987,388	–	–

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:

	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
2012						
Assets						
Cash and bank balances	–	–	–	–	43,747	43,747
Deposits and placement with banks and placement 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
Derivative financial instruments	–	–	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
Derivative financial instruments	–	–	–	–	–	–
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	–	–

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:

	2013		2012	
	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	7,306	7,306	21,800	21,800
– 50 basis points	(13,631)	(13,631)	(18,400)	(18,400)

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Liquidity risk management

Approach and risk strategy

The inability to create liquidity would cause serious repercussion to the Group and the Bank in terms of its reputation and even its continued existence. In view of this, the Group and the Bank pay particular attention to liquidity risk management approach and strategy.

The objective of liquidity risk management is to ensure the availability of sufficient liquidity to honour all financial obligations and able to meet any stressful events. The Group's and the Bank's liquidity risk management strategies involve:

- Establish appropriate policies to oversee the management of liquidity risk of the Group and the Bank;
- Establish prudent liquidity risk limits to ensure the Group and the Bank maintain a safe level of asset liquidity; and
- Develop contingency funding plans to manage the Group's and the Bank's funding requirement during liquidity crisis.

Risk identification

There are two types of liquidity risk i.e. funding liquidity risk and market liquidity risk. Funding liquidity risk refers to the potential inability of the Group and the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost. Market liquidity risk refers to the Group's and the Bank's potential inability to liquidate positions quickly and in sufficient volumes, at a reasonable price.

Measurement

Liquidity is measured by the Group's and the Bank's ability to efficiently and economically accommodate decrease in deposits/funding (such as funds obtained from the Government) and other purchased liabilities and to fund increases in assets to ensure continued growth of the Group and the Bank.

The Group and the Bank maintain large capital base, sufficient liquid assets, diversified funding sources, and regularly 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 according to their contractual maturity:

	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2013						
Assets						
Cash and bank balances	38,932	–	–	–	–	38,932
Deposits and placement with banks and other financial institutions	–	1,410,276	295,000	–	–	1,705,276
Investment securities	–	35,082	229,344	181,249	–	445,621
Amount due from ECR debtors	–	293,957	88,388	–	–	382,345
Loans, advances and financing	–	57,704	1,246,709	1,807,806	2,189,289	5,301,508
Derivative financial instruments	–	–	–	–	379	379
Other assets	335,245	–	–	–	–	335,245
Total assets	374,177	1,796,965	1,859,441	1,989,055	2,189,668	8,209,306
Liabilities						
Borrowings	–	1,800,229	136,306	2,139,946	712,925	4,789,406
Derivative financial instruments	–	–	–	–	58,335	58,335
Other liabilities	392,869	–	–	–	–	392,869
Total liabilities	392,869	1,800,229	136,306	2,139,946	771,260	5,240,610
Net maturity mismatch	(18,692)	(3,264)	1,723,135	(150,891)	1,418,408	2,968,696

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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 according to their contractual maturity:

	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2012						
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
Derivative financial instruments	—	—	—	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

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Liquidity risk management (cont'd)

Measurement (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.

	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
2013						
Non-derivative financial liabilities						
Borrowings	–	1,847,698	338,433	2,174,743	906,984	5,267,858
Other liabilities	418,359	–	–	–	–	418,359
Total financial liabilities	418,359	1,847,698	338,433	2,174,743	906,984	5,686,217
Commitment and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	368,025	–	–	–	–	368,025
Letter of credit	375,357	–	–	–	–	375,357
Undrawn loans and financing	–	845,495	893,136	1,031,829	–	2,770,460
	743,382	845,495	893,136	1,031,829	–	3,513,842
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	–	–	415,743	–	–	415,743
One year or later and no later than five years	–	18,548	140,022	212,985	29,480	401,035
	–	18,548	555,765	212,985	29,480	816,778
Total commitment and contingencies	743,382	864,043	1,448,901	1,244,814	29,480	4,330,620

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Liquidity risk management (cont'd)

Measurement (cont'd)

	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2012						
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

Commitment and contingencies

Banking operation commitments

Contracted but not provided for:

Guarantee facility	160,179	–	–	–	–	160,179
Letter of credit	1,123	–	–	–	–	1,123
Undrawn loans and financing	–	269,967	1,381,840	429,343	–	2,081,150
	161,302	269,967	1,381,840	429,343	–	2,242,452

Insurance operation commitments

Contracted but not provided for:

Within one year	–	–	1,422,414	–	–	1,422,414
One year or later and no later than five years	–	149,142	–	–	–	149,142
	–	149,142	1,422,414	–	–	1,571,556

Total commitment and contingencies	161,302	419,109	2,804,254	429,343	–	3,814,008
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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;

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit risk management (cont'd)

Approach and risk strategy (cont'd)

- Regular credit review is performed as an effective tool to constantly evaluate the quality of credits given and adherence to the credit process;
- The composition and quality of the Group's and the Bank's credit portfolio are constantly monitored to identify and manage concentrations risk; and
- Conduct stress testing on the Group's and the Bank's credit portfolio to identify possible events or future changes in economic conditions that could have favourable effects to its credit exposures and assess the Group's and the Bank's ability to withstand such changes.

Risk identification

The Group and the Bank take into account the sources of credit risks identified from all lines of business on a bank-wide basis such as direct financing risk, contingent financing risk, issuer risk, pre-settlement risk and settlement risk.

As a development financial institution, the Group and the Bank are expected primarily to fill the gaps in the supply of financial services that are not normally provided by other banking institutions. Therefore, the Group and the Bank are exposed to credit risk mainly from credit facilities to finance and support exports and imports of goods, services and overseas projects with emphasis on non-traditional markets, provision of export credit insurance services, export financing insurance, overseas investment insurance and guarantee facilities. The Group and the Bank are also exposed to credit risk from investment in securities and other financial market transactions.

Measurement

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

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

Impairment of financial assets

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

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

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit risk exposure

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

	Maximum exposure to RM'000	Collateral value RM'000	Net exposures RM'000
Group and Bank			
2013			
<u>Credit exposure for on-balance sheet assets:</u>			
Deposit and placement with banks and other financial institutions	1,705,276	–	1,705,276
Investment securities			
Available-for-sale	435,616	–	435,616
Held-to-maturity	10,005	–	10,005
Amount due from ECR debtors	382,345	–	382,345
Loans, advances and financing	5,301,508	5,233,435	68,073
	7,834,750	5,233,435	2,601,315
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	3,513,842	–	3,513,842
Insurance operations commitments			
Short term	415,743	–	415,743
Medium/Long term	401,035	–	401,035
	4,330,620	–	4,330,620
	12,165,370	5,233,435	6,931,935

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit risk exposure (cont'd)

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

	Maximum exposure to RM'000	Collateral value RM'000	Net exposures RM'000
Group and Bank			
2012			
<u>Credit exposure for on-balance sheet assets:</u>			
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 asset	20,927	–	20,927
	6,954,607	2,646,044	4,308,563
<u>Credit exposure for off-balance sheet assets:</u>			
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

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit risk exposure (cont'd)

Collateral and credit enhancement

Collateral represents the asset pledged by a customer and/or a third party on behalf of the customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Group and the Bank, and subject to seizure in the event of default. Collateral provides the Group and the Bank with a secondary source of repayment, i.e. a source of fund to help recover its investment should the customer 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:

	2013 RM'000	2012 RM'000
<u>Collateral type</u>		
Secured by cash	218,763	65,476
Secured by property	5,014,672	2,580,568
	5,233,435	2,646,044

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

	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
2013						
Malaysia	1,705,276	445,621	382,345	1,849,878	379	4,383,499
East Asia	–	–	–	1,941,583	–	1,941,583
South Asia	–	–	–	622,417	–	622,417
Central Asia	–	–	–	411,513	–	411,513
Middle East	–	–	–	427,876	–	427,876
Africa	–	–	–	226,603	–	226,603
Europe	–	–	–	127,702	–	127,702
America	–	–	–	186,514	–	186,514
Oceania	–	–	–	42,585	–	42,585
	1,705,276	445,621	382,345	5,836,671	379	8,370,292
2012						
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
Middle East	–	–	–	198,704	–	198,704
Africa	–	–	–	389,254	–	389,254
Europe	–	–	–	161,911	–	161,911
America	–	–	–	316,091	–	316,091
Oceania	–	–	–	22,987	–	22,987
	–	–	–	219,380	–	219,380
	2,961,894	248,088	572,570	3,662,828	20,927	7,466,307

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit risk exposure (cont'd)

Geographical analysis (cont'd)

Off-balance sheet exposure

	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
2013				
Malaysia	1,327,539	32,805	–	1,360,344
East Asia	1,277,069	124,824	201,620	1,603,513
South Asia	207,915	9,525	11,400	228,840
Central Asia	47,759	685	16,803	65,247
Middle East	24,376	31,725	25,934	82,035
Africa	27,879	20,430	–	48,309
Europe	180,638	108,131	145,278	434,047
America	32,794	45,180	–	77,974
Oceania	387,873	42,438	–	430,311
	3,513,842	415,743	401,035	4,330,620
2012				
Malaysia	618,292	366,151	–	984,443
East Asia	299,436	699,796	2,790	1,002,022
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	–	110,132
Oceania	422,685	37,911	–	460,595
	2,253,452	1,422,414	149,142	3,825,008

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit risk exposure (cont'd)

Industrial analysis

Exposures to credit risk by industry are as follows:

On-balance sheet exposure

	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
2013						
Primary agriculture	–	51,133	–	459,994	–	511,127
Mining and quarrying	–	–	–	285,131	–	285,131
Manufacturing	–	–	–	1,230,562	–	1,230,562
Transport, storage and communication	–	27,608	–	543,684	–	571,292
Construction	–	20,016	–	408,990	–	429,006
Wholesale and retail trade, and restaurants and hotels	–	10,005	–	400,559	–	410,564
Finance, insurance, real estate and business activities	1,705,276	236,275	382,345	227,334	379	2,551,609
Electricity, gas and water	–	40,415	–	749,701	–	790,116
Government	–	–	–	561,277	–	561,277
Others	–	60,169	–	969,439	–	1,029,608
	1,705,276	445,621	382,345	5,836,671	379	8,370,292
2012						
Agriculture, hunting and forestry	–	–	–	291,706	–	291,706
Mining, quarrying 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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit risk exposure (cont'd)

Industrial analysis (cont'd)

Off-balance sheet exposure

2013

	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
Manufacturing	775,344	355,456	163,826	1,294,626
Transport, storage and communication	734,930	7,016	–	741,946
Construction	44,934	–	27,573	72,507
Electricity, gas and water supply	831,256	1,827	186,839	1,019,922
Finance, insurance, real estate and Business Activities	334,390	–	–	334,390
Wholesale and retail trade, and restaurants and hotels	66,340	18,983	–	85,323
Government	6,076	–	–	6,076
Mining and quarrying	129,928	–	2,686	132,614
Information technology	–	–	8,714	8,714
Primary agriculture	197,166	–	–	197,166
Others	393,479	32,461	11,397	437,337
	3,513,842	415,743	401,035	4,330,620

2012

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
	952,986	1,422,414	149,142	3,814,008

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:

	2013 RM'000	2012 RM'000
Available-for-sale investment securities		
Short-term		
P1/MARC-1	–	15,053
Long-term		
AAA	152,031	100,826
AA	200,796	117,148
A	22,622	5,053
NA	60,167	–
	435,616	238,080
Held-to-maturity investments securities:		
Long-term		
AAA	10,005	10,008
Derivative Financial assets:		
Financial institutions		
AAA	168	–
A	3	–
	171	–
Commercial customers		
Risk Rating 5	176	–
Risk Rating 7	32	–
	208	–

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit quality by class of financial assets (cont'd)

Credit quality by loans, advances and financing

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

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2013				
Commercial customer				
Risk Rating 1	105,898	–	–	105,898
Risk Rating 2	981,608	680	–	982,288
Risk Rating 3	957,343	1,565	–	958,908
Risk Rating 4	1,017,083	23,308	–	1,040,391
Risk Rating 5	539,970	20,645	–	560,615
Risk Rating 6	625,003	8,892	–	633,895
Risk Rating 7	94,766	6,082	–	100,848
Risk Rating 8	5,823	–	–	5,823
Risk Rating 9	–	–	–	–
Impaired	–	–	884,357	884,357
	4,327,494	61,172	884,357	5,273,023
Sovereign				
Risk Rating A	–	–	–	–
Risk Rating B	12,973	–	–	12,973
Risk Rating C	225,719	–	–	225,719
Risk Rating D	80,644	–	–	80,644
Risk Rating E	244,312	–	–	244,312
	563,648	–	–	563,648
	4,891,142	61,172	884,357	5,836,671

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit quality by class of financial assets (cont'd)

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

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2012				
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
	545,973	–	–	545,973
	2,848,348	2,159	812,321	3,662,828

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit quality by class of financial assets (cont'd)

Aging analysis of past due but not impaired loans, advances and financing

Analysis of loans, advances and financing that are past due but not impaired based on the Group's and the Bank's internal credit rating system are as follows:

	2013 RM'000	2012 RM'000
1 months overdue	5,566	—
2 months overdue	6,416	617
3 months overdue	2,713	80,897
4 months overdue	108	—
5 months overdue	132	—
	14,935	81,514

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 RM167.8 million (2012: RM160.2 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.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Fair values (cont'd)

(i) Determination of fair values (cont'd)

Derivative financial assets/liabilities

The fair value is based on quoted market price or marked to model valuation.

Loans, advances and financing

Loans, advances and financing are net of charges for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Borrowings (Non-hedged items)

The fair value of variable rate non-concessional borrowings is estimated to approximate the carrying amount.

Management is of the view that all concessional borrowings bear interest rate which approximates the market rate for similar concessional borrowings granted to other development financial institutions. Therefore, the fair value of concessional borrowings is estimated to approximate the carrying amount.

Borrowings (Hedged items)

The fair value is based on marked to model valuation.

(ii) Fair value hierarchy

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

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

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

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Fair values (cont'd)

(ii) Fair value hierarchy (cont'd)

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

	Carrying value RM'000	Fair value Level 2 RM'000
2013		
Financial assets		
AFS securities		
Unquoted debt securities	435,616	435,616
HTM securities		
Unquoted debt securities	10,005	10,005
Derivative financial assets	379	379
	446,000	446,000
Financial liabilities		
Borrowings – Medium Term Notes (Hedged items)	2,309,713	2,309,713
Derivative financial liabilities	58,335	58,335
	2,368,048	2,368,048
Assets for which fair values are disclosed:		
Investment properties	491	780
2012		
Financial assets		
Derivative financial assets	20,927	20,927
AFS securities		
Unquoted debt securities	238,080	238,080
HTM securities		
Unquoted debt securities	10,008	10,008
	269,015	269,015
Assets for which fair values are disclosed:		
Investment properties	509	780

There were no transfer between Level 1 and Level 2 of the fair value hierarchy during the financial year.

For financial instruments classified as Level 1, the valuations are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions 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.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Fair values (cont'd)

(ii) Fair value hierarchy (cont'd)

For financial instruments classified as Level 2, their values are based on quoted prices in inactive markets, or whose values are based on models whereby but the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability. These would include certain bonds, government bonds, corporate debt securities and certain issued notes.

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.

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.

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38. INSURANCE RISKS (CONT'D)

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

	2013 Net RM'000	2012 Net RM'000
Estimated claim liabilities	27,073	20,291

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:

	2013 Net RM'000		2012 Net RM'000	
	High +10%	Low -10%	High +10%	Low -10%
Estimated claim liabilities	29,794	24,440	22,045	18,538

b. Change in average number of claims

Assumed 4.5% of Comprehensive Policy Shipments policies as IBNR claims for Comprehensive Policy Shipments. Changing this by 10% gives the following results:

	2013 Net RM'000		2012 Net RM'000	
	High +10%	Low -10%	High +10%	Low -10%
Estimated claim liabilities	28,073	26,161	20,769	19,813

38. INSURANCE RISKS (CONT'D)

Claim liability sensitivity analysis (cont'd)

c. Change in Claims Handling Expenses ("CHE")

Assumed the following expenses – 10% of IBNR and 9% the specific provisions. Changing this by 10% points gives the following results:

	2013 Net		2012 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	29,614	24,838	22,151	18,596

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:

	2013 Net		2012 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	27,471	26,763	20,556	20,026

Premium/contribution liability sensitivity analysis

	2013 Net RM'000	2012 Net RM'000
Estimated premium/contribution liabilities	15,836	12,993

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:

	2013 Net		2012 Net	
	High +0.25% points	Low -0.25% points	High +0.25% points	Low -0.25% points
Estimated premium/contribution liabilities	17,547	14,127	14,875	11,1

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38. INSURANCE RISKS (CONT'D)

Premium liability sensitivity analysis (cont'd)

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:

	2013 Net		2012 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	17,413	13,669	N/A	11,724

c. Change in Claim Handling Expenses ("CHE")

Assumed CHE of 10%. Changing this by 10% points gives the following results:

	2013 Net		2012 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	17,230	14,443	14,147	11,839

d. Change in PRAD %

Assumed a premium PRAD of 50%. Changing this by 10% (to 55% and 45% respectively) gives the following results:

	2013 Net		2012 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	16,364	15,308	13,426	12,560

39. ISLAMIC BUSINESS FUND

Statement of financial position as at 31 December 2013

Note	Group and Bank					
	2013			2012		
	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Assets						
(a)	58	109	167	14	111	125
Cash and bank balances						
Deposits and placements with banks and other financial institutions	317	1,199	1,516	200,419	516	200,935
(b)	322,330		322,330	–	–	–
(c)	367	–	367	625	–	625
(d)	1,450,887	–	1,450,887	502,266	–	502,266
Advances and financing	–	783	783	–	380	380
Premium/contribution receivable	2,419	2,419	4,838	933	933	1,866
Qard receivable	2,353	1	2,354	314	1	315
Other receivables						
	1,778,731	4,511	1,783,242	704,571	1,941	706,512
Total assets						
Liabilities						
Financing payable	897,910	–	897,910	198,770	–	198,770
Deferred income	–	2,419	2,419	–	1,406	1,406
Provision for claim	–	1,543	1,543	–	361	361
Provision for expenses liability	130	–	130	–	–	–
Other liabilities	739,017	549	739,566	399,837	174	400,011
	1,637,057	4,511	1,641,568	598,607	1,941	600,548
Total liabilities						

NOTES TO THE FINANCIAL STATEMENTS

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39. ISLAMIC BUSINESS FUND (CONT'D)

Statement of financial position as at 31 December 2013 (cont'd)

	Note	Group and Bank			
		2013		2012	
		Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	
		Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Total RM'000
Financed by:					
Islamic banking fund		100,000	–	100,000	100,000
Takaful participants fund		–	(2,419)	(933)	(933)
Qard payable		2,419	2,419	4,838	1,866
Reserves		(245)	–	(245)	–
Retained Profits		39,500	–	39,500	5,031
Total Islamic business fund and Takaful fund		141,674	–	141,674	105,964
Total liabilities, Islamic business fund, and Takaful participants fund		1,778,731	4,511	1,783,242	706,512
Commitments and contingencies		949,246	158,880	1,108,126	526,993

39. ISLAMIC BUSINESS FUND (CONT'D)

Statement of income for the year ended 31 December 2013

Note		Group and Bank					
		2013			2012		
		Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
(f)	Income derived from Islamic banking fund	62,791	-	62,791	25,480	-	25,480
	Financing cost	(6,019)	-	(6,019)	(4,607)	-	(4,607)
	Net income from Islamic banking fund	56,772	-	56,772	20,873	-	20,873
	Gross premium contribution	-	3,189	3,189	-	1,282	1,282
	Wakalah fee	1,080	(1,080)	-	449	(449)	-
	Reinsurance outward	-	(60)	(60)	-	-	-
	Increase in premium/contribution liability	-	(1,013)	(1,013)	-	(1,405)	(1,405)
	Increase in claim liability	-	(2,495)	(2,495)	-	(361)	(361)
	Increase in expenses liability	(130)	-	(130)	-	-	-
	Takaful fees	138	(27)	111	42	-	42
(g)	Income from Takaful activities	1,088	(1,486)	(398)	491	(933)	(442)
	Islamic banking fund and Takaful fund results	57,860	(1,486)	56,374	21,364	(933)	20,431
	Other Income	14,556	-	14,556	(182)	-	(182)
	Net Income from Islamic business	72,416	(1,486)	70,930	21,182	(933)	20,249
	Administrative expenses	(579)	-	(579)	(208)	-	(208)
	Allowances for losses on advances and financing	(36,673)	-	(36,673)	(26,372)	-	(26,372)
	Profit/(loss) for the year before taxation and zakat	35,164	(1,486)	33,678	(5,398)	(933)	(6,331)
	Zakat	(695)	-	(695)	(429)	-	(429)
	Net profit/(loss)	34,469	(1,486)	32,983	(5,827)	(933)	(6,760)

NOTES TO THE FINANCIAL STATEMENTS

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39. ISLAMIC BUSINESS FUND (CONT'D)

Statement of changes in Islamic banking fund and Takaful fund for the year ended 31 December 2013

	Islamic Banking Fund RM'000	Retained profits RM'000	Fair value adjustment reserve RM'000	Total RM'000
Group and Bank				
At 1 January 2012	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
Net profit for the year	–	32,983	(245)	32,738
At 31 December 2013	100,000	37,081	(245)	136,836

	Group and Bank	
	2013	2012
	RM'000	RM'000
Cash flows from operating activities		
Profit/(loss) before taxation and zakat	35,164	(5,398)
Adjustments for:		
Allowance for losses on advances and financing	36,673	26,372
Operating profit before working capital changes	71,837	20,974
Changes in working capital:		
Other assets	(2,039)	(312)
Other liabilities	339,315	388,383
Advances and financing	(985,294)	(188,035)
Zakat paid	(429)	(48)
Net cash generated from/(used in) operating activities	(576,610)	220,962
Cash flows from investing activities		
Purchase of investments	(322,330)	–
Net cash used in investing	(322,330)	–

39. ISLAMIC BUSINESS FUND (CONT'D)

Statement of changes in Islamic business fund and Takaful fund for the year ended 31 December 2013 (cont'd)

	Group and Bank	
	2013 RM'000	2012 RM'000
Cash flows from financing activities		
Net drawdown/(repayment) of financing payable	699,140	(27,133)
Net (repayment)/drawdown of ECR debtors	(258)	4,739
Net cash generated/(used in) from financing activities	698,882	(22,394)
Net (decrease)/increase in cash and cash equivalents	(200,058)	198,568
Cash and cash equivalents at beginning of year	200,433	1,865
Cash and cash equivalents at end of year	375	200,433
Cash and cash equivalents comprise:		
Cash and bank balances	58	14
Deposits and placements with financial institutions	317	200,419
	375	200,433

Notes to the financial statements for the financial year ended 31 December 2013

	Group and Bank	
	2013 RM'000	2012 RM'000
(a) Cash and bank balances		
Cash and bank balances	167	125
(b) Deposits and placements with banks and other financial institutions		
Deposits and placements	1,516	200,935
(c) Investment securities		
Available-for-sale investments		
Unquoted debt securities	322,330	—
(d) Amount due from ECR-i debtors		
Amount due from participating licensed banks under ECR-i Scheme	367	625
The maturity structure of the ECR-i debtors are as follows:		
Maturity within one year	367	625

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

39. ISLAMIC BUSINESS FUND (CONT'D)

Notes to the financial statements for the financial year ended 31 December 2013 (cont'd)

(e) Advances and financing

	Group and Bank	
	2013 RM'000	2012 RM'000
(i) Murabahah	570,352	205,588
Istisna'	344,791	353,301
Bai' Dayn	9,337	882
Tawwaruq	1,021,366	213,155
Ijarah	189,972	—
Unearned income	(622,588)	(238,882)
	1,513,230	534,044
Allowances for losses on advances and financing:		
– Individual allowance	—	(6,435)
– Collective allowance	(62,343)	(25,343)
Net advances and financing	1,450,887	502,266
(ii) The maturity structure of the advances and financing are as follows:		
Within one year	670,155	222,054
One year to three years	155,429	36,911
Three years to five years	—	67,980
Over five years	687,646	207,099
	1,513,230	534,044
(iii) Gross advances and financing analysed by profit rate sensitivity are as follows:		
Fixed rate	553,122	305,538
Variable rate	960,108	228,506
	1,513,230	534,044
(iv) Gross advances and financing analysed by geography are as follows:		
Malaysia	1,039,956	208,286
East Asia	264,721	212,271
South Asia	—	—
Central Asia	—	—
Middle East	143,943	113,487
Africa	3,738	—
Europe	29,797	—
Oceania	31,075	—
	1,513,230	534,044

39. ISLAMIC BUSINESS FUND (CONT'D)

Notes to the financial statements for the financial year ended 31 December 2013 (cont'd)

(e) Advances and financing (cont'd)

	Group and Bank	
	2013 RM'000	2012 RM'000
(v) Gross advances and financing analysed by industry are as follows:		
Primary agriculture	226,687	20,112
Mining and quarrying	58,323	—
Manufacturing	594,608	270,666
Transport, storage and communication	293,225	2,155
Construction	—	211,706
Wholesale and retail trade, and restaurants and hotels	59,413	29,405
Finance, insurance, real estate and business activities	—	—
Electricity, gas and water	230,000	—
Others	50,974	—
	1,513,230	534,044
(vi) Movements in impaired advances and financing ("impaired financing") are as follows:		
At 1 January	6,280	—
Impaired during the year	—	6,280
Reclassified as non impaired	(173)	—
Amount written off	(6,107)	—
At 31 December	—	6,280
(vii) Movements in the allowance for impaired advances and financing are as follows:		
Individual allowance		
Balance at 1 January	6,435	—
Allowance made during the year	—	6,435
Reversal during the year	(327)	—
Bad debts written off	(6,108)	—
Balance at 31 December	—	6,435
Collective allowance		
Balance at 1 January	25,343	5,406
Allowance made during the year	37,000	19,937
Balance at 31 December	62,343	25,343

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

39. ISLAMIC BUSINESS FUND (CONT'D)

Notes to the financial statements for the financial year ended 31 December 2013 (cont'd)

(f) Income derived from investment of Islamic banking fund

	Group and Bank	
	2013 RM'000	2012 RM'000
Advances and financing:		
Murabahah	16,203	8,550
Istisna'	12,199	10,459
Bai' Dayn	233	1,224
Tawwaruq	16,868	2,373
Ijarah	1,500	–
ECR-i debtors	17	137
Deposits and placements with banks and other financial institutions	3,136	1,066
Others	12,635	1,671
	62,791	25,480

(g) Allowances for losses on advances and financing

	Group and Bank	
	2013 RM'000	2012 RM'000
(i) Individual allowance		
– Charged for the year	–	6,435
– Written back during the year	(327)	–
(ii) Collective allowance		
– Charged for the year	37,000	19,937
	36,673	26,372

(h) Commitments and contingencies

	Group and Bank	
	2013 RM'000	2012 RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Undrawn loans and financing	949,246	445,118
<u>Insurance operation commitments</u>		
Contracted but not provided for:		
Within one year	158,880	81,875
Total commitments and contingencies	1,108,126	526,993

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

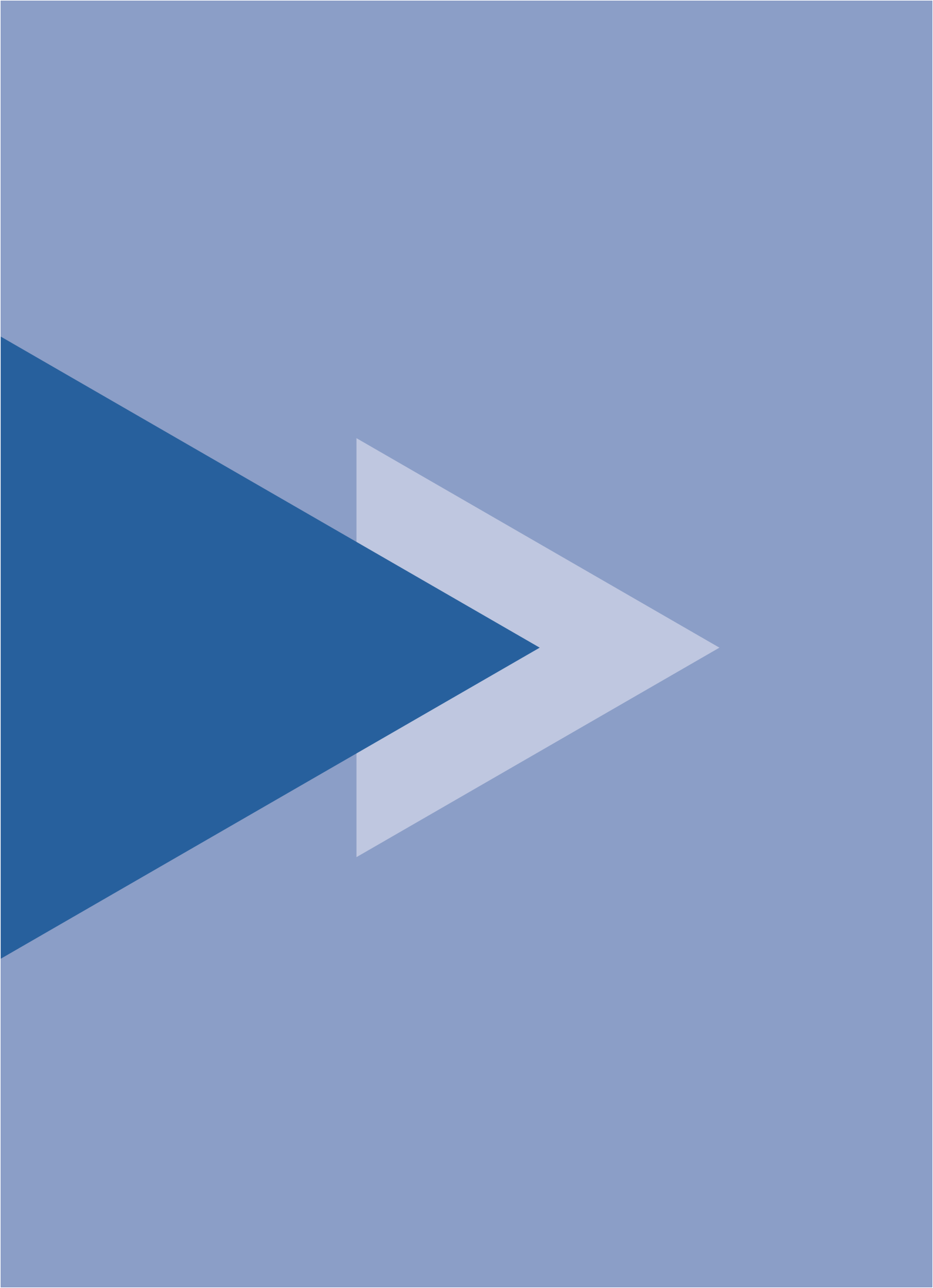
Support refers to non-core operations mainly involving finance, treasury, administration, human resource and others which support the Group's overall operation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

40. SEGMENT INFORMATION (CONT'D)

	2013				2012			
	Business segments			Total RM'000	Business segments			
	Insurance Banking RM'000	and Takaful RM'000	Support RM'000		Insurance Banking RM'000	and Takaful RM'000	Support RM'000	Total RM'000
Net interest income	89,243	–	89,393	178,636	60,454	–	88,927	149,381
Underwriting results	–	2,118	–	2,118	–	(1,371)	–	(1,371)
Income from Islamic business	56,772	1,088	–	57,860	20,873	491	–	21,364
Other income	39,197	–	(4,707)	34,490	43,102	–	32,515	75,617
Net income	185,212	3,206	84,686	273,104	124,429	(880)	121,442	244,991
Overhead expenses	(22,338)	(7,697)	(40,216)	(70,251)	(19,095)	(7,086)	(33,409)	(59,590)
Operating profit	162,874	(4,491)	44,470	202,853	105,334	(7,966)	88,033	185,401
Allowances for losses on loans, advances and financing	(12,600)	–	–	(12,600)	(15,664)	–	–	(15,664)
Taxation	150,274	(4,491)	44,470	190,253	89,670	(7,966)	88,033	169,737
Zakat				(44,841)				(45,542)
				(695)				(429)
Net profit for the year				144,717				123,766



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