



VISION

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

MISSION

As a Development Financial Institution (DFI) we strive to:

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

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



Foremost in our understanding is the fact that active engagement in global trade has become a key factor in the growth of firms and the prosperity of Nations.

As an apex financial institution to finance, facilitate and promote Malaysia's international trade, EXIM Bank has constantly strived to contribute towards Malaysia's globalisation efforts.

The Bank proactively seeks to enhance the competitive edge of Malaysian companies through a comprehensive range of financing programmes and advisory and support services which encompass all stages of the export business cycle. By doing this, we hope to unlock the vast possibilities that exist within our Nation, ensuring our Nation's growth and the prosperity of our communities.





CORPORATE INFORMATION

EXIM BANK IN BRIEF

FROM THE CHAIRMAN

2

3

6

OPERATIONS

REVIEW BY

PRESIDENT/

EXECUTIVE OFFICER

CHIEF

SHARIAH COMMITTEE

28

PROFILE: SHARIAH

COMMITTEE

30

TEAM

36

MANAGEMENT

50

SPECIFIC

FUND

DISCLOSURE ON

GOVERNMENT

SPECIFIC DISCLOSURE ON PERFORMANCE **ASSESSMENT**

56

CREDIT

2014

INSURANCE

PORTFOLIO

58

EVENT HIGHLIGHTS

51 60

BANKING AND CREDIT INSURANCE **EXPOSURE**

CORPORATE SOCIAL RESPONSIBILITY REPORT

10

BOARD OF **DIRECTORS**

16

18

40

SHARIAH GOVERNANCE DISCLOSURE **REPORT**

48

BANKING PORTFOLIO 2014

64

54

52

FINANCIAL STATEMENTS

CORPORATE INFORMATION



DIRECTORS

DATUK MOHD HASHIM BIN HASSAN

DATO' ADISSADIKIN BIN ALI

DATO' ROSLI BIN MOHAMED NOR

DATO' DR. MOHD ISA BIN HUSSAIN

NIK NAJIB BIN HUSAIN

DATO' AGIL NATT

ISMAIL BIN MAHBOB

DATUK WONG SENG FOO

TUNKU AFWIDA BINTI TUNKU A.MALEK

(appointed w.e.f. 15 August 2014)

ZAKARIA BIN ISMAIL

(term end w.e.f. 23 September 2014)

SHARIAH COMMITTEE

Dato' Dr. Mohd Ali bin Haji Baharum Assoc. Prof. 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, Lebuh Tenggiri 2, Pusat Bandar Seberang Jaya, 13700 Seberang Jaya, Penang, MALAYSIA

JOHOR DARUL TAKZIM

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

SARAWAK

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



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

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 (ECR)
- Trust Receipt
- ADB-EXIM Trade Finance Programme
- 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



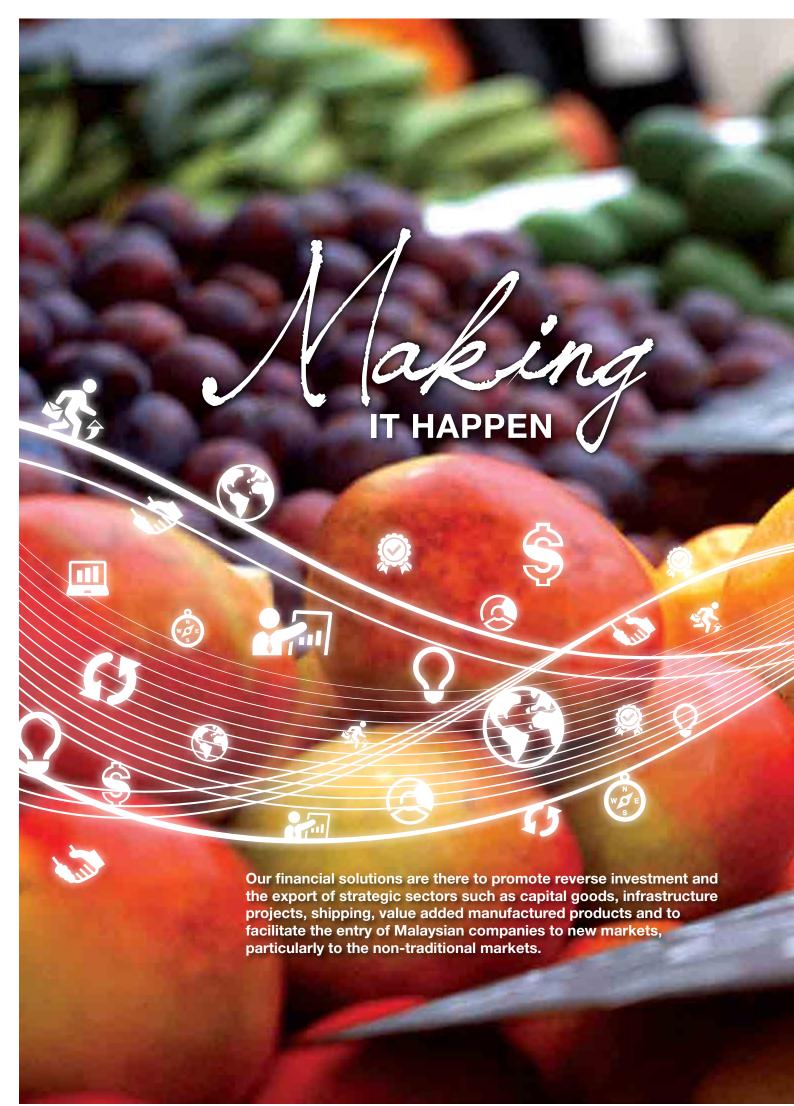
CREDIT FACILITIES

INSURANCE

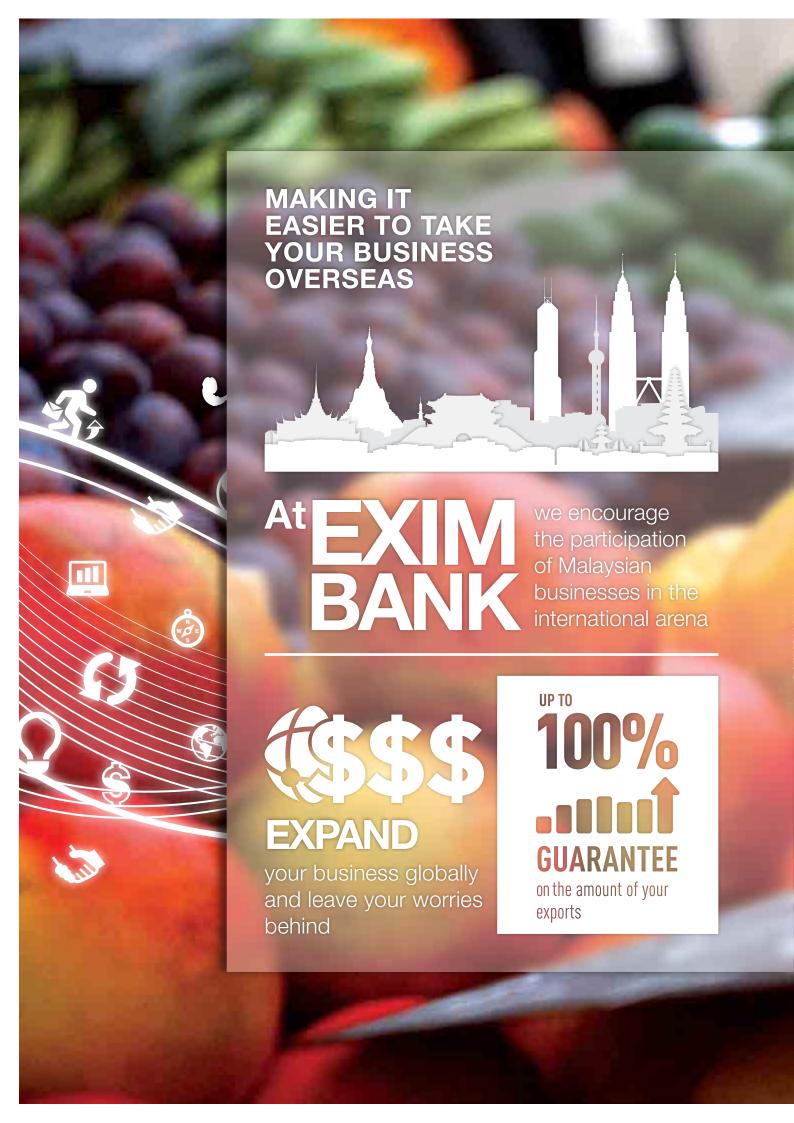
- Trade Credit Insurance (Export/Domestic/Import)
- Bankers Trade Credit Insurance (BTCI)
- Bank Letter of Credit Policy (BLCP)
- Multi Currency Trade Financing Scheme (MCTF)
- Indirect Exporters' Financing Scheme (IEFS)
- Specific Policy
- Overseas Investment Insurance
- Buyer Credit Guarantee
- Bond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

TAKAFUL

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









MESSAGE FROM THE CHAIRMAN



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

Dear Stakeholders,

On behalf of the Board of Directors, I am pleased to present the 2014 results of EXIM Bank Malaysia.

The year that was: Standing on stronger ground

We have watched the Bank steadily grow into a Development Financial Institution (DFI) that has now come into its own. It has grown its national mandate, and expanded its role within its sphere. I myself have been privileged to be part of this journey since 2008.

We have always been clear of where the Bank needed to head. The new business model assumed in 2011 was not just to stem some leaks, but was designed to propel EXIM Bank to the next frontier.

In the past three years, positive key indicators following the implementation of the new business model have endorsed our position. These results draw comfort for the future of the Bank and the many new possibilities they are unlocking for the Bank and for the nation.

Let me outline some of the key highlights for you here:

In 2014, EXIM Bank recorded a 31 per cent increase in its operating revenue, to RM357.80 million from its previous RM273.51 million.

The Bank's total assets stood at a healthy RM10.83 million, a 32 per cent growth over 2013's RM8.21 million.

Our Islamic Finance facilities recorded higher income amounting to RM79.09 million, compared to RM45.23 million in 2013.

Total disbursement grew to RM6.6 billion, a surge of 69 per cent against 2013's RM3.9 billion.

We closed 2014's books on loans and financing assets at RM7.9 billion.

This is a long way from the state EXIM Bank was back in 2011.

To this, the Board of Directors have recommended a final dividend of RM0.0025 sen per ordinary share amounting to a total payout of RM6.68 million.



Forging solid growth despite a challenging backdrop

Now, what is especially notable is that these results came through despite a particularly challenging year for Malaysia, and the world.

A year where commodity prices consistently fell, especially in the oil and gas sector. Interest rates were persistently low, and against the tides of weak world trade. Our Ringgit also depreciated across the board against the currencies of Malaysia's major trading partners. Employment was also hit hard as a result, and thousands were laid-off in markets across the world and in Malaysia.

A key support of the national agenda

Our USD300 million 5-year Reg-S Sukuk, launched in early 2014, was a highlight on many fronts for EXIM Bank, and for Malaysia solidifying itself as an international Islamic financial hub. It was our first Sukuk issuance in Malaysia, and it also represented the world's first EXIM Bank Sukuk issuance. The issuance met with overwhelming response and was oversubscribed by 10 times.

The Sukuk has been recognised with various awards including the EMAS status conferred by Bank Negara Malaysia (BNM), and the award winner of the Murabahah Deal of the Year by Islamic Finance News.

As Malaysia continues to expand its exports growth, EXIM Bank as the only Malaysian DFI dedicated to driving and forging cross-border transactions remains key to

this agenda. It is noteworthy to highlight that the Bank supported RM2.9 billion worth of trade transactions, some 44 per cent of its total disbursements.

Our vendor development programme has provided a conduit to facilitate integrated business advisory and financial solutions for Small and Medium Enterprises (SMEs) as they make their mark outside Malaysia.

In 2014 alone, the MalaysiaKitchen Financing Facility set up by the government to brand Malaysia overseas through cuisine saw six outlets were approved with a total loan of RM14 million.

We also delivered our 2014 target support of the National Key Economic Areas (NKEA). The exposure for the focus sectors of manufacturing was met at 20 per cent, while oil and gas was at 15 per cent.

AS MALAYSIA CONTINUES TO EXPAND ITS EXPORTS GROWTH, EXIM BANK AS THE ONLY MALAYSIAN DFI DEDICATED TO DRIVING AND FORGING CROSS-BORDER TRANSACTIONS REMAINS KEY TO THIS AGENDA.



We will also be seeing more movement in the cargo and shipping sector. To promote the domestic shipping industry and assist owners of cargo ships with gross tonnage not exceeding 300 tonnes, the government has announced in Budget 2015 to set up a Malaysian Profit and Indemnity (P+I) Club under the Bank that will offer third-party liability protection at reasonable premiums.

The road ahead

The only certainty of what lies ahead in 2015 and beyond is that it will be equally, if not more, challenging than 2014. Complexity, volatility, ambiguity will continue to be permanent fixtures in the global scene, and with that, a carry-through to Malaysia.

EXIM Bank has persevered through many turbulent periods since its establishment in 1995, including its own personal battles of 2008 and 2011. Through this, it has reengineered itself and on the back of its strengthened business model, become more resilient. EXIM Bank has earned its battle scars and can wear them with pride and look ahead with confidence to any challenge that the future holds.

It is a testimony to the support, guidance and dedication from my fellow Board of Directors, and the tenacity, perseverance and commitment of Dato' Adissadikin and his team.

On behalf of the Board and Management of EXIM Bank, we also thank you as our shareholders, the government of Malaysia,

BNM, partners and business associates for your confidence that has allowed us to grow.

As I pen off my last message as Chairman of EXIM Bank of Malaysia, I do so with pride and assurance knowing that I hand over a stronger entity marked with resilience and the courage to forge itself through challenges.

DATUK MOHD HASHIM BIN HASSAN

Chairman

OPERATIONS REVIEW BY PRESIDENT/CHIEF EXECUTIVE OFFICER



I AM EXCITED TODAY AS WHEN I FIRST STEPPED INTO EXIM BANK OF MALAYSIA BACK IN 2008.



The same feeling that surged through me then, continued to fuel me as we underwent the 2011 transformation with the New Business Model (NBM),

and stayed on with me as we registered another good year in 2014, with financial results that reinforce our confidence in the strategy we are pursuing.

Our results speak a louder message, than any of us could. It says that if we can turn-around as an entity, how much more we can do for you as clients and partners.

Trust is the most valuable capital a bank maintains. Trust is demonstrated through action and results. It is also mirrored in the aspiration to grow revenue and profit in a way that respects all stakeholders.

We have shared the concept of the New Business Model (NBM) in our previous reports, so many of you would be familiar with it. Let me share with you how on the back of our NBM, we have progressed as the only Development Financial Institution (DFI) in Malaysia dedicated to promoting cross-border transactions in support of Malaysia as she expands her reach across the globe.

The year in review: business & operational highlights

Let me recap some of EXIM Bank's key financial highlights mentioned earlier by our Chairman, and some further details of our highlights in 2014.

- A 31 per cent increase in operating revenue to RM357.80 million
- Total assets increased to RM10.83 billion, a 32 per cent growth
- An impressive 75 per cent increase in income at RM79.09 million through our Islamic Finance facilities
- Total disbursement grew to RM6.6 billion, a surge of 69 per cent compared to the previous year
- Total loans and financing assets closed at RM7.9 billion a solid headway to reaching our 2018 goal to record total lending to 3 per cent of the country's GDP

OPERATIONS REVIEW BY PRESIDENT/CHIEF EXECUTIVE OFFICER

2013

EXIM Bank marked another significant milestone as being awarded with the Most Watched Bank 2013 in Malaysia by InterContinental Finance Magazine (ICFM) United Kingdom in its Global Banking Awards 2013.

HR Asia also awarded EXIM Bank Malaysia as the Best Company to work for in Asia 2013.

3rd representative office opened in Kuching, Sarawak. The launch was officially declared open by YB Dato' Sri Wong Soon Koh,

Minister of Finance (II) and Minister of Local Government and Community Development representing The Right Honourable Pehin Sri Haji Abdul Taib Mahmud, Chief Minister of Sarawak.

2014

EXIM Bank had successfully priced its USD300.0 million, 5-year Reg-S Sukuk pursuant to the USD1.0 billion Multicurrency Sukuk Issuance Programme (the "Programme").

The inaugural Sukuk offering was priced at 140 basis points over US Treasuries (UST), which is equivalent to an all-in yield of 2.874% per annum. The EMAS award was accorded for this issuance.



Today, we also record one of the highest growths in terms of loan asset growth year-on-year among DFIs. We were able to trim impaired assets from as high as 50 per cent to sub-10 per cent (gross impaired assets) in 2014.

Concurrently, gross and net impaired asset ratios continued to decline to 8.4 per cent, and 6.2 per cent respectively, compared to 14.2 per cent and 7.7 per cent registered in 2013. This was attributable to continuous loan rehabilitation and recovery efforts, coupled with an enlarged loan assets base.

Our net interest income improved in line with the Bank's approach in procuring borrowings at optimal cost. A refocusing of our marketing efforts oriented on clients, and not on pushing products, effectively saw net loans and financing growing 49 per cent to RM7.9 billion from RM5.3 billion in 2013.

It was a deliberate investment we made for our future growth, with the incorporation of the 2008 Customer Improvement Programme, and the 2011 NBM. For 2014, profit before tax and zakat declined to RM40.86 million from RM190.26 million (2013) to cater for these provisions.

We have recorded solid progress in our business and operations.

Overall, the banking section contributed 89 per cent to EXIM Bank's operating revenue. Loans approval registered a 35 per cent upturn, an improvement from RM5.2 billion to RM8.6 billion. In addition, the Bank amplified its support in trade finance, which resulted in a 25 per cent increase from RM2.29 billion recorded in 2013.

In addition to our conventional financing facilities, our Islamic banking and credit Takaful also commanded marked improvement in 2014. Islamic banking saw an asset growth of 75 per cent, amounting

to RM2.7 billion gross advances and financing, compared to RM1.5 billion in 2013

Our first, and the world EXIM's first, USD300 million Sukuk issuance, has also commanded the attention of the international Islamic finance world.

We continue to build and support Small and Medium Enterprises (SME), a key growth engine for Malaysia. Especially with this client segment, our offerings extend from financing to business advisory and financial solutions. Our targeted SME platforms including ADB-EXIM Trade Finance Programme, Vendor Financing Scheme, engagement and networking opportunities, and collaborative arrangements with related government agencies, have seen our SME composition (number of borrowers) grow to 49 per cent of our total borrowing base.

Increase in our operational efficiencies also saw the Bank processing close to 300 business case applications, to the tune of some RM25.3 billion. This was a 26 per cent year-on-year improvement.

Forging ahead

The NBM has set us on stronger footing, and will continue to support our business acceleration against what 2015 may bring.

Year 2015 forecasts a shimmer of better growth with US set to recover, and the US-expansionary mode will bode well for export-led economies like Malaysia. The upcoming ASEAN Economic Cooperation (AEC) with Malaysia taking chair role will also present some interesting possibilities. The AEC will enable easier movement of goods, services, investment, capital and people, through greater regional cooperation and improved scales of efficiencies and competitiveness. We will be looking to leverage on the AEC as it opens new ways to coordinating supply chains, and access to new markets for established products.

OPERATIONS REVIEW BY PRESIDENT/CHIEF EXECUTIVE OFFICER



We will progress strongly on our market-needs strategy that has already seen us represented in more than 80 countries across the world.

Our networking and strategic alliances have grown. Currently, 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 ten EXIM Banks in Asia; The Aman Union and Association of Development Finance Institutions of Malaysia (ADFIM), Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and Islamic Development Bank (IDB), to name a few. We continue to pursue key alliances with commercial banks, and other export credit agencies like EFIC Australia, as we take on larger projects.

Our business strategy is complemented with our talent. We have the right people in our team, and are attracting the right talent, to help us continue our growth trajectory. We are a market-rate competitive employer that builds on an engaged employee culture. Our 2014 employee-engagement index indicator of 83 per cent surpassed the target of 75 per cent.

There are areas we will be needing to focus on. Our credit insurance business, which holds an important role in risk mitigation for cross-border transactions, needs to ramp up significantly, in order to ensure acceptability within the business community.

Concurrently, corporate social responsibility efforts are an extension of the spirit and essence that drives EXIM Bank. As we continue our efforts, we would like to make deeper positive impacts within the

communities across the marketplace, workplace and the environment.

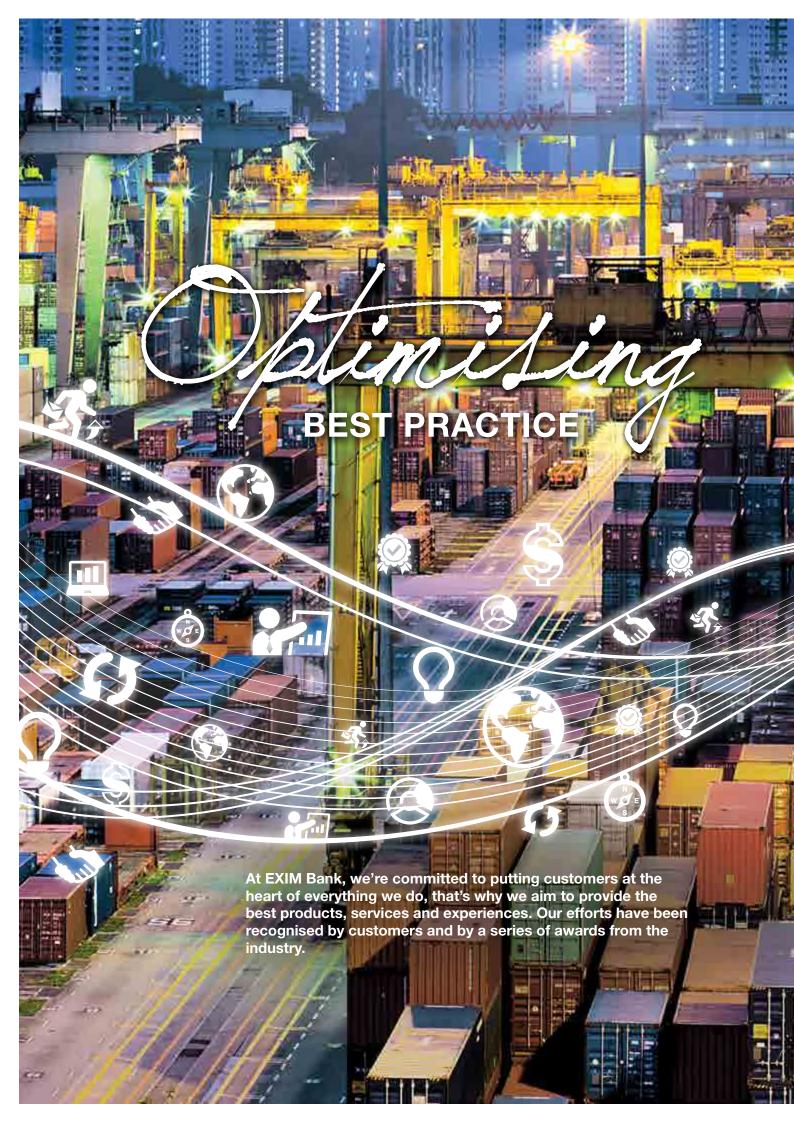
Acknowledgement

It has been a tremendous journey and I am proud to have been part of it along with so many who have dedicated their time and efforts to where EXIM Bank stands in strength today. To the Board of Directors and to my team at EXIM Bank, thank you for your trust in walking this journey with me. I would also like to thank the shareholders, BNM and other stakeholders for their support.

There is no doubt the journey will continue to be challenging. But it will be one we can charge ahead with confidence.

DATO' ADISSADIKIN BIN ALI

President/Chief Executive Officer









BOARD OF DIRECTORS

DATO' AGIL NATTDirector

DATUK MOHD HASHIM BIN HASSAN Chairman

DATUK
WONG SENG FOO
Director

ISMAIL BIN MAHBOB
Director

DATO' DR. MOHD ISA HUSSAIN Director









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 and 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 or Honours. 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 programme in Bank Islam.

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



DATO' ROSLI BIN MOHAMED NOR

Director

Dato' Rosli bin Mohamed Nor 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.

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), Guomara Sdn. Bhd. (coal trader), of which he currently retains shareholdings.

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, another company listed on Bursa Malaysia. At Econpile Holdings Bhd, he is the Chairman of Audit and Risk Management and Remuneration Committee.

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



DATO' DR. MOHD ISA HUSSAIN

Director

Dato' Dr. Mohd Isa Hussain holds a PhD in Finance from Universiti Putra Malaysia. He also holds an MBA in Finance from Universiti 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.

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 Senior Assistant Director of the Budget Management Division until 2000. In 2004, he assumed the position of Deputy Under Secretary of Investment, MoF (Inc.) and Privatisation Division.

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

Prior to assuming his current position as Under Secretary, Government Investment Companies Division in the Ministry of Finance Malaysia, he was appointed as the Deputy Under Secretary under the same division.

Presently, Dato' Dr. Mohd Isa is a Director of several companies including FELCRA Bhd, Permodalan Felcra Sdn. Bhd., Felcra Properties Sdn. Bhd., Yayasan Felcra Sdn. Bhd., Felcra Cambodia Sdn. Bhd., DanaInfra Nasional Berhad, Pelaburan Hartanah Bhd, Lembaga Pembangunan Langkawi (LADA), Lembaga Pelabuhan Kelang (LPK), Integrated Nautical Resort Sdn. Bhd. (INR), Garuda Suci Sdn. Bhd. (GSSB), Syarikat Jaminan Kredit Perumahan Bhd (SJKP), Syarikat Jaminan Pembiayaan Perniagaan Bhd (SJPP), Piramid Pertama Sdn. Bhd., Pengurusan Danaharta Nasional Bhd, Turus Pesawat Sdn. Bhd., Assets Global Network Sdn. Bhd. (AGN) and K.L. International Airport Berhad.

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



NIK NAJIB BIN HUSAIN

Director

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

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 fur Wideraufbau* of Germany (KFW) as well as the Government's lending programme to the State Governments.

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 (TFD) 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 was appointed as a Director of EXIM Bank in June 2011.



DATO' AGIL NATT

Director

Dato' Agil Natt 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.

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 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.

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

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



ISMAIL BIN MAHBOB

Director

Ismail bin Mahbob holds a Diploma in Marketing from Chartered Institute of Marketing, United Kingdom, and is a member of the Associate Chartered Islamic Finance Professionals (ACIFP), Malaysia.

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 till 1988, after which he moved to American Malaysian Insurance as an Assistant General Manager overseeing the company's branch operations nationwide. In 1990, Ismail left for Malene CSB Insurance Brokers as a Senior Broker where he headed the non-energy section for six years.

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 till his retirement in mid 2012.

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

Ismail is currently a Board member of Saudi Reinsurance Company, Saudi Arabia, Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad and an Adjunct Fellow of College of Business, Universiti Utara Malaysia, Malaysia.

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



DATUK WONG SENG FOO

Director

Datuk 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 of Marketing (UK).

Datuk Wong Seng Foo served in several capacities in the Ministry of International Trade and Industry (MITI). He started his career as Assistant Director in the ASEAN Economic Cooperation Unit of the International Trade Division in 1983 responsible for coordinating Malaysia's participation in ASEAN regional trade initiatives and programmes with ASEAN Dialogue Partners.

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

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

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

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



TUNKU AFWIDA BINTI TUNKU A.MALEK

Director

Tunku Afwida binti Tunku A.Malek holds a Bachelor of Science (Honours) degree in Economics and Accountancy from City University London, UK, qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales and is a member of the Malaysian Institute of Accountants.

Tunku Afwida assumed senior roles in investment banks and has vast financial, analytical and risk management experience.

From 1995 to 2003, she was an Executive Director/Chief Investment Officer of Commerce Asset Fund Managers Sdn. Bhd. before serving as Chief Executive Officer and Executive Director of MIMB Investment Bank Berhad until 2006. Thereafter, she was appointed as Chief Executive Officer and Executive Director of Kenanga Investment Bank Berhad until 2008.

Tunku Afwida is currently a Director and shareholder of Benih Semaian Sdn. Bhd., a funding advisory company.

She is also the Independent Director and Board Committees of i-VCAP Management Sdn. Bhd. (subsidiary of Valuecap Sdn. Bhd.), Gamuda Berhad, UNITAR Berhad and PUC Founder Bhd.

Tunku Afwida was appointed as a Director of EXIM Bank in August 2014.



SHARIAH COMMITTEE



SHARIAH COMMITTEE



PROFILE: SHARIAH COMMITTEE





ASSOC. PROF. DR. SUHAIMI BIN AB RAHMAN

Dr. Suhaimi bin Ab. Rahman is an Associate Professor at the Faculty of Economics and Management, Universiti Putra Malaysia (UPM) and the Head of the Research Programme 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 Shariah 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 is also a Shariah Council member of the QSR Brands Sdn. Bhd.. 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



DR. ZULKIFLI BIN HASAN

Dr. Zulkifli bin Hasan is a senior lecturer at Faculty of Shariah and Law, Islamic Science University of Malaysia (USIM).

He holds a PhD in Islamic Finance from Durham University, UK. Besides, he holds Master of Comparative Laws from International Islamic University of Malaysia where he also obtained his LLB (Bachelor of Laws) and LLB.S (Bachelor of Shariah) as his first and second degrees. 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, Journal of Antitrust Enforcement and Corporate Governance: An International Review. He has been selected as a recipient of a 2014 grant to conduct scholarly research at Fordham University, New York, United States of America by the J. William Fulbright Foreign Scholarship Board through the Fulbright US-ASEAN Visiting Scholars Initiative.

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

PROFILE: SHARIAH COMMITTEE



DR. ZAHARUDDIN 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 which includes BNP Paribas Malaysia Berhad, ACR ReTakaful Berhad (Malaysia), ACR Takaful MEA (Bahrain), Yasmin Holdings Plc Malaysia, Employees Provident Fund of Malaysia and etc. He was also the Shariah Expert & Consultant of Bank Negara Malaysia. He currently serves as an Assistant Professor at the Kuliyyah of Economics & Management Sciences, International Islamic University, Malaysia.

PROFILE: SHARIAH COMMITTEE



ASSOC. PROF.
DR. MEK WOK BINTI MAHMUD

Assoc. Prof. Dr. Mek Wok binti 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. She was appointed as a Deputy Dean Postgraduate & Research and Head Department of Figh and Usul al-Figh, Kuliyyah of Islamic Revealed Knowledge, International Islamic University Malaysia, and her field of specialisation include the Islamic Law of Transactions (Muamalat), Figh al-'Ibadat, Figh al Qada', Islamic Family Law, as well as Modern Application of Figh and Usul al-Figh. She has published numerous articles and books on various Shariah issues and actively presented many papers in various local conferences and seminars. She is also the member of Shariah Committee of Bank of Tokyo Mitsubishi UFJ (M) Berhad.



MANAGEMENT TEAM AMINUDDIN BASHAH Chief Credit Officer THARIQ ABDULLAH Head, President/CEO Office JULINA MOHD SALLEH Company Secretary NORZILAH MOHAMMED Chief Operating Officer **EXIM BANK MALAYSIA • ANNUAL REPORT 2014**





Our business is strategically positioned in major world centres to support wherever our clients need to operate. Providing financial services and solutions that allow our clients to fulfil their global ambitions of spreading the Malaysian spirit across the world.







INTRODUCTION

The Board of Directors (Board) of Export-**Import Bank of** Malaysia Berhad (EXIM Bank) is committed to uphold good corporate governance by continuously advocating transparency, accountability, responsibility and integrity, in line with the principles and best practices of Corporate Governance as set out in the Bank Negara Malaysia's Guideline on **Corporate Governance** 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.

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

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.

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:

- To ensure that the required AML/CFT measures are in place;
- (ii) To set minimum standards and approve the AML/CFT policies, procedures and controls;
- (iii) To designate compliance officers at senior management level with sufficient authority;

- (iv) To regularly review and assess the measures adopted and implemented for AML/CFT;
- (v) To ensure regular independent audit of the internal AML/CFT measures to determine their effectiveness and compliance with AMLATFA; and
- (vi) To ensure that proper training programmes on AML/ CFT practices and measures for its employees are sufficiently and appropriately conducted.

Board Composition and Balance

There are currently nine (9) Directors on the EXIM Bank Board. Six (6) are Independent Non-Executive Directors, two (2) are Non-Independent Non-Executive Directors (nominee of Minister of Finance (Incorporated) and Ministry of International Trade and Industry) and one (1) 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.

The Directors provide a wealth of knowledge, experience and skills in their key 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 18 to 27 of this Annual Report.

Board Appointment Process

The appointment of new 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). The selection of Directors 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 prior to making recommendation to the Board for its approval. The NC ensures candidates possess the appropriate skills, core competencies, experience, integrity and time to effectively discharge his or her role as a director.

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

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

EXIM Bank also conducts annual assessments on the suitability of the Directors to continuously occupy their strategic leadership position to ensure the suitability of the Directors to continue to serve as directors of EXIM Bank.

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. During the financial year ended 31 December 2014, the Board met 12 times. All Directors have complied with the requirement that Directors must attend at least 75% of Board meetings held in the financial period in accordance with BNM/RH/GL 005-14.

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

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 2014 are as follows:

No.	Name of Director	No. of Meetings Attended*
1	Datuk Mohd Hashim bin Hassan (Chairman)	12/12
2	Dato' Rosli bin Mohamed Nor	11/12
3	Dato' Dr. Mohd Isa Hussain	11/12
4	Nik Najib bin Husain	12/12
5	Dato' Agil Natt	11/12
6	Ismail bin Mahbob	11/12
7	Datuk Wong Seng Foo	10/12
8	Tunku Afwida Tunku A.Malek1	5/5
9	Zakaria bin Ismail (term ended w.e.f 23/9/2014)	8/8
10	Dato' Adissadikin bin Ali	10/12

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

Training and Development of Directors

The Board recognises the importance of continuing education for its Directors to ensure they are equipped with the necessary skills and knowledge to perform their functions and meet the challenges of the Board.

For financial year ended 2014, 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.

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.

The Board continues to assess the training needs of its Directors vide Annual Directors' Training Assessment and identify key areas of focus for training programme.

Training programmes, conferences and forums attended by the Directors for the financial year ended 31 December 2014 were as follows:

1. FIDE/ICLIF

- FIDE Forum: Recovery and Resolution Plan (RRP) in Financial Institutions Board Leading the Way
- FIDE Forum: A Comprehensive Talent based approach to Board Recruitment
- FIDE Programme by ICLIF: Corporate Governance issues facing Development Financial Institutions
- FIDE Forum Event Risks: From whereof
- FIDE Forum Event: Board Strategic Leadership in Managing Cybersecurity Risk in Financial Institutions
- FIDE Elective Programme: Advanced Risk Governance and Risk Management

2. External Seminars/Conferences

- Advance Management Programme: Transforming Proven Leaders into Global Executives
- Directors Forum 5/2014 The Innovation Zone: Unleashing the Mindset
- Islamic Trade Finance
- Corporate Directors Advance Programme (CDAP): Human Capital
- Credit Analysis & Financial Modelling
- Breakfast Talk: Building Excellent, Ethical and Enduring Organisations
- Loan Pricing & Structuring
- Directors Forum 7/2014 Talent and Human Capital: The Drivers of Growth and Creativity
- Fundamentals of Project Finance
- Persidangan Pembiayaan berasaskan Harta Intelek

¹ Appointed as Director with effect from 15 August 2014

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 - RM3 (Cha (maximum once a month)

- RM3,000.00 per meeting (Chairman)

RM2,000.00 per meeting

Board Credit Committee (maximum twice a month)

- RM2,000.00 per meeting (Chairman)

RM2,000.00 per meeting

Board Risk Committee,
Board Audit Committee,
Nomination Committee
and Remuneration Committee
(maximum once a month)

RM2,000.00 per meeting (Chairman)

RM2,000.00 per meeting

The Directors' aggregate remuneration for FY2014 distinguishing between ED and NEDs is set out on pages 142 & 143 of this Annual Report.

BOARD COMMITTEES

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

The Board Committees are as follows:

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

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 2014, the Board Credit Committee met 24 times. Details of members of the Committee and attendance of each member for year 2014 are as follows:

No.	Name of Director	No. of Meetings Attended*
1	Datuk Mohd Hashim bin Hassan (Chairman)	24/24
2	Dato' Rosli bin Mohamed Nor	24/24
3	Dato' Dr. Mohd Isa Hussain	21/24
4	Nik Najib bin Husain	24/24
5	Dato' Agil Natt	21/24
6	Ismail bin Mahbob	21/24
7	Datuk Wong Seng Foo	21/24
8	Tunku Afwida Tunku A.Malek1	7/8
9	Zakaria bin Ismail (term ended w.e.f 23/9/2014)	16/17
10	Dato' Adissadikin bin Ali	19/24

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

¹ Appointed as a member of BCC with effect from 19 August 2014

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 fulltime 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 2014, the BAC met 8 times. Details of members of the Committee and attendance of each member for year 2014 are as follows:

No.	Name of Director	No. of Meetings Attended*
1	Nik Najib bin Husain (Chairman)	8/8
2	Tunku Afwida Tunku A.Malek1	2/2
3	Dato' Rosli bin Mohamed Nor2	6/6
4	Dato' Agil Natt	8/8
5	Ismail bin Mahbob	8/8
6	Datuk Wong Seng Foo ³	1/2
7	Zakaria bin Ismail (term ended w.e.f 23/9/2014)	6/6

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

(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.

¹ Appointed as a new Chairman of BAC with effect from 28 August 2014

² Discharged as a member of BAC with effect from 28 August 2014

³ Appointed as a member of BAC with effect from 28 August 2014

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 2014, the Board Risk Committee met 12 times. Details of members of the Committee and attendance of each member for year 2014 are as follows:

No.	Name of Director	No. of Meetings Attended*
1	Dato' Agil Natt (Chairman)	12/12
2	Dato' Rosli bin Mohamed Nor	12/12
3	Nik Najib bin Husain ¹	8/8
4	Ismail bin Mahbob ¹	8/8
5	Tunku Afwida Tunku A.Malek ²	4/4
6	Datuk Wong Seng Foo ²	3/4
7	Zakaria bin Ismail (term ended w.e.f 23/9/2014)	8/8

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

3. Roles and Responsibilities

The BRC shall have the following specific responsibilities on:

(i) Strategy and Policy

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

(ii) Organisation

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

(iii) Measurement

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

(iv) Processes and Technology Enabler

- Ensuring sufficient internal controls to detect any deficiencies in the internal control environment in a timely manner; reviewing the independence and robustness of risk management 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.

¹ Discharged as a member of BRC with effect from 28 August 2012

² Appointed as a member of BRC with effect from 28 August 2012

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 2014, the RC met 5 times. Details of members of the Committee and attendance of each member for year 2014 are as follows:

No.	Name of Director	No. of Meetings Attended*
1	Dato' Rosli bin Mohamed Nor (Chairman)	5/5
2	Ismail bin Mahbob ¹	2/2
3	Dato' Dr. Mohd Isa Hussain	4/5
4	Nik Najib bin Husain	5/5
5	Dato' Agil Natt ²	1/3
6	Zakaria bin Ismail (term ended w.e.f 23/9/2014)	3/3

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

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:
 - Be documented and approved by the board and any changes thereto should be subject to the endorsement of the Board;
 - 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;
 - Reflect the experience and level of responsibility borne by individual Directors, P/CEO, CFO, CBO, CRO and CCO;
 - 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;
 - 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.

¹ Appointed as a member of RC with effect from 28 August 2014

² Discharged as a member of RC with effect from 28 August 2012

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 2014, the NC met 13 times. Details of members of the Committee and attendance of each member for year 2014 are as follows:

No.	Name of Director	No. of Meetings Attended*
1	Zakaria bin Ismail (Chairman) (term ended w.e.f 23/9/2014)	10/10
2	Ismail bin Mahbob ¹	3/3
3	Dato' Rosli bin Mohamed Nor	13/13
4	Dato' Dr. Mohd Isa Hussain	10/13
5	Nik Najib bin Husain	13/13
6	Dato' Agil Natt ²	6/8

^{*} 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:

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

¹ Appointed as a new Chairman of NC with effect from 28 August 2014

² Discharged as a member of NC with effect from 28 August 2012

SHARIAH GOVERNANCE DISCLOSURE REPORT

1. OBJECTIVE

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

2. COMPOSITION

During the financial year ended 31 December 2014, the SC consist of seven (7) members.

During the year, nine (9) series of meeting were held. The details of attendance of each SC members are as follows:

No.	Name of SC Members	No. of Meetings Attended*
1	Dato' Dr. Mohd Ali bin Haji Baharum	9/9
2	Haji Abd. Rasid bin Abd. Kadir ¹	7/7
3	Assoc. Prof. Dr. Suhaimi bin Ab. Rahman	9/9
4	Dr. Zulkifli bin Hasan	6/9
5	Dr. Zaharuddin bin Abd. Rahman	6/9
6	Assoc. Prof. Dr. Mek Wok Mahmud	8/9
7	Dr. Sharifah Faigah Syed Alwi	9/9

^{*} Reflects the number of meetings attended during the time the SC held office

3. ROLES AND RESPONSIBILITIES

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

(a) To be responsible and accountable for all its decisions, views and opinions related to Shariah matters

The SC shall be responsible and accountable for all its decisions, opinions and views and opinions related to Shariah matters. As the Shariah decisions, views and opinions bind the operations of the Bank, the SC shall rigorously deliberate the issues at hand before arriving at any decisions.

(b) To advise the Board on Shariah matters in its Islamic business operations

The SC shall advise the Board on Shariah matters in order to ensure that the Islamic finance operations of the Bank comply with Shariah requirements at all times. The SC shall inform the Board and provide solution when it believes that the Bank has been carrying Shariah non-compliance activities.

(c) To endorse Shariah policies and procedures

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

¹ Term ended with effect from 17 November 2014

SHARIAH GOVERNANCE DISCLOSURE REPORT

(d) To endorse and validate relevant documents

To ensure that the Islamic products of the Bank comply with Shariah requirements in all aspects, the SC must endorse/approve the following:

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

(e) To assess work carried out by Shariah Review, Shariah Research, and Shariah Audit

Assess work carried out by Shariah review, Shariah research and Shariah audit functions in order to ensure compliance with Shariah matters in its Islamic business operations, which forms part of their duties in providing assessment of Shariah compliance and assurance information in the annual report.

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

- (i) The related parties of the Bank such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the SC.
- (ii) The SC is expected to provide assistance to them so that the compliance with Shariah principles can be assured completely.

(g) To advise on matters to be referred to the Shariah Advisory Council (SAC) of BNM

- (i) The SC may advice the Bank to consult the SAC on any Shariah matters that could not be resolve.
- (ii) Upon obtaining an advice of the SAC, the SC shall ensure that all SAC decisions are properly implemented by the Bank.

(h) To provide written Shariah opinion

The SC is required to prepare written Shariah opinions in the following circumstances where:

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

(i) To review, verify and recommend to the Board of Directors on financial year report of Islamic finance business and activities

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

(j) 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 the Board.

SPECIFIC DISCLOSURE ON GOVERNMENT FUND

MALAYSIAKITCHEN FINANCING FACILITY (MKFF)

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

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



INCREASE EXPORT of processed food, food ingredients and agricultural produce



To further boost the number of Malaysian restaurants overseas, the government had, in 2007, signed an agreement with EXIM Bank for the placement of up to Under the agreement, EXIM Bank is to manage the fund by providing loan to eligible Malaysian business entities, interested in opening up restaurants overseas.

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

RM180 million







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



As at December 2014, MKFF has approved 58 borrowers to open up 58 food and beverage outlets overseas with 35 outlets currently in operations. During FY2014 alone, 6 outlets have been approved with total loan of RM14 million.

SPECIFIC DISCLOSURE ON PERFORMANCE ASSESSMENT

During FY2014, the Bank registered a year-on-year loan growth of 42% against the targeted 30% growth for the year. In relation to support provided to SMEs, a total of 208 customers benefitted from the Bank's assistance as against the targeted number of 150 customers.

As at December 2014, the Bank managed to increase its asset with the loan disbursement of RM6.6 billion, which surpassed the intended RM5.0 billion target, thus ensuring that the Bank achieves its long-term target of having a total asset size of at least 3 percent of the country's GDP.

With regards to credit processing efficiency, the Bank has also improved on the time taken to process a loan application to an average of 35 days* as compared to the 40 days target set for FY2014.

Below are tables detailing the performance of the Bank for FY2014:

DEVELOPMENT OUTCOMES (Short/Medium/Long Term)							
Objective	Strategic Actions	Performance Target	Target FY2014	Actual FY2014	Medium Term Target (FY2015)	Long Term Target (FY2018)	
High level impact an	High level impact analysis on DFIs achievement						
Social	Pertinent areas	Loan growth (y-o-y)	30%	42%	30%	30%	
responsiveness	in development	SME customers (numbers)	150	208	180	220	
in performing mandated roles	initiatives	Composition of Bumiputra customers	30%	39%	30%	30%	

MANDATED SECTOR OUTPUT (Short/Medium/Long Term)							
Objective	Strategic Actions	Performance Target	Target FY2014	Actual FY2014	Medium Term Target (FY2015)	Long Term Target (FY2018)	
Institutional achieve	ments in supporting th	e needs of the targeted sectors					
Export business acceleration	Providing various banking facilities to aid the growth of quality assets	Loan disbursement	RM5 billion	RM6.6 billion	RM7 billion	RM9 billion	

ORGANISATIONAL SOUNDNESS (Short/Medium/Long Term)							
Objective	Strategic Actions	Performance Target	Target FY2014	Actual FY2014	Medium Term Target (FY2015)	Long Term Target (FY2018)	
Institutional requisite	s to facilitate DFIs in a	chieving mandated activities					
Internal process improvement	Turnaround time for loan approval vs SLA	Average turnaround time	40 days	35 days	35 days	35 days	

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

BANKING AND CREDIT INSURANCE EXPOSURE



30

31

32

Japan

Madagascar

40

41

43

8

9 10 Brazil

Brunei

Cambodia

18

19

20

21

Finland

22 France

Dominican Republic

BANKING AND CREDIT INSURANCE EXPOSURE



- **45** Mongolia
- 46 Morocco
- 48 Netherlands (Holland)
- 49 New Zealand
- **50** Nigeria
- **51** Oman
- **52** Pakistan 53 Papua New Guinea
- **54** Peru
- 55 Philippines

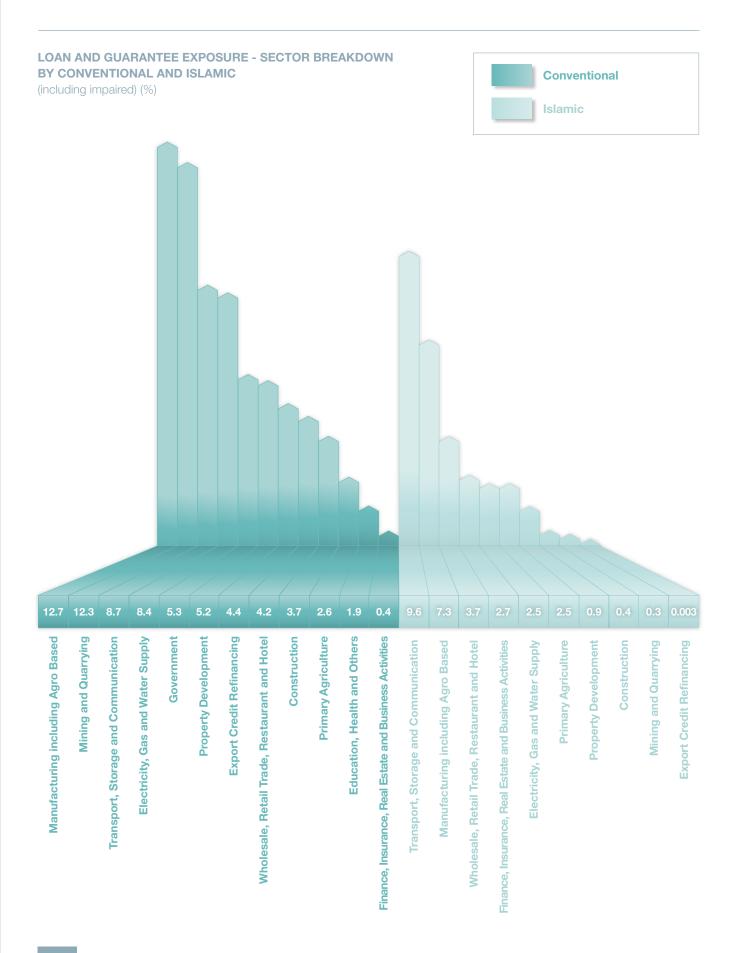
- **56** Poland

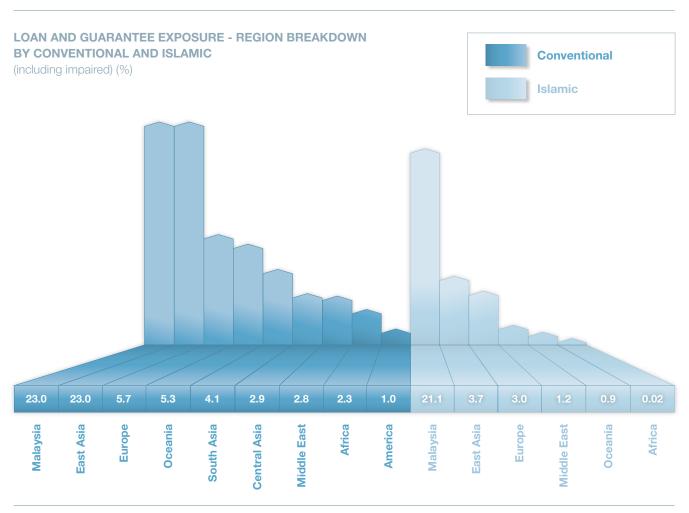
- 60 Saudi Arabia
- Singapore 62
- 63
- 65 Sri Lanka
- 66 Sudan

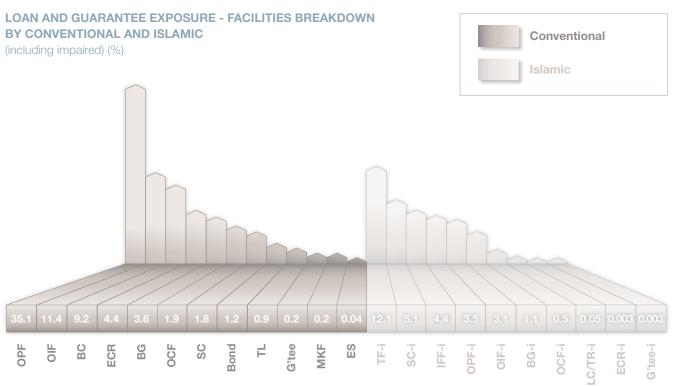
- Tanzania
- 73
- Turkey 74
- 76 Uganda

- United Arab Emirates
- United Kingdom 79
- 80
- 81 Vietnam, Socialist Rep

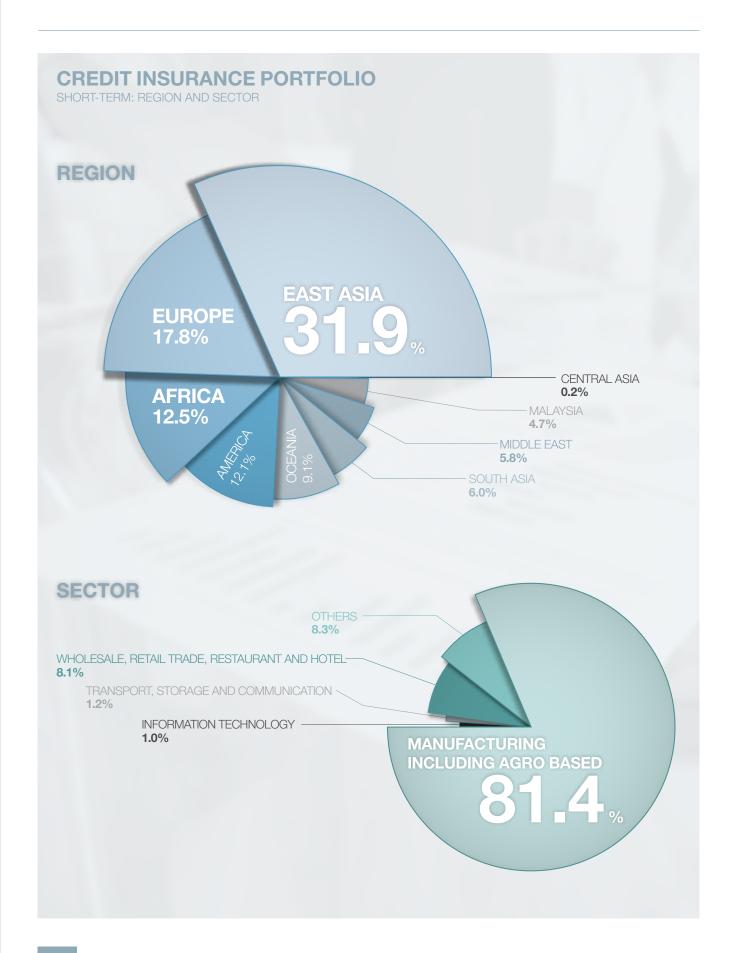
BANKING PORTFOLIO 2014

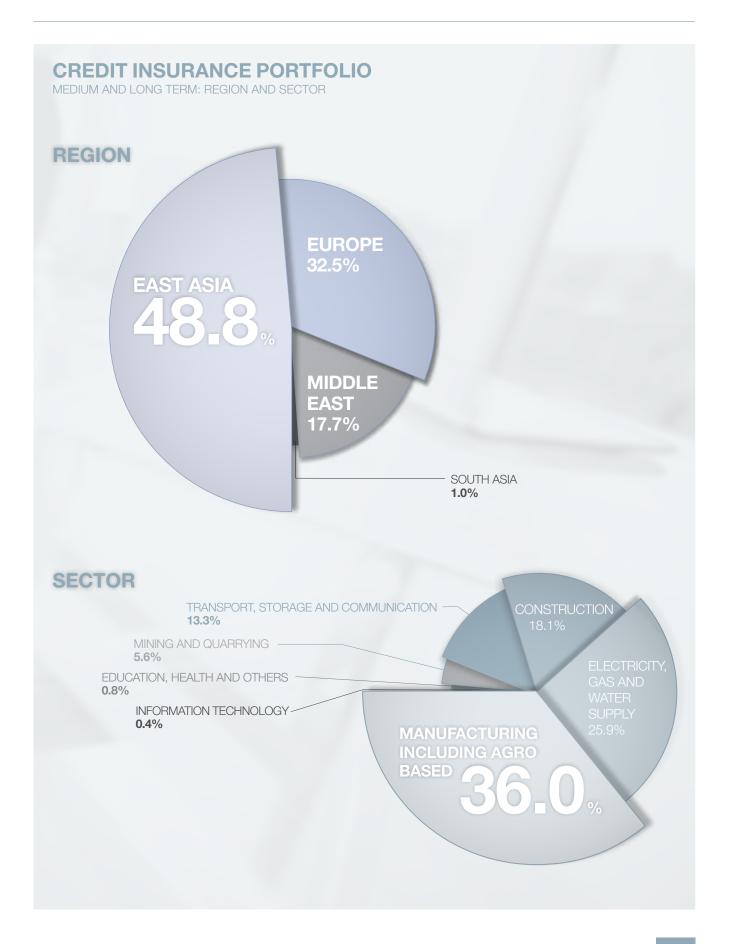






CREDIT INSURANCE PORTFOLIO 2014





MEDIA **HIGHLIGHTS**



Exim Bank mahu kukuh perniagaan di Asia

export-ready **SMEs**

FROM PAGE 8

to identify which 5MEs can be categoris as export-ready.

EXIM's inaugural US dollar (USD) Sul issuance is the world's first export and in bank to issue such borrowing instrum

Said EXIM president/CEO Dato' / sadikin Ali, "The issuance is in line EXIM's initiatives to grow its Islamic fi business and would position EXIM ture opportunities in the Islamic fir markets.

Malaysia Bhd (Exim Bank), a state-owned trade-finance scane-owned trade-finance company, began marketing its first dellar denominated la-lamic bonds as the nation's US currency debt offers the best rolums in South-East Asia this year.

returns in South-East Asia this year.

Exim Bank is offering as much as US\$300 million (RMI)

ESS much as US\$300 million (RMI)

ESS much as US\$300 million (RMI)

ESS with knowledge of the major as the who asked into to be identified because the information has not been made public. By seeing to price the sociations to yield about 165 basis yield yie

Its 2nd sale in global market as Malaysia's dollar debt offers best returns in SE Asia

million issue of live-yoar bords that does compty with the Koran's barr on interest in line 2012, at a coupon rate of 25%. The securities yielded 2.5% yesterday, compared in 2.9% yesterday, compared in 2.9% yesterday, compared in 2.9% sea 309 dollar notes of Petroliam Nasional Brd (Pet-petroliam Nasional Brd (Pet-petroliam Nasional Brd (Petrocas), the government-run oil

rocasi, the government-tun oil rocasi, the government pahar, Exim Mohd Nesir Johar, Exim Mohd Nesir Johar, Exim thousand the sea of the continuous facultation of the same day and didn't respond to an email seeking confirmation of the deal.

Mooth's Investors Service

assigned an A5 rating to the planned debt, the fourth-low west investment grade and the same level as A-swarded by Each Ratings. That matches the

senereign

Malaysia's dottar bends sold

Malaysia's dottar bends sold

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Malaysia's dottar bends

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to indexe compiled by HSBC

Modalings ptc.

Singapore offered the next

S rvereign Malaysta's dollar bonds sold

Exim Bank FY13 profit up 17% to RM144.7m



Another milestone for Malaysia - 1st ever sukuk to be issued by an export-import bank





3 Sukuk

Integrasi dagang serantau pendidayaan di negara tanpa cawangan banki Malaysia asa depan yang positif. yataan, Moody's berku-



MALAYSIA

MALAYSIA

WALAYSIA

WALAYS

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Exim Bank targets to grow assets to RM30b by 2018 Sukuk Exim Bank dapat status 'Emas' Our key performance indicate an guard towards meeting a mandate set by the government. He said fixen fainh like the given the said fixen fainh like the given by the said for the said for the said fixed as the said for the said fixed fixed to the said fixed for the said fixed Terbitan sukuk itu adalah ter-

Bank Negara Malaysia (BNM) mem-berikan status "Ernas" bagi terbi-tan sukuk lima tahun berjumlah sukuk lima tahun berjumlah

Terbitan suktus itu adalah Mr. bitan ke-14 yang diberikan satus Erusa dan piak status Erusa, Erusa, adalah status yang dibe-situsi oleh Malaysa kepada terbitan

SPECIAL REPORT

EXIM: Cross-border services becoming key to Vision 2020 come of Malaysia's good in became of Malaysia's good in became in high encione enclose by 2020 and services during an according to borein to reduce the services and services during the services and services during services and services during services and services of services during services during services and services of services during services and services of services and services of services during services and services of services and services and services and services and services and services and se

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Trust in banking



Exim Bank,

EVENT **HIGHLIGHTS**











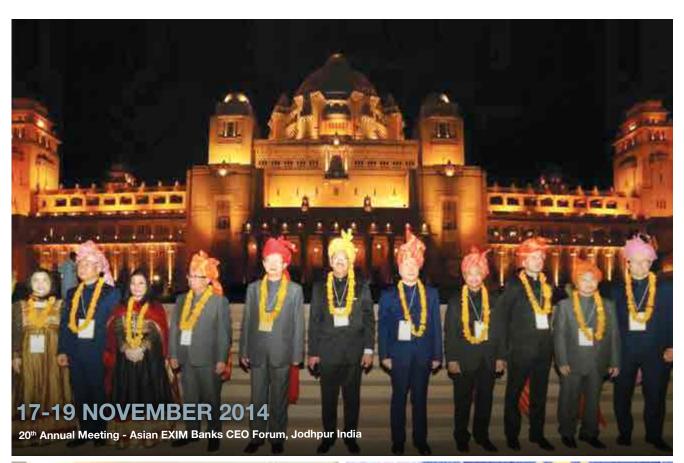


EVENT HIGHLIGHTS













CORPORATE SOCIAL RESPONSIBILITY REPORT



Unlocking Possibilities In Corporate Social Responsibility

Corporate Social Responsibility (CSR) at EXIM Bank is ingrained into our day-to-day operations through the four pillars of our CSR blueprint – Community, Environment, Marketplace and the Workplace. As the needs of our community continue to grow, our CSR initiatives will strike at the heart of these challenges; balancing sustainability, the business and its impacts on our stakeholders.

GOING BEYOND BANKING

OUR APPROACH TO CSR

Our CSR efforts are an extension of the spirit and essence that drives EXIM Bank. We approach CSR with the same commitment to be an honest, open and transparent organisation that treats all our stakeholders, be they clients, shareholders, employees, government regulators, and the general public, with respect and integrity.

Our CSR blueprint seeks to support in areas closest to the heart of our business, and to make deep and long-lasting positive impacts within the society across these areas.









We seek to build a reputation that is consistent with the Bank's values across industries and sectors, and to participate in initiatives that enable us to connect businesses with people, share best practices and be contributory to key decisions that develop the market.

We are connected to the communities where we operate, and contribute relevantly to support their needs. We cultivate a high-performance work culture of efficiency and effectiveness through a conducive and supportive workplace environment for our employees.

We champion for the betterment of a clean and carbon-free environment among our employees and stakeholders, and through our support of various environmental initiatives by the government and NGOs.

HOW OUR CSR WORKS



AT A GLANCE







through several projects that reach orphans, the elderly and less fortunate

'Mangrove Planting Programme'



helps to ensure a continual thriving population of mangroves to effectively sustain ecosystems.

The Bank awards long-serving

employees of more than 10 years with a Long Service Award in recognition of their dedication, time and years to the organisation.



Our efforts in Marketplace

have seen the most returns through

knowledge-sharing and networking platforms we facilitate on behalf of



MARKETPLACE

GIVING OUR CLIENTS A
BOOST GOES BEYOND
PRODUCTS AND
SERVICES. IT MEANS
WALKING THE ROAD WITH
THEM, AND HELPING
THEM REACH THEIR
DESTINATION IN THE BEST
OF FORM.





OUR EFFORTS IN THE MARKETPLACE HAVE SEEN THE MOST RETURNS THROUGH THE KNOWLEDGE-SHARING AND NETWORKING PLATFORMS WE FACILITATE ON BEHALF OF OUR CLIENTS.

The power of knowledge and networking

In 2014, EXIM Bank hosted many networking sessions in collaboration with agencies such the Construction Industry Development Board (CIDB), Malaysia External Trade Development Corporation (MATRADE) and Malaysian Industrial Development Finance Bhd (MIDF). We also joined hands with foreign governments such as Republic of Togo, various Nigerian States and South African countries to match business opportunities in foreign countries with local businessmen.

As part of our SME outreach, we also sponsored and participated in various international conventions and conferences. The 10th Association of Development Finance Institutions of Malaysia (ADFIM) CEO Forum organised by Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) was one example. On the local scene, EXIM Bank was actively involved with the Federation of Malaysian Manufacturers (FMM) in conducting several seminars and talks held at FMM headquaters about opportunities doing business in some ASEAN countries.

EXIM Bank also sent its speakers to key seminars, conferences, trade exhibitions and roadshows that targeted SME entrepreneurs, to share business knowledge and promote the Bank's facilities for cross-border ventures. These included the World Islamic Economic Forum (WIEF) held in Port Dickson on May 2014 for women entrepreneurs, and the Malaysia SME Congress in June 2014 attended by over 1,000 SMEs.

WE PARTICIPATED AND SPONSORED MANY NETWORKING EVENTS THROUGH ROADSHOWS, SEMINARS AND TRADE EXHIBITIONS RANGING FROM BUSINESS TOPICS TO HELPING THE LESS FORTUNATE.



On the technology front, the Bank sponsored BioMalaysia & BioEconomy Asia Pacific Conference in Kuala Lumpur, where EXIM Bank's speaker shared insights to commercialising and exporting a business venture on such technologies.

EXIM Bank also organised SME-targeted events at its headquarters. These include organising the joint-effort between EXIM Bank and Yayasan Innovasi Malaysia on the topic of green technology known as the "Teh Tarik" session which drew some 80 SME players.

Many MOUs and agreements were also signed during the period namely with the government agencies to further support local entrepreneurs expansion overseas. These included Malaysia Biotech, Majlis Amanah Rakyat (MARA), etc.

The Bank was also recognised for its efforts in the Islamic finance sector. Its first ever USD300 million 5-year sukuk issuance was conferred the Emas (gold) status by Bank Negara Malaysia at the Global Islamic Finance Forum. The Sukuk was also a double award-winner, for 'Trade Finance Deal' and 'Murabahah Deal of the Year 2014' from Islamic Finance News Awards.

EXIM Bank through its Marketplace pillar will continue to engage and bring the business community together.





COMMUNITY

EXIM BANK STRIVES TO BE RESPONSIBLE AND ETHICAL, PROVIDING GOOD RETURNS FOR SHAREHOLDERS AND A SAFE AND SATISFYING WORKPLACE FOR OUR EMPLOYEES. BUT WE HAVE AN EQUALLY STRONG RESPONSIBILITY TO THE BROADER COMMUNITY, BY BEING A GOOD CORPORATE CITIZEN, AND HELPING TO MAKE OUR WORLD A BETTER PLACE.





GOOD COMMUNITY RELATIONS
BENEFIT BOTH EXIM BANK AND THE
COMMUNITIES IN WHICH WE OPERATE.





Bridging communities

How we handle our community responsibilities is a good indication of how we manage our business as a high performing organisation. Balancing both these components require equal importance.

Through the years, EXIM Bank has always been close to the ground with the communities. We have supported them in their times of need, and on happier occasions. We count ourselves privileged to be part of their lives in areas that matter most to them.

In 2014, our Mawaddah Committee, which manages funds under its Mawaddah account for the less fortunate, continued to play a primary role for the betterment of the Community. They are tasked with advising the Management on all matters relating to the charity funds, including due diligence on beneficiaries' progress, and assessing and approving new requests. Beneficiaries in 2014 included under-privileged communities, charity organisations and religious institutions.

Managed by our Shariah Department, our annual zakat contribution to the less fortunate benefitted more than 200 individuals amounting to RM180,000 in 2014.

In addition, EXIM Bank also connected with the community through several projects that reach orphans, the elderly and the less fortunate. Feed the Homeless is one project where it runs for almost a year to assist the homeless medically, apart from providing meals.

The Bank also supports at least 30 mosques around the country, through a yearly sponsorship that helps towards the maintenance and upkeep of the mosques. To-date, more than RM60,000 has been channeled towards this cause.

Ramadhan is a period of anticipation for many, especially for orphans and the elderly who are regularly invited to EXIM Bank's iftar (break fast), and receive financial aid and Syawal gifts such as baju raya and shoes. The Management and staff of EXIM Bank play active roles in organising the iftar and celebrating it with these community groups.



WORKPLACE

OUR PEOPLE ARE OUR GREATEST ASSETS, AND OUR COMMITMENT TO THEM IS TO PROVIDE A CONDUCIVE AND POSITIVELY CHARGED ENVIRONMENT THAT ALLOWS THEM TO BE THE BEST THAT THEY ARE, AS INDIVIDUALS AND AS STAFF OF EXIM BANK.





Engaged. Energised. Empowered.

As much as the Bank commits its time, resources and funds to support other CSR areas, the Workplace is one that EXIM Bank holds close to its heart. It is the picture that paints a thousand words about the Bank. An engaged, energised, and empowered employee is testament to the essence that depicts the Bank.

The Bank is a market-rate competitive employer that recognises the importance of appreciating employees. EXIM Bank maintains its commitment as one of the best choices for employment. In 2013, the Bank was awarded with HR Asia Award and was listed among the Best Companies to Work for in Asia. In 2014, EXIM Bank achieved above-target results in its Employee Engagement Index, where it recorded 83 per cent satisfaction level, over its target of 75 per cent.

AS MUCH AS THE BANK COMMITS ITS TIME, RESOURCE AND FUNDS TO SUPPORT OTHER CSR AREAS, THE WORKPLACE IS ONE THAT EXIM BANK HOLDS CLOSE TO ITS HEART. IT IS THE PICTURE THAT PAINTS A THOUSAND WORDS ABOUT THE BANK.



Annually, the Bank awards long-serving employees of more than 10 years with a Long Service Award in recognition for their dedication, time and years to the organisation. In 2014, EXIM Bank celebrated more than 21 long-serving employees.

Regular team-building and employee-family activities were carried out throughout the year. These include Family Day, staff birthday celebrations, participation in various sporting events managed by EXIM Bank's Club KSSEB, and others.

At the workplace, the Bank continued to invest in employee facilities. In 2014, the Bank provided an allocation to add seven (7) new gym equipments to the office gym facility. The gym was also renovated to provide more space for exercise and training areas.

An area of empowerment is the role employees can play in an emergency. EXIM Bank has set up an Emergency Response Team (ERT) comprising of 35 responders (employees) who are able to address a variety of crisis and those affected by crisis in the Bank. They can be called on for immediate support in crisis situations, and will function as the frontline response for the Bank. Their primary responsibilities include safe and efficient evacuation of all personnel during an emergency situation, and assist in mitigating the emergency if it is within the capabilities of the team. The ERT is assigned to different roles, including Evacuation Team, Search and Rescue Team, Fire Team and Medic Team. ERT is part of the Bank's Business Continuity Management (BCM), and undergo specific training each year. For 2014, they attended a Fire and Safety Course at the Seputeh Fire Station.



ENVIRONMENT

IT IS ABOUT
BREATHING, LIVING
GREEN, THROUGH
A CONSCIENTIOUS
LIFESTYLE AT HOME AND
AT WORK.





AS WITH ALL OF ITS CSR
ACTIVITIES, EXIM BANK
ENCOURAGES EMPLOYEE
PARTICIPATION, AND THE
ENVIRONMENT PILLAR IS
ONE WHICH BEST
DEMONSTRATES HOW

EMPLOYEES ARE GETTING BEHIND THE BANK'S GREEN COMMITMENT.



Through ongoing environmental talks and awareness campaigns, EXIM Bank employees have become increasingly conscious of their individual impacts on the environment. In small ways, they have started to retune their lifestyles to reflect more environmental-conscious habits.

At work, the Bank has instituted some green practices. For a start, the lighting on the ground floor of the Bank's headquarters has been replaced with LED lighting for better energy consumption and efficiency. This represents phase 1 of the project where the savings translated will be used as baseline records for data comparison and tracking, as we continue to expand the LED lighting project in stages to eventually cover all floors. The Bank will also be looking to expand green practices to other areas in the office to reduce its carbon footprint such as reducing the amount of paper used.

In the environment space, the Bank continued with its yearly 'Mangrove-Planting Programme' that commenced in 2013. The initiative helps to ensure a continual thriving population of mangroves to effectively sustain the environment's ecosystem. Since 2013, more than 600 mangrove trees have been planted by EXIM Bank employees by the coastline at the Selangor Nature Park. Apart from providing habitation for birds, fish and other species, mangroves also act as a natural erosion and flood control mechanism. This is critical for the ecosystem, as well as for the livelihood of local fisherman, and safeguarding the coastline from effects of erosion and tsunami.

In 2014, more than 90 employees with their families rolled up their sleeves and cleared the beach front of Bagan Lalang,

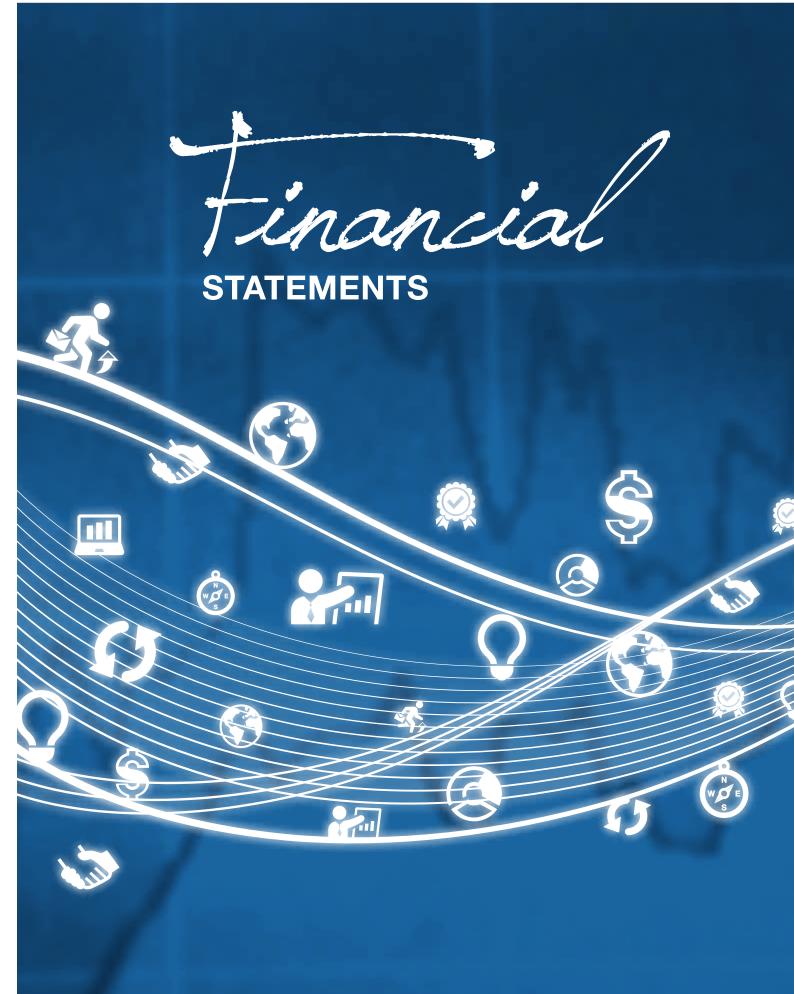


Selangor. A total of 318.7kg of waste was collected within an hour, on the back of sweat, hard work and dedication by all involved. The wastage comprised plastic bags, bottles, polystyrene cups, containers, as well as some old fishing equipment like nets, which pose just as great a danger to marine life.

Preserving the environment is a collective responsibility of every person, and the Bank will continue to play its part through more programmes and initiatives. The Beach Clean-up activity's mission is to remove debris from the beaches.









78

Directors' Report

82

Shariah Committee's Report

84

Statement by Directors

84

Statutory Declaration

85

Independent Auditors' Report

87

Statements of Financial Position

89

Income Statement

90

Statements of Comprehensive Income

91

Statements of Changes in Equity **92**

Statements of Cash Flows

94

Notes to the Financial Statements



The Directors hereby present their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	Group RM'000	Bank RM'000
Profit for the year	19,067	19,078

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 0.80 sen per ordinary share totaling RM21,708,113 in respect of the year ended 31 December 2013 on 20 June 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

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

Datuk Wong Seng Foo

YM Tunku Afwida binti Tunku A.Malek (appointed on 15.08.2014)

Haji Zakaria bin Ismail (resigned on 23.09.2014)

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 statements of financial position and income statements of the Group and of the Bank were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Bank which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

SIGNIFICANT EVENT

Rating agencies, Moody's Investors Service, Fitch Ratings and RAM Ratings have re-affirmed the Bank's rating during their annual review for 2014 as follows:

Rating agencies	Date	Ratings
Moody's Investors Service	6 August 2014	Issuer Rating: A3
	-	Senior Unsecured: A3
Fitch Ratings	12 September 2014	Foreign Long-term Issuer Default Rating: A-
		Support Rating: 1
		Support Rating Floor: A-
RAM Ratings	29 August 2014	Global-scale Financial Institution Rating: gA2/Stable/P1
		Malaysian Rating: AAA/Stable/P1
		ASEAN-scale Financial Institution Rating: seaAAA/Stable/seaP1
		Global-scale Rating (Exim Sukuk Malaysia Berhad): gA2(s)/Stable/-

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 February 2015.

Datuk Mehd Hashim bin Hassan

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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.

and "Salam Sejahtera" السَّيِّلُ مُنْ عَلَيْكُ مُوَّمَعُنُّ اللَّهُ وَكِيْكَ الْمُنْ

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

In carrying out the roles and responsibilities as EXIM Bank's Shariah Committee ("the Committee") as prescribed in the Bank's Shariah Governance Framework 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 2014:-

- 1. The Committee had conducted nine (9) meetings during the financial year to review and approve various new and enhancement to the Bank's Islamic financing 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 2014 until 31 December 2014.
- 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. Money which derived from the compensation for late payment charges on Islamic financing activities and other tainted income is channelled to charity fund and distributed progressively to the eligible beneficiaries.
- 5. The Committee has reviewed the financial statements of the Bank, including the calculation of Zakat and confirmed that the financial statements prepared are in compliance to the Shariah rules and principles as well as the minimum disclosure requirements as stipulated by Bank Negara Malaysia.

SHARIAH COMMITTEE'S REPORT

We also affirm that the Bank's management is responsible for ensuring that the Islamic banking and takaful businesses are conducted in accordance with Shariah rules and principles. Our responsibility is to form an independent opinion, based on the information and explanations provided on the operations of 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 2014 have been conducted in conformity with the Shariah rules and principles.

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

Signed on behalf of the Committee,

DATO' DR. MOHD ALI HAJI BAHARUM

Chairman

DR. ZAHARUDDIN ABD RAHMAN

Member

Kuala Lumpur, Malaysia 23 February 2015

83

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 87 to 191 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 2014 and of the results and cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 February 2015.

Datuk Mohd Hashim bin Hassan

Dato' Adissadikin bin Ali

STATUTORY DECLARATION

PURSUANT TO SECTION 169(15) 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 87 to 191 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 26 February 2015

Datuk Mohd Hashim bin Hassan

Before me,

No. 50, Jalan Hang Lekiu 50100 Kuala Lumpur Dato' Adissadikin bin Ali

No. W 521



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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Export-Import Bank of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Bank, and the income statement, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 87 to 191.

Directors' responsibility for the financial statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

INDEPENDENT AUDITORS' REPORT

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

OTHER MATTERS

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.

Frot tology

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia 26 February 2015 Λ \dot{s}

Megat Iskandar Shah Bin Mohamad Nor No. 3038/07/15(J) Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		Gro	oup	Ва	nk
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and bank balances	4	17,279	38,932	17,279	38,932
Deposits and placements with banks and other financial institutions	5	1,970,958	1,705,276	1,970,958	1,705,276
Investment securities	6	120,974	445,621	120,974	445,621
Amount due from Export Credit Refinancing ("ECR")			·		
debtors	7	410,647	382,345	410,647	382,345
Loans, advances and financing	8	7,933,864	5,301,508	7,933,864	5,301,508
Insurance receivables	9	561	835	561	835
Derivative financial instruments	10	29,599	379	29,599	379
Other assets	11	162,964	157,802	162,964	157,802
Deferred tax assets	12	13,215	7,633	15,530	9,948
Investment in subsidiaries	13(a)	-	-	64,147	64,154
Investment in jointly controlled entity	13(b)	**	**	**	**
Investment properties	14	473	491	473	491
Intangible assets	15	1	337	1	337
Property and equipment	16	101,594	101,678	101,594	101,678
Total assets		10,762,129	8,142,837	10,828,591	8,209,306
Liabilities					
Borrowings	17	7,460,587	4,789,406	7,460,587	4,789,406
Other payables and accruals	18	260,098	285,739	260,098	285,739
Derivative financial instruments	10	30,205	58,335	30,205	58,335
Deferred income	19	17,890	15,915	17,890	15,915
Provision for guarantee and claims	20	28,721	27,073	28,721	27,073
Amount due to subsidiaries	35	_	-	64,124	64,142
Amount due to joint venture	13(b)	**	**	**	**
Total liabilities	()	7,797,501	5,176,468	7,861,625	5,240,610

^{**} Amount is less than RM1,000

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Grou		oup	Ва	nk
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
Financed by:					
Share capital	21	2,708,665	2,708,665	2,708,665	2,708,665
Fair value adjustment reserve		(118)	136	(118)	136
Retained profits		257,346	259,987	259,684	262,314
Shareholders' funds		2,965,893	2,968,788	2,968,231	2,971,115
Takaful participants fund	38	(1,265)	(2,419)	(1,265)	(2,419)
Total liabilities, shareholders' fund					
and Takaful funds		10,762,129	8,142,837	10,828,591	8,209,306
Commitments and contingencies	34	3.880.904	4.346.020	3.880.904	4.346.020

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



		Group		Bank	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	22	357,797	273,511	357,797	273,511
Interest income	23	302,961	269,994	302,961	269,994
Interest expense	24	(117,596)	(91,358)	(117,596)	(91,358)
Net interest income		185,365	178,636	185,365	178,636
Underwriting results	25	10,652	2,118	10,652	2,118
Income from Islamic business	38	79,088	45,225	79,088	45,225
Other (expenses)/income	26	(2,507)	47,125	(2,507)	47,125
Net income		272,598	273,104	272,598	273,104
Overhead expenses	27	(74,213)	(70,251)	(74,195)	(70,242)
Operating profit		198,385	202,853	198,403	202,862
Allowance for diminution in value of investment in a subsidiary		-	-	(7)	(7)
Allowances for losses on loans, advances and					
financing	30	(157,535)	(12,600)	(157,535)	(12,600)
Profit before taxation		40,850	190,253	40,861	190,255
Taxation	31	(21,054)	(44,841)	(21,054)	(44,839)
Zakat		(729)	(695)	(729)	(695)
Net profit for the year		19,067	144,717	19,078	144,721
Earnings per share (sen)	32	0.70	5.34	0.70	5.34

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Gro	Group		nk
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Net profit for the year	19,067	144,717	19,078	144,721
Other comprehensive income/(loss):				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Fair value changes on available-for-sale investments securities	(254)	(580)	(254)	(580)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(254)	(580)	(254)	(580)
Total comprehensive income for the year, net of tax	18,813	144,137	18,824	144,141

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital RM'000	Distributable retained profits RM'000	Non- distributable fair value adjustment reserve RM'000	Total RM'000
Group				
At 1 January 2013	2,708,665	129,194	716	2,838,575
Total comprehensive income	-	144,717	(580)	144,137
Dividend paid (Note 33)	-	(13,924)	-	(13,924)
At 31 December 2013	2,708,665	259,987	136	2,968,788
Total comprehensive income	-	19,067	(254)	18,813
Dividend paid (Note 33)	-	(21,708)	-	(21,708)
At 31 December 2014	2,708,665	257,346	(118)	2,965,893
Bank				
At 1 January 2013	2,708,665	131,517	716	2,840,898
Total comprehensive income	-	144,721	(580)	144,141
Dividend paid (Note 33)	-	(13,924)	-	(13,924)
At 31 December 2013	2,708,665	262,314	136	2,971,115
Total comprehensive income	-	19,078	(254)	18,824
Dividend paid (Note 33)		(21,708)		(21,708)
At 31 December 2014	2,708,665	259,684	(118)	2,968,231

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Gre	oup	Ва	ınk
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	40,850	190,253	40,861	190,255
Adjustments for:		, , , , , ,	,	,
Individual allowance				
- Charged for the year	183,341	60,914	183,341	60,914
- Written back during the year	(34,358)	(62,272)	(34,358)	(62,272)
Collective allowance	(5.,555)	(02,2:2)	(6.,666)	(02,2:2)
- Charged for the year	8,552	16,091	8,552	16,091
Claim and guarantee	-,		-,	,
- Charged for the year	_	7,157	_	7,157
- Written back during the year	_	(9,290)	_	(9,290)
Depreciation		(=,===)		(5,=55)
- Property and equipment	4,823	4,335	4,823	4,335
- Investment properties	18	18	18	18
Amortisation of intangible assets	336	453	336	453
Allowance for diminution in value of investment in a subsidiary	-	-	7	7
Gain on disposal of equipment	(13)	(9)	(13)	(9)
Unrealised foreign exchange loss	31,364	27,599	31,364	27,599
Unrealised (gain)/loss on derivative evaluation	(56,671)	77,903	(56,671)	77,903
Unrealised (gain)/loss on MTN evaluation	74,857	(73,073)	74,857	(73,073)
Allowance for doubtful debts	-	(81)	-	(81)
Amortisation of premium less accretion of discount	414	816	414	816
Premium liabilities	(5,934)	1,831	(5,934)	1,831
Operating profit before changes in working capital	247,579	242,645	247,597	242,654
Changes in working capital:	,	,	,	,
Amount due from ECR debtors	(28,302)	190,225	(28,302)	190,225
Loans, advances and financing	(2,789,891)	(2,165,113)	(2,789,891)	(2,165,113)
Insurance receivables	274	110	274	110
Other assets	(14,759)	(23,752)	(14,759)	(23,752)
Derivative financial instruments	(679)	980	(679)	980
Other payables and accruals	(7,989)	92,501	(7,989)	92,501
Deferred income	7,909	551	7,909	551
Net claims paid for bank guarantee and insurance claims	1,648	8,915	1,648	8,915
Takaful participant funds	1,154	(1,486)	1,154	(1,486)
Amount due to subsidiaries	-	-	(18)	(9)
Cash used in operations	(2,583,056)	(1,654,424)	(2,583,056)	(1,654,424)

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Gre	oup	Ва	ınk
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd)				
Income tax paid	(34,725)	(4,142)	(34,725)	(4,142)
Zakat paid	(695)	(431)	(695)	(431)
Net cash used in operating activities	(2,618,476)	(1,658,997)	(2,618,476)	(1,658,997)
Cash flows from investing activities				
Proceeds from disposal of property and equipment	13	9	13	9
Purchase of property and equipment	(4,739)	(6,933)	(4,739)	(6,933)
Proceeds/(purchase) of investments	323,979	(198,929)	323,979	(198,929)
Net cash generated/(used in) from investing activities	319,253	(205,853)	319,253	(205,853)
Cash flows from financing activities				
Net drawdown of borrowings	2,564,960	617,341	2,564,960	617,341
Dividend paid	(21,708)	(13,924)	(21,708)	(13,924)
Net cash generated from financing activities	2,543,252	603,417	2,543,252	603,417
Net increase/(decrease) in cash and cash equivalents	244,029	(1,261,433)	244,029	(1,261,433)
Cash and cash equivalents at beginning of the year	1,744,208	3,005,641	1,744,208	3,005,641
Cash and cash equivalents at end of the year	1,988,237	1,744,208	1,988,237	1,744,208

Cash and cash equivalents comprise the following balances:

	Gro	Group		nk
	2014	2014 2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	17,279	38,932	17,279	38,932
Deposits and placements with banks and other financial institutions	1,970,958	1,705,276	1,970,958	1,705,276
Cash and cash equivalents	1,988,237	1,744,208	1,988,237	1,744,208

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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 26 February 2015.

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 Amended standards and interpretation

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

On 1 January 2014, the Group and the Bank adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods on or after 1 January 2014.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	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
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 2 Share-based Payment	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 3 Business Combinations	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 8 Operating Segments	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 116 Property, Plant and	
Equipment and MFRS 138 Intangible Assets	1 July 2014

2.2 Amended standards and interpretation (cont'd.)

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 124	
Related Party Disclosures	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle: Amendments to MFRS 3 Business Combinations	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle: Amendments to MFRS 13	
Fair Value Measurement	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle: Amendments to MFRS 140 Investment Property	1 July 2014

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.

Effective for financial periods beginning on or after 1 January 2016

- Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

Effective for financial periods beginning on or after 1 January 2017

MFRS 15 Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2018

• MFRS 9 Financial Instruments

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

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review of its financial instruments in the upcoming year.

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.

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

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

(ii) Basis of consolidation

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

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

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

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

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

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

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

(iii) Consolidation of EXIM Sukuk Malaysia Berhad

EXIM Sukuk Malaysia Berhad is a Special Purpose Vehicle Company ("SPV") established by the Bank as part of its Multicurrency Sukuk Issuance Programme. The entire issued share capital of the SPV is held by TMF Trustees Malaysia Berhad. The SPV shall act as issuer, trustee and purchaser/seller of tangible/non-tangible assets. Management had concluded that control over Exim Sukuk existed in line with the revised definition of control introduced by MFRS 10. Accordingly, EXIM Sukuk is deemed to be a subsidiary and its financial position and results for the year ended 31 December 2014 have been consolidated in the financial statements of the Group for the current financial year.

(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.

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

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

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

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

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

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

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

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

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

(c) Intangible assets: Computer software

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

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

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

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

(d) Investment properties

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

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

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

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

(e) Impairment of non-financial assets

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

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

(f) Financial assets

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

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

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

(i) Loans and receivables

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

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

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

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

(f) Financial assets (cont'd.)

(ii) Financing and receivables

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

Definition of Shariah concept:

- (a) Murabahah: Sale of an asset by the Bank to the customer at cost plus a mark-up in which the profit rate has to be disclosed to the Customer. The Sale Price is payable by the Customer on deferred terms.
- (b) Tawarruq: An arrangement that involves sale of commodity by the Bank to the Customer in which the Sale Price is payable on a deferred basis and subsequent sale of the commodity to a third party on a cash basis to obtain cash.
- (c) Ijarah: A lease contract to transfer the usufruct (benefits) of a particular property of the Bank to Customer in exchange for a rental payment for a specified period.
- (d) Istisna': An agreement to sell to a customer a non-existent asset that is to be manufactured or 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.
- (f) Kafalah: Conjoining the guarantor's liability to the guaranteed party's liability such that the obligation of the guaranteed party is established as a joint liability of the guarantor and the guaranteed party.

(iii) Held-to-maturity investments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial assets (cont'd.)

(iv) Available-for-sale investments

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

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

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

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

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

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

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

(vi) Derivative instruments and hedge accounting

(a) Derivative instruments

The Group and the Bank use derivatives such as interest/profit rate swaps, cross currency interest/profit rate swaps and forward 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".

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

(f) Financial assets (cont'd.)

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

(b) Hedge accounting

The Group and the Bank use derivatives 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.

(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 Effective Interest/Profit rate (EIR) method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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

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

(g) Impairment of financial assets

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

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

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

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

(i) Loans, advances, financing and receivables

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

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

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 with maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

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

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.

(I) 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.

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

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

Unexpired risk reserves

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

(ii) Claims liabilities

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

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

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

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

105

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

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

(iv) Premium income

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

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

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

(o) Revenue recognition (cont'd.)

(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/Tawarrug 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.

ljarah

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

Bai' Al Dayn

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

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

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

Takaful income

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

(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.

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

(p) Income tax (cont'd.)

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

(q) Zakat

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

(i) Method applied

Zakat is calculated using the working capital method which is based on the adjusted net asset of the Group and the Bank i.e. Net asset excludes any items that 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 ("PPZ") based on certain percentage of the adjusted net asset of the Bank and the Group;
- PPZ will determine a certain percentage of the zakat for the Bank's own distribution; and
- The distribution of zakat will be allocated by the Bank to three (3) groups of people who are eligible to receive zakat (asnaf):
 - a. The destitute (fakir);
 - b. The poor (miskin); and
 - c. Those in the cause of Allah (fi sabilillah).

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

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

(i) Individual impairment allowance

The Group and the Bank determine the allowance appropriate for each individual significant 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.

(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.

31 DECEMBER 2014

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

3.1 Key sources of estimation uncertainty (cont'd.)

(c) Uncertainty in accounting estimates for credit insurance/Takaful business (cont'd.)

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. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning (see Note 12).

4. CASH AND BANK BALANCES

	Group and Bank	
	2014	2013
	RM'000	RM'000
Cook and bank balances	17.070	20.020
Cash and bank balances	17,279	38,932

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group a	Group and Bank	
	2014	2013	
	RM'000	RM'000	
Deposits and placements with:			
Licensed banks	1,024,284	1,141,399	
Other financial institutions	946,674	563,877	
	1,970,958	1,705,276	

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 RM186,576,000 (2013: RM173,622,460). The accounting policy in respect of MKFF Scheme is disclosed in Note 2.4(n).

6. INVESTMENT SECURITIES

	Group and Bank	
	2014	2013
	RM'000	RM'000
Group and Bank		
Available-for-sale investments:		
Unquoted debt securities	110,971	435,616
Held-to-maturity investments:		
Unquoted debt securities	10,003	10,005
	120,974	445,621

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Amount due from participating licensed banks under ECR Scheme	410,647	382,345
The maturity structure of the ECR debtors are as follows:		
Maturity within one year	410,647	382,345

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 a	Group and Bank	
	2014	2013	
	RM'000	RM'000	
At amortised cost			
Loans, advances and financing	8,241,014	5,812,766	
Loans under MKFF scheme	19,340	21,320	
Staff loans	2,067	2,585	
Gross loans, advances and financing	8,262,421	5,836,671	
Less: Allowance for impaired loans, advances and financing:			
- Individual allowance	(192,796)	(407,954)	
- Collective allowance	(135,761)	(127,209)	
Net loans, advances and financing	7,933,864	5,301,508	

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

	Group a	Group and Bank	
	2014	2013	
	RM'000	RM'000	
Buyer Credit	704,884	832,385	
Overseas Contract Financing	243,538	448,443	
Overseas Project Financing	4,465,821	2,852,740	
Supplier Credit	170,614	161,909	
Export Finance	4,061	4,056	
Supplier Financing - i	370,390	436,952	
Term Financing - i	1,881,505	438,367	
Overseas Contract Financing - i	60,440	15,256	
Overseas Project Financing - i	339,761	622,658	
Malaysian Kitchen Financing Facility ("MKFF")	19,340	21,320	
Staff loans and advances	2,067	2,585	
	8,262,421	5,836,671	

Included in Term Financing - *i* are amount that have been pledged for Sukuk Issuance amounting to RM388,586,798.

31 DECEMBER 2014

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

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

	Group a	Group and Bank	
	2014	2013	
	RM'000	RM'000	
Within one year	1,907,135	1,304,413	
One year to three years	845,348	1,480,482	
Three years to five years	1,671,830	327,324	
Over five years	3,838,108	2,724,452	
	8,262,421	5,836,671	

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

	Group	Group and Bank	
	2014	2013	
	RM'000	RM'000	
Conventional			
Fixed rate	171,551	213,365	
Variable rate	5,438,775	4,110,076	
Islamic			
Fixed rate	670,675	553,122	
Variable rate	1,981,420	960,108	
	8,262,421	5,836,671	

31 DECEMBER 2014

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

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

	Group a	Group and Bank	
	2014	2013	
	RM'000	RM'000	
	004.057	0.10.001	
At 1 January	884,357	812,321	
Impaired during the year	243,880	99,821	
Reclassified as non-impaired	(14,192)	(54,812)	
Recoveries	(49,359)	(11,789)	
Amount written off	(401,900)	(23,948)	
Exchange differences	63,925	62,764	
At 31 December	726,711	884,357	
Gross impaired loans as a percentage of gross loans, advances and financing			
- with ECR debtors	8.4%	14.2%	
- without ECR debtors	8.8%	15.2%	
Net impaired loans as a percentage of gross loans, advances and financing			
- with ECR debtors	6.2%	7.7%	
- without ECR debtors	6.5%	8.2%	

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

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Individual allowance		
At 1 January	407,954	400,582
Allowance made during the year (Note 30)	183,341	60,914
Amount written back (Note 30)	(34,358)	(62,272)
Net charge to income statement	148,983	(1,358)
Amount written off	(401,900)	(23,947)
Allowance recoverable from the Government of Malaysia for MKFF scheme	1,149	1,938
Interest accrued on impaired loans, advances and financing	126	(607)
Forex revaluation loss	36,484	31,346
At 31 December	192,796	407,954
Collective allowance		
At 1 January	127,209	111,118
Allowance (made during the year (Note 30))	8,552	16,091
At 31 December	135,761	127,209
Breakdown of collective allowance:		
From impaired loans, advance and financing	14,438	12,314
	121,323	114,895
From non-impaired loans, advance and financing		
	135,761	127,209
As % of net loans, advances and financing	1.68%	2.34%

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

	Group	Group and Bank	
	2014	2013	
	RM'000	RM'000	
Malaysia	00.000	004.404	
Malaysia	38,328	264,181	
East Asia	273,095	445,653	
South Asia	108,070	101,271	
Africa	30,405	27,050	
Europe	183,490	8,087	
America	2,274	2,330	
Oceania	91,049	35,785	
	726,711	884,357	

31 DECEMBER 2014

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

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

	Group a	Group and Bank	
	2014	2013	
	RM'000	RM'000	
	40.000	00.010	
Primary agriculture	16,603	20,019	
Manufacturing	94,955	87,727	
Transport, storage and communication	71,491	25,338	
Construction	130,325	338,985	
Wholesale and retail trade, and restaurants and hotels	85,199	93,714	
Others	328,138	318,574	
	726,711	884,357	

9. INSURANCE RECEIVABLES

	Group and Bank	
	2014	2013
	RM'000	RM'000
	4 400	4 440
Amount due from agents, brokers and co-insurers	1,166	1,440
Less: Allowance for doubtful debts	(605)	(605)
	561	835

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. In accordance with MFRS 132, derivative assets and derivative liabilities are disclosed on a gross basis as it is the Bank's practice to settle those derivative on a gross basis.

	Group and Bank					
		2014			2013	
	Fair Va	alue	Notional	Fair Va	alue	Notional
	Assets	Liability	Amount	Assets	Liability	Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative used as						
<u>fair value hedges</u>						
Interest/profit rate swaps	25,432	13,318	3,716,780	-	31,070	1,844,107
Cross currency interest/						
profit rate swap	4,167	16,887	672,910	-	26,774	548,275
Derivative held for trading						
Forward foreign exchange						
contract	-	-	-	379	491	48,567
Total	29,599	30,205	4,389,690	379	58,335	2,440,949

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

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

Swaps

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

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

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

Forwards

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

31 DECEMBER 2014

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair values

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

Fair value hedge

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

As at 31 December 2014, the Bank has entered into the following derivative financial instruments:

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

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 2014

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

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

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

Group and Bank 2014 (cont'd.)

Notional amount	Hedge instrument: Interest Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD75 million	Floating rate of 6 months Libor + 1.264% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million	Floating rate of 6 months Libor + 1.2615% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million	Floating rate of 6 months Libor + 1.26% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million	Floating rate of 6 months Libor + 1.264% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.01% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.85% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.00% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.66% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 4.25% per annum (payable semi-annually)	Fair value hedge	Interest rate

31 DECEMBER 2014

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

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

Group and Bank 2014 (cont'd.)

Notional amount	Hedge instrument: Cross Currency Interest Rate Swap	Hedged item: MTN	Hedging relationship	Nature of risk
HKD402 million	USD51.82 million at floating rate of 3 months USD Libor + 0.88% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.6% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency risk
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency 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
JPY3 billion	USD29.34 million at floating rate of 3 months Libor + 0.94% p.a (receive fixed JPY semi-annually/pay float USD quarterly)	Fixed 0.65% per annum (payable semi-annually)	Fair value hedge	Interest rate & foreign currency risk

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
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

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

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

Group and Bank 2013 (cont'd.)

Notional amount	Hedge instrument: Cross Currency Interest Rate Swap	Hedged item: MTN	Hedging relationship	Nature of risk
HKD402 million	USD51.82 million at floating rate of 3 months USD Libor + 0.88% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.6% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency risk
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency 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 ar	nd Bank
	2014	2013
	RM'000	RM'000
Gain/(loss) arising from fair value hedges:		
Hedged items	56,560	(77,792)
Hedging instruments	(74,857)	73,073
	(18,297)	(4,719)

11. OTHER ASSETS

	Group a	Group and Bank	
	2014	2013	
	RM'000	RM'000	
Interest receivables (excluding interest on loans, advances and financing)	47,671	32,182	
Other receivables, deposits and prepayments	20,959	21,689	
Foreclosed property	69,707	69,707	
Tax prepayment	24,627	34,224	
	162,964	157,802	

12. DEFERRED TAX ASSETS

	Group		Bank		
	2014	2014 2013		2014 2013 2014	2013
	RM'000	RM'000	RM'000	RM'000	
At 1 January	7,633	28,660	9,948	30,973	
At 1 January	,	,	,	,	
Recognised in profit or loss (Note 31)	5,582	(21,027)	5,582	(21,025)	
At 31 December	13,215	7,633	15,530	9,948	

Deferred tax assets

	Other deductable temporary differences RM'000	Unutilised tax losses RM'000	Unabsorbed capital allowances RM'000	Total RM'000
Group				
At 1 January 2013	34,079	-	-	34,079
Recognised in income statement	(20,991)	-	-	(20,991)
At 31 December 2013	13,088	-	-	13,088
Recognised in income statement	6,777	-	-	6,777
At 31 December 2014	19,865	-	-	19,865
Bank				
At 1 January 2013	36,392	-	-	36,392
Recognised in income statement	(20,989)	-	-	(20,989)
At 31 December 2013	15,403	-	-	15,403
Recognised in income statement	6,777	-	-	6,777
At 31 December 2014	22,180	-	-	22,180

31 DECEMBER 2014

12. DEFERRED TAX ASSETS (CONT'D.)

Deferred tax liabilities

Accelerated capital allowance on property and equipment RM'000

Group

At 1 January 2013	(5,419)
Recognised in income statement	(36)
At 31 December 2013	(5,455)
Recognised in income statement	(1,195)
At 31 December 2014	(6,650)

Bank

At 1 January 2013	(5,419)
Recognised in income statement	(36)
At 31 December 2013	(5,455)
Recognised in income statement	(1,195)
At 31 December 2014	(6,650)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2014	2013	3 2014 20	
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	19,865	13,088	22,180	15,403
Deferred tax liabilities	(6,650)	(5,455)	(6,650)	(5,455)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relates to the same taxation authority.

31 DECEMBER 2014

12. DEFERRED TAX ASSETS (CONT'D.)

No deferred tax has been recognised for the following items:

	Gr	Group		Bank	
	2014	2013	2014	2013	
	RM'000	RM'000	RM'000	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, the unutilised tax losses carried-forward is amounting to RM67,289,000 (2013: RM67,289,000).

13. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

(a) Investment in subsidiaries

	Ва	nk
	2014	2013
	RM'000	RM'000
Unquoted shares - at cost	73,419	73,419
Less: Allowance for diminution in value	(9,272)	(9,265)
	64,147	64,154

The subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective of interest	ownership st (%)
			2014	2013
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

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

(a) Investment in subsidiaries (cont'd.)

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

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

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 an	d Bank
	2014	2013
	RM'000	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	369	351
Accumulated impairment losses	530	530
	899	881
Charged for the year (Note 27)	18	18
At 31 December	917	899
Carrying amount	473	491
Included in the investment properties carrying amount are:		
Freehold land	400	400
Buildings	16	33
Long term leasehold building with unexpired lease period of more than 50 years	57	58
	473	491
Fair value of investment properties	1,210	780

31 DECEMBER 2014

14. INVESTMENT PROPERTIES (CONT'D.)

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

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

Management has conducted an internal assessment regarding the latest market value of the investment properties and there is no significant difference noted in market value between the last valuation done by professional valuer and market value as at 31 December 2014.

15. INTANGIBLE ASSETS

	Group a	nd Bank
	2014	2013
	RM'000	RM'000
Computer software		
Cost		
At 1 January	3,717	3,717
At 31 December	3,717	3,717
Accumulated depreciation		
At 1 January	3,380	2,927
Charged for the year (Note 27)	336	453
At 31 December	3,716	3,380
Carrying amount	1	337

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									
Onet									
Cost At 1 January 2014	30,000	33,000	1,269	21,726	802	4,826	8,013	22,282	121,918
Additions	30,000	33,000	213	21,720	148	184	1,666	2,523	4,739
Disposals	_		(108)	J		(17)	1,000	2,020	(232)
At 31 December			(100)		(107)	(17)			(232)
2014	30,000	33,000	1,374	21,731	843	4,993	9,679	24,805	126,425
2011			1,071	21,701	0.10	1,000	0,010	21,000	120,120
Accumulated depreciation									
At 1 January 2014	-	2,970	858	6,186	597	2,851	6,778	-	20,240
Charged for the year	-	660	182	2,173	103	581	1,124	-	4,823
Disposal	-	-	(108)	-	(107)	(17)	-	-	(232)
At 31 December									
2014	-	3,630	932	8,359	593	3,415	7,902	-	24,831
Carrying amount At 31 December 2014	30,000	29,370	442	13,372	250	1,578	1,777	24,805	101,594
2014	30,000	23,370	772	10,072	230	1,370	1,777	24,000	101,004
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
Charged 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

31 DECEMBER 2014

17. BORROWINGS

		Group a	nd Bank
		2014	2013
		RM'000	RM'000
(i)	Term loans/Revolving credits - unsecured		
	Repayable within one year	2,138,806	1,936,535
	One year to two years	17,483	16,379
	Three years to five years	17,483	225,446
	Over five years	191,953	170,100
		2,365,725	2,348,460
(ii)	Medium Term Notes/Sukuk		
	Three years to five years	4,475,062	1,898,121
	Over five years	619,800	542,825
		5,094,862	2,440,946
To	tal borrowings	7,460,587	4,789,406

The amount due to define SPV is at the Bank level.

17. BORROWINGS (CONT'D.)

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

Group and Bank

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2014						
- USD	2022	5,231,362	1,036,892	17,483	3,937,933	239,054
- RM	2022	170,100	-	-	-	170,100
- EURO	2017	286,837	286,837	-	-	-
- GBP	2016	606,809	606,809	-	-	-
- SGD	2019	181,535	22,977	-	158,558	-
- AUD	2018	314,044	185,291	-	128,753	-
- HKD	2023	581,133	-	-	178,534	402,599
- JPY	2019	88,767	-	-	88,767	-
		7,460,587	2,138,806	17,483	4,492,545	811,753
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

Term loans/Revolving credits

(a) Revolving multi-currency loan of one (1) year up to an aggregate of USD60,000,000 (approximately RM209,790,000) (2013: USD60,000,000 (approximately RM196,530,000)) renewable after one (1) year.

The loan was obtained on 14 September 2006 and subsequently renewed on 6 September 2012. The loan was revised to USD60,000,000 on 16 July 2013 and interest rate of the loan was revised to 0.80% on 4 August 2014. Interest rate on the loan is charged at the rate of 0.80% (2013: 0.85%) per annum above the cost of fund ("COF").

(b) Term loan of USD20,000,000 (approximately RM69,930,000) (2013: USD20,000,000 (approximately RM65,510,000)) repayable by thirty two (32) quarterly instalments commencing September 2007.

The loan was obtained on 30 June 2006. Interest on the loan is charged at the rate of 0.33% (2013: 0.33%) above London Interbank Offered Rate ("LIBOR") per annum. This loan was fully repaid during the year.

129

31 DECEMBER 2014

17. BORROWINGS (CONT'D.)

Term loans/Revolving credits (cont'd.)

(c) Term loan of USD35,000,000 (approximately RM122,380,000) (2013: USD35,000,000 (approximately RM114,642,500)). The loan is repayable semi-annually within twenty eight (28) semi-annual instalments from 12 August 2008 and ending on 12 February 2022.

The loan was obtained on 25 April 2006. Interest on the loan is charged at 0.395% (2013: 0.395%) above LIBOR per annum.

(d) Revolving multi-currency loan of six (6) months up to an aggregate of USD150,000,000 (approximately RM524,475,000) (2013: USD20,000,000 (approximately RM65,510,000)).

The loan was obtained on 25 June 2009. The principal and interest of the loan was revised to USD100,000,000 and 0.80% respectively on March 2014 and further revised to USD150,000,000 on July 2014. Interest on the loan is charged at the rate of 0.80% (2013: 1.00%) above LIBOR per annum.

(e) Term loan up to an aggregate of USD100,000,000 (approximately RM349,650,000) (2013: USD100,000,000 (approximately RM327,550,000)). The loan is repayable semi-annually after a grace period of thirty (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% (2013: 0.60%) above LIBOR per annum. This loan was fully repaid during the year.

(f) Commodity Murabahah Revolving Credit-i up to an aggregate of USD70,000,000 (approximately RM244,760,000 (2013: USD40,000,000 (approximately RM131,020,000)) renewable after one (1) year.

The financing was obtained on 10 November 2010 for USD30,000,000, renewed on 14 December 2011 and 21 March 2014 with an additional amount of USD10,000,000 and USD30,000,000 respectively. Profit rate on the financing is charged at the rate of 0.80% and revised to 0.50% in March 2014 (2013: 0.80%) above the Islamic Cost of Fund per annum.

(g) Revolving US dollar loan up to an aggregate of USD100,000,000 (approximately RM349,650,000) (2013: USD100,000,000 (approximately RM327,550,000)).

The loan was obtained on 28 January 2011. Interest on loan is charged at the rate of 0.80% above LIBOR per annum (2013: 0.80%).

(h) Revolving Euro loan of one (1) year up to an aggregate of EUR30,000,000 (approximately RM127,490,000) (2013: EUR30,000,000) (approximately RM135,306,000)) renewable after one (1) year.

The loan was obtained on 12 March 2012. Interest rate on the loan is charged at the rate of 0.80% (2013: 0.80%) per annum above Euro Interbank Offer Rate ("EURIBOR").

(i) Structured Commodity Financing-i of one (1) year up to an aggregate of USD35,000,000 (approximately RM122,380,000) (2013: USD35,000,000 (approximately RM114,642,000)).

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

17. BORROWINGS (CONT'D.)

Term loans/Revolving credits (cont'd.)

- (j) Term loan of EUR40,000,000 (approximately RM169,990,000) (2013: EUR40,000,000) (approximately RM180,408,000)) repayable within a period of five (5) years.
 - The loan was obtained on 3 September 2012. Interest on the loan is charged at the rate of 0.80% (2013: 0.80%) above EURIBOR per annum.
- (k) Multi-Currency Commodity Murabahah Revolving Credit-i up to an aggregate of USD85,000,000 (approximately RM297,200,000) (2013: USD85,000,000 (approximately RM278,417,500)) renewable after one (1) year.
 - The financing was obtained on 14 June 2013 for USD25,000,000. The limit was revised to USD85,000,000 on 12 August 2013 and profit rate was reduced to 0.80% per annum on 4 August 2014. Profit rate on the financing is charged at the rate of 0.80% (2013: 0.85%) above the Islamic Cost of Fund per annum.
- (l) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM87,410,000) (2013: USD25,000,000 (approximately RM81,887,500)) approximately renewable after one (1) year.
 - The financing was obtained on 13 May 2013. Profit rate on the financing is charged at the rate of 0.50% (2013: 0.50%) above the Islamic Cost of Fund per annum.
- (m) Revolving multi-currency loan of one (1) year up to an aggregate of USD100,000,000 (approximately RM349,650,000) (2013: USD100,000,000 (approximately RM327,550,000)) renewable after one (1) year.
 - The loan was obtained on 2 April 2013. Interest rate on the loan is charged at the rate of 0.70% (2013: 0.70%) per annum above LIBOR.
- (n) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM139,860,000) (2013: USD40,000,000 (approximately RM131,020,000)) renewable after one (1) year.
 - The financing was obtained on 15 August 2013. Profit rate on the financing is charged at the rate of 0.75% (2013: 0.75%) above the Islamic Cost of Fund per annum.
- (o) Multi-Currency Murabahah Revolving Credit-i up to an aggregate of EUR120,000,000 (approximately RM509,980,000) (2013: EUR120,000,000 (approximately RM541,224,000)) renewable after one (1) year.
 - The financing was obtained on 18 September 2013. Profit rate on the financing is charged at the rate of 0.80% (2013: 0.80%) above EURIBOR.
- $\hbox{(p)} \quad \hbox{Revolving US dollar loan up to an aggregate of USD50,000,000 (approximately RM174,830,000)}.$
 - The loan was obtained on 6 December 2013. Interest on loan is charged at the rate of 0.80% above LIBOR per annum.
- (q) Revolving multi currency loan up to an aggregate of USD50,000,000 (approximately RM174,830,000).
 - The loan was obtained on 17 February 2014. Interest on loan is charged at the rate of 0.80% above LIBOR per annum.
- (r) Revolving US dollar loan up to an aggregate of USD50,000,000 (approximately RM174,830,000).
 - The loan was obtained on 6 August 2014. Interest on loan is charged at the rate of 0.42% above LIBOR per annum.

31 DECEMBER 2014

17. BORROWINGS (CONT'D.)

Term loans/Revolving credits (cont'd.)

- (s) Commodity Murabahah Revolving Credit-i up to an aggregate of USD55,000,000 (approximately RM192,310,000).
 - The financing was obtained on 24 September 2014. Profit rate on the financing is charged at the rate of 0.50% above the LIBOR per annum.
- (t) Included in the term loan is a placement from the Government of Malaysia for Malaysian Kitchen Financing Facility Scheme amounting to RM170,100,000 for the purpose of providing loans to qualified applicants under the Malaysia The Truly Asian Kitchen or Malaysia Kitchen Programme.

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

Medium Term Notes

In June 2012, the Bank established multicurrency Medium Term Notes (MTN) programme. The maximum principal of notes that may be issued under the programme is USD1,500,000,000 (approximately 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 tenures, and may bear fixed or floating of interest.

17. BORROWING (CONT'D.)

Medium Term Notes (cont'd.)

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
	1100500 "		0.0750/	E
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
13 March 2014	USD25 mil	5 years	Libor + 1.00%	Floating
14 March 2014	SGD60 mil	5 years	SOR + 0.9%	Floating
3 April 2014	USD20 mil	5 years	Libor + 1.00%	Floating
11 April 2014	USD50 mil	5 years	2.850%	Fixed
17 April 2014	USD50 mil	5 years	2.660%	Fixed
8 May 2014	JPY3 bil	5 years	0.650%	Fixed
28 May 2014	USD25 mil	5 years	Libor + 0.95%	Floating
29 May 2014	USD50 mil	5 years	Libor + 0.80%	Floating
6 June 2014	USD100 mil	15 years	4.250%	Fixed

Multicurrency Sukuk Programme

In September 2013, the Bank launched its USD1.00 billion multicurrency Sukuk programme through Special Purpose Vehicle (SPV) company. Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating of profit.

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
19 February 2014	USD300 mil	5 years	2.874%	Fixed

18. OTHER PAYABLES AND ACCRUALS

	Group a	Group and Bank	
	2014	2013	
	RM'000	RM'000	
Sinking fund and debt services reserve accounts	120,070	161,522	
Interest payable	57,861	30,426	
Amount due to the Government of Malaysia for MKFF Scheme	22,219	16,611	
Provision for zakat	729	695	
Provision for taxation	18,609	36,295	
Others	40,610	40,190	
	260,098	285,739	

19. DEFERRED INCOME

Gro	oup and Bank	Gross RM'000	Reinsurance RM'000	Net RM'000
201	14			
Aris	sing from:			
(i)	Guarantee and fee from conventional banking activities			
	At 1 January	78	-	78
	Addition during the year	3,413	-	3,413
	Recognised in income statement	(1,061)	-	(1,061)
	At 31 December	2,430	-	2,430
(ii)	Guarantee and fee from Islamic banking activities			
	At 1 January	-	-	-
	Addition during the year	5,918	-	5,918
	Recognised in income statement	-	-	-
	At 31 December	5,918	-	5,918
(iii)	Premium liabilities			
	At 1 January	20,677	(7,259)	13,418
	Decrease in reserve (Note 25(i))	(4,951)	(983)	(5,934)
	At 31 December	15,726	(8,242)	7,484
(iv)	Takaful premium liabilities			
	At 1 January	2,419	-	2,419
	Decrease in reserve (Note 38)	(361)	-	(361)
	At 31 December	2,058	-	2,058
		26,132	(8,242)	17,890

31 DECEMBER 2014

19. DEFERRED INCOME (CONT'D.)

Gre	oup and Bank	Gross RM'000	Reinsurance RM'000	Net RM'000
20	13			
Aris	sing 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

20. PROVISION FOR GUARANTEE AND CLAIMS

		Group and	d Bank
		Gross	Net
		RM'000	RM'000
20 [.]	14		
	sing from:		
(i)	Insurance claims		
	At 1 January	25,400	25,400
	Addition during the year	2,175	2,175
	Paid during the year (Note 25)(ii))	(973)	(973
	At 31 December	26,602	26,602
(ii)	Takaful claims		
	At 1 January	1,543	1,543
	Addition during the year	503	503
	Paid during the year	(83)	(83
	At 31 December	1,963	1,963
(iii)	Expenses liabilities		
	At 1 January	130	130
	Addition during the year	26	26
	At 31 December	156	156
		28,721	28,721
20 ⁻	10		
	sing from:		
	Ç		
(i)	Insurance claims		
	At 1 January	19,930	19,930
	Addition during the year	6,064	6,064
	Paid during the year (Note 25)(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
		100	100
		27,073	27,073

21. SHARE CAPITAL

Group and Bank

	20	14	2013		
	Number of shares	Amount RM	Number of shares	Amount RM	
Authorised:					
Ordinary shares of RM1 each	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000	
Special Rights	1	1	1	1	
At 31 December	3,000,000,001	3,000,000,001	3,000,000,001	3,000,000,001	
Issued and fully paid:					
Ordinary shares of RM1 each	2,708,665,283	2,708,665,283	2,708,665,283	2,708,665,283	
Special Rights	1	1	1	1	
At 31 December	2,708,665,284	2,708,665,284	2,708,665,284	2,708,665,284	

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

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

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

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

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

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

22. OPERATING REVENUE

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

31 DECEMBER 2014

23. INTEREST INCOME

	Group a	ınd Bank
	2014	2013
	RM'000	RM'000
Loans, advances and financing		
- Interest income from non-impaired loans	189,216	149,200
- Interest income from impaired loans	-	607
- Recoveries from impaired loans	26,884	10,171
Money at call and deposit placements with banks and other financial institutions	50,939	80,450
Investment securities	4,213	9,759
Amortisation of premium less accretion of discount	(414)	(816)
Net income from interest rate and cross currency interest rate swaps	32,123	20,623
	302,961	269,994

24. INTEREST EXPENSE

	Group	and Bank
	2014	2013
	RM'000	RM'000
Borrowings		
Term loans/Revolving credits	22,699	21,214
Medium Term Notes	94,897	70,144
	117,596	91,358

25. UNDERWRITING RESULTS

	Group an	d Bank
	2014	2013
	RM'000	RM'000
Gross premium	8,986	13,985
Reinsurance	(2,607)	(4,631)
Net premium	6,379	9,354
Decrease/(increase) in premium liabilities reserves (Note 19)	5,934	(1,831)
Net earned premium (Note 25(i))	12,313	7,523
Other fee income	496	558
Write-back of allowance for doubtful debts	-	81
	12,809	8,162
Net claims incurred (Note 25(ii))	(2,157)	(6,044)
Underwriting results	10,652	2,118
(i) Net earned premium		
Gross premium	8,986	13,985
Change in premium liabilities reserves (Note 19)	5,934	(1,831)
	14,920	12,154
Premium ceded	(2,607)	(4,631)
Net earned premium	12,313	7,523
(ii) Net claims incurred		
Gross claims paid less salvage (Note 20)	(973)	(594)
Recoveries	18	118
Bad debt written off	-	(98)
Net claims paid	(955)	(574)
Net outstanding claims		
- 1 January	25,400	19,930
- 31 December	(26,602)	(25,400)
Net claims incurred	(2,157)	(6,044)

31 DECEMBER 2014

26. OTHER (EXPENSES)/INCOME

	Group a	nd Bank
	2014	2013
	RM'000	RM'000
Fee income	37,305	56,662
Foreign exchange (loss)/gain		
- unrealised	(31,364)	(27,599)
- realised	9,518	22,692
Gain on disposal of equipment	13	9
Rental income	27	12
Net gain/(loss) on financial instruments designated through at fair value through		
profit or loss	56,671	(77,903)
Net (loss)/gain on MTN/Sukuk designated as hedge accounting	(74,857)	73,073
Others	180	179
	(2,507)	47,125

27. OVERHEAD EXPENSES

		Gro	oup	Ва	nk
	Note	2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Personnel costs	(i)	43,532	41,616	43,532	41,616
Establishment related expenses	(ii)	9,841	9,710	9,841	9,710
Promotion and marketing expenses	(iii)	4,617	4,354	4,617	4,354
General administrative expenses	(iv)	16,223	14,571	16,205	14,562
		74,213	70,251	74,195	70,242

27. OVERHEAD EXPENSES (CONT'D.)

(i) Personnel costs

	Group ar	nd Bank
	2014	2013
	RM'000	RM'000
Salaries, allowances and bonuses	33,008	33,430
Defined contribution plan	4,183	3,945
Other staff related expenses	6,341	4,241
	43,532	41,616
Establishment related expenses		
Depreciation:		
- Property and equipment (Note 16)	4,823	4,335
- Investment properties (Note 14)	18	18
Amortisation of intangible assets (Note 15)	336	453
Rental of leasehold land and premises	309	267
Repairs and maintenance of property and equipment	4,355	4,637
	9,841	9,710
Promotion and marketing expenses		
Advertisement and publicity	4,617	4,354

(iv) General administrative expenses

	Group		Group Bar	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Administrative expenses	3,042	2,902	3,042	2,902
Auditors' remuneration				
- statutory audit	282	283	278	279
- regulated related services	3	5	3	5
- other assurance services	84	430	84	430
General expenses	6,806	6,109	6,806	6,104
Non-Executive Directors remuneration	1,254	1,228	1,254	1,228
Professional fees	4,162	3,029	4,148	3,029
Others	590	585	590	585
	16,223	14,571	16,205	14,562

31 DECEMBER 2014

28. DIRECTORS' FEES AND REMUNERATION

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

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

	Salary	Fees	Bonus	Other Emoluments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Bank					
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
Datuk Wong Seng Foo	-	92	-	-	92
	-	1,228	-	-	1,228
Total Directors' remuneration					
(excluding benefits in-kind)	540	1,228	270	203	2,241

31 DECEMBER 2014

29. KEY MANAGEMENT PERSONNEL COMPENSATION

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

The key management personnel compensation is as follows:

	Group and Bank	
	2014	2013
	RM'000	RM'000
Short-term employee benefits (excluding benefit in-kind) Included in the total key management personnel is:	979	1,013
Executive Director's remuneration (Note 28)	979	1,013

30. ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	Group	and Bank
	2014	2013
	RM'000	RM'000
Claims guarantee		
- Charge for the year	-	7,157
- Written back during the year	-	(9,290)
Individual allowance		
- Charge for the year	183,341	60,914
- Written back during the year	(34,358)	(62,272)
Collective allowance		
- Charge for the year	8,552	16,091
- Written back during the year	-	-
	157,535	12,600

31. TAXATION

The major components of taxation for the years ended 31 December 2014 and 2013 are:

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
income tax expense.				
- Current year	18,609	36,295	18,609	36,295
- Underprovision/(Over provision) in prior years	8,027	(12,481)	8,027	(12,481)
Deferred tax expense:				
- Origination and reversal of temporary differences	(5,582)	12,615	(5,582)	12,613
- Underprovision in prior years	-	8,412	-	8,412
	21,054	44,841	21,054	44,839

Income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	40,850	190,253	40,861	190,255
Income tax using Malaysian statutory tax rate of 25%				
(2013: 25%)	10,215	47,563	10,215	47,564
Non-deductible expenses	2,812	1,347	2,812	1,344
	13,027	48,910	13,027	48,908
Underprovision/(Over provision) in prior years	8,027	(12,481)	8,027	(12,481)
Underprovision of deferred tax asset in prior years	-	8,412	-	8,412
	21,054	44,841	21,054	44,839

145

31 DECEMBER 2014

32. EARNINGS PER SHARE

	Group		Bank	
	2014	2013	2014	2013
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)	19,067	144,717	19,078	144,721
Basic earnings per share (sen)	0.70	5.34	0.70	5.34

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

33. DIVIDENDS

Since the end of the previous financial year, the Bank paid a final ordinary dividend of 0.80 sen per ordinary share totalling RM21,708,113 in respect of the year ended 31 December 2013 on 20 June 2014.

34. COMMITMENTS AND CONTINGENCIES

	Group a	nd Bank
	2014	2013
	RM'000	RM'000
Banking operation commitments		
Contracted but not provided for:		
Guarantee facility	573,997	368,025
Letter of credit	20,954	375,357
Undrawn loans and financing	2,203,017	2,770,460
	2,797,968	3,513,842

34. COMMITMENTS AND CONTINGENCIES (CONT'D.)

	Group a	ınd Bank
	2014	2013
	RM'000	RM'000
Insurance operation commitments		
Contracted but not provided for:		
Within one year	596,014	415,743
One year or later and no later than five years	476,899	401,035
	1,072,913	816,778
Operational commitments		
Approved but not contracted for:		
Within one year	10,023	15,400
Total commitments and contingencies	3,880,904	4,346,020

35. SIGNIFICANT RELATED PARTIES TRANSACTION AND BALANCES

For the purposes of these financial statements, parties are considered to be related to the Group, if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

(a) Compensation of key management personnel

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

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Amount due to subsidiaries:		
Amount due to subsidiaries	64,124	64,142

31 DECEMBER 2014

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

(c) Government related parties

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Transaction during the year		
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	
	2014	2013
	RM'000	RM'000
Fund under MKFF Scheme	170,100	170,100
Less:		
Loan and financing	(19,297)	(20,965)
Allowance for losses on loans and financing	(10,704)	(9,555)
Bad debt written off	(3,002)	(3,002)
Add:		
Interest earned from financing	1,434	1,026
Interest income on investment	33,287	26,895
Net repayable	171,818	164,499

Bank Negara Malaysia

	Group a	nd Bank
	2014	2013
	RM'000	RM'000
Amount due to:		
Interest payable	-	5,041
Transaction during the year:		
Interest expense	-	10,000

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

(d) Licensed banks and other financial institutions

	Group a	nd Bank	
	2014	2013	
	RM'000	RM'000	
Deposits and placements	770,527	580,274	

36. FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

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

a. Capital management

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

b. Market risk

Market risk refers to the potential loss arising from adverse movements in the market variables such as market rate, foreign exchange'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:

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.

149

31 DECEMBER 2014

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

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.

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%.

Capital management (cont'd.)

Regulatory capital

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

	2014	2013
	RM'000	RM'000
Ordinary share capital	2,708,665	2,708,665
Retained profit	240,606	117,593
Current year profit	19,078	144,721
Eligible Tier 1 capital	2,968,349	2,970,979
Eligible Her I Capital	2,900,349	2,970,979
Collective allowance on loans, advances and financing*	121,323	114,895
Provision for guarantee and claims	7,459	8,034
Eligible Tier 2 capital	128,782	122,929
Investment in subsidiaries	(64,147)	(64,154)
Total capital base	3,032,984	3,029,754
Risk weighted assets	10,219,656	8,421,544
Tier 1 Capital Ratio		
- With proposed dividend		
Core capital ratio	29.0%	35.1%
RWCR	29.7%	35.8%
- Without proposed dividend		
Core capital ratio	29.0%	35.3%
RWCR	29.7%	36.0%

^{*} 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.

31 DECEMBER 2014

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

Capital management (cont'd.)

Capital monitoring

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

Market risk management

Approach and risk strategy

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

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

Risk identification

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

Measurement

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

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

Market risk management (cont'd.)

Measurement (cont'd.)

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

Asset liability management

Approach and risk strategy

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

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

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

Risk identification

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

<u>Measurement</u>

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.

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
2014						
Assets						
Cash and bank balances	-	-	-	-	17,279	17,279
Deposits and placement with banks and other financial institutions	1,929,819	41,139	-	_	-	1,970,958
Investment securities	5,041	35,284	80,649	_	-	120,974
Amount due from ECR debtors	314,549	96,098	-	-	-	410,647
Loans, advances and financing	1,125,858	761,057	3,574,761	2,472,188	-	7,933,864
Derivative financial instruments	-	-	-	29,599	-	29,599
Other assets	-	-	-	-	345,270	345,270
Total assets	3,375,267	933,578	3,655,410	2,501,787	362,549	10,828,591
Liabilities and equity						
Borrowings	1,981,654	147,790	4,121,944	1,209,199	-	7,460,587
Derivative financial instruments	+	-	-	30,205	-	30,205
Other liabilities	-	-	-	-	369,568	369,568
Shareholders' fund	-	-	-	-	2,968,231	2,968,231
Total liabilities and equity	1,981,654	147,790	4,121,944	1,239,404	3,337,799	10,828,591
Period gap	1,393,613	785,788	(466,534)	1,262,383	(2,975,250)	-
Cumulative gap	1,393,613	2,179,401	1,712,867	2,975,250	-	-

Asset liability management (cont'd.)

Measurement (cont'd.)

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

	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
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	35,028	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	-	-

31 DECEMBER 2014

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

Asset liability management (cont'd.)

Analysis of net interest income ("NII") sensitivity

The table below shows the Bank's net interest income sensitivity based on possible parallel shift in interest rate:

	2014		2013	
	Impact on profit	Impact on equity	Impact on profit	Impact on equity
	RM'000	RM'000	RM'000	RM'000
Interest rate - parallel shift				
+ 50 basis points	11,270	11,270	7,306	7,306
- 50 basis points	(11,900)	(11,900)	(13,631)	(13,631)

Liquidity risk management

Approach and risk strategy

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

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

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

Risk identification

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

Measurement

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

The Group and the Bank maintain large capital base, sufficient liquid assets, diversified funding sources, and regularly assesses the long-standing relationship with traditional fund providers. These processes are subject to regular reviews to ensure adequacy and appropriateness.

In addition, the Group's and the Bank's liquidity position are monitored and managed through structural liquidity indicators, such as loan to purchase funds and offshore revolving funds utilisation rate ratios to maintain an optimal funding mix and asset composition.

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
2014						
Assets						
Cash and bank balances	17,279	-	-	-	-	17,279
Deposits and placement with banks and other financial institutions	_	1,929,819	41,139	_	-	1,970,958
Investment securities	5,041	-	35,284	80,649	-	120,974
Amount due from ECR debtors	-	314,549	96,098	-	-	410,647
Loans, advances and financing	-	1,125,858	761,057	3,574,761	2,472,188	7,933,864
Derivative financial instruments	-	-	-	-	29,599	29,599
Other assets	345,270	-	-	-	-	345,270
Total assets	367,590	3,370,226	933,578	3,655,410	2,501,787	10,828,591
Liabilities						
Borrowings	-	1,981,654	147,790	4,121,944	1,209,199	7,460,587
Derivative financial						
instruments	-	-	-	-	30,205	30,205
Other liabilities	370,833	-	-	-	-	370,833
Total liabilities	370,833	1,981,654	147,790	4,121,944	1,239,404	7,861,625
Net maturity mismatch	(3,243)	1,388,572	785,788	(466,534)	1,262,383	2,966,966

Liquidity risk management (cont'd.)

Measurement (cont'd.)

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

	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
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
	_			101.040	_	
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	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	202 260	_	_	_	00,000	392,869
Total liabilities	392,869	1 200 220	126 206	2 120 046	771 060	
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

Liquidity risk management (cont'd.)

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

	On	Less than	3 to 12	1 to 5	Over 5	
	demand	3 months RM'000	months RM'000	years	years	Total RM'000
	RM'000	RIVI'UUU	RIVITUUU	RM'000	RM'000	RIMTUUU
2014						
Non-derivative financial liabilities						
Borrowings	-	2,040,255	235,826	4,565,506	1,432,757	8,274,344
Other liabilities	370,833	-	-	-	-	370,833
Total financial liabilities	370,833	2,040,255	235,826	4,565,506	1,432,757	8,645,177
Commitment and contingencies						
Banking operation commitments						
Contracted but not provided for:						
Guarantee facility	573,997	-	-	-	-	573,997
Letter of credit	20,954	-	-	-	-	20,954
Undrawn loans and						
financing		-	341,649	941,740	919,628	2,203,017
	594,951	-	341,649	941,740	919,628	2,797,968
Insurance operation commitments						
Contracted but not provided for:						
Within one year	-	-	596,014	-	-	596,014
One year or later and no later than five years	-	-	-	261,029	215,870	476,899
	-	-	596,014	261,029	215,870	1,072,913
Total commitment and contingencies	594,951	_	937,663	1,202,769	1,135,498	3,870,881
						· · · · ·

Liquidity risk management (cont'd.)

	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
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						
Banking operation commitments 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
- Intarioring	743,382	845,495	893,136	1,031,829	<u>-</u>	3,513,842
Insurance operation commitments						
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
into that two yours	-	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

Credit risk management

Approach and risk strategy

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

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

- Consistent credit approving standards are applied in each of its credit decision processes;
- All credit decisions are within credit risk tolerance that the Group and the Bank are willing to take in meeting its mandated role;
- All credit risk inherent in business activities of the Group and the Bank are comprehensively identified, measured and managed;
- Ensure the Group and the Bank hold adequate capital against credit risk and adequately compensated for risks assumed;
- Regular credit review is perform as an effective tool to constantly evaluate the quality of credits given and adherence to the credit process;
- The composition and quality of the Group's and the Bank's credit portfolio are constantly monitored to identify and manage concentrations risk; and
- Conduct stress testing on the Group's and the Bank's credit portfolio to identify possible events or future changes in economic conditions that could have favourable effects to its credit exposures and assess the Groups and the Bank's ability to withstand such changes.

Risk identification

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

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

Measurement

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

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

Credit risk management (cont'd.)

Impairment of financial assets

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

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

Credit risk exposure

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

Group and Bank	Maximum exposure to credit risk	Collateral value	Net exposures
	RM'000	RM'000	RM'000
2014			
Credit exposure for on-balance sheet assets:			
Deposit and placement with banks and other financial institutions	1,970,958	-	1,970,958
Investment securities			
Available-for-sale	110,971	-	110,971
Held-to-maturity	10,003	-	10,003
Amount due from ECR debtors	410,647	-	410,647
Loans, advances and financing	7,933,864	8,760,475	5,341,288
Derivative asset	29,599	-	29,599
	10,466,042	8,760,475	7,873,466
Credit exposure for off-balance sheet assets:			
Banking operations commitments	2,797,968	-	2,797,968
Insurance operations commitments			
Short term	596,014	-	596,014
Medium/Long term	476,899	-	476,899
	3,870,881	-	3,870,881
	14,336,923	8,760,475	11,744,347

Credit risk exposure (cont'd.)

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
2013			
Credit exposure for on-balance sheet assets:			
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	3,876,973
Derivative asset	379	-	379
	7,835,129	5,233,435	6,410,594
Credit exposure for off-balance sheet assets:			
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
	12,165,749	5,233,435	10,741,214

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.

31 DECEMBER 2014

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

Credit risk exposure (cont'd.)

Collateral and credit enhancement (cont'd.)

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:

	2014	2013
	RM'000	RM'000
Collateral type		
Secured by cash	230,766	218,763
Secured by property	8,529,709	5,014,672
	8,760,475	5,233,435

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	Investment securities RM'000	Amount due to ECR debtors RM'000	Loans, advances and financing RM'000	Derivative RM'000	Total RM'000
2014						
Malaysia	1,970,958	120,974	410,647	3,559,687	29,599	6,091,865
East Asia	-	-	-	2,320,002	-	2,320,002
South Asia	-	-	-	377,003	-	377,003
Central Asia	-	-	-	274,699	-	274,699
Middle East	-	-	-	347,599	-	347,599
Africa	-	-	-	184,877	-	184,877
Europe	-	-	-	740,900	-	740,900
America	-	-	-	55,371	-	55,371
Oceania	-	-	-	402,283	-	402,283
	1,970,958	120,974	410,647	8,262,421	29,599	10,794,599

Credit risk exposure (cont'd.)

Geographical analysis (cont'd.)

Exposures to credit risk by geographical region are as follows (cont'd.):

On-balance sheet exposure (cont'd.)

	Deposit and placement with banks and other financial institutions	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	1,862,929	379	4,396,550
East Asia	-	-	-	1,932,189	-	1,932,189
South Asia	-	-	-	128,193	-	128,193
Central Asia	-	-	-	227,298	-	227,298
Middle East	-	-	-	409,022	-	409,022
Africa	-	-	-	186,454	-	186,454
Europe	-	-	-	621,775	-	621,775
America	-	-	-	42,612	-	42,612
Oceania	-	-	-	426,199	-	426,199
	1,705,276	445,621	382,345	5,836,671	379	8,370,292

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
2014				
Malaysia	1,184,080	57,702	-	1,241,782
East Asia	913,583	160,062	232,560	1,306,205
South Asia	173,033	35,482	4,920	213,435
Central Asia	-	1,123	-	1,123
Middle East	16,549	34,494	84,340	135,383
Africa	37,597	74,683	-	112,280
Europe	248,770	105,988	155,080	509,838
America	49,525	72,027	-	121,552
Oceania	174,831	54,453	-	229,284
	2,797,968	596,014	476,900	3,870,882
2013				
Malaysia	1,145,419	32,805	_	1,178,224
East Asia	1,253,910	124,824	201,620	1,580,354
South Asia	209,945	9,525	11,400	230,870
Central Asia	39,958	685	16,803	57,446
Middle East	46,006	31,725	25,934	103,665
Africa	85,923	20,430	-	106,353
Europe	256,349	108,131	145,278	509,758
America	83,104	45,180	-	128,284
Oceania	393,228	42,438		435,666
	3,513,842	415,743	401,035	4,330,620

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 from ECR debtors RM'000	Loans, advances and financing RM'000	Derivative RM'000	Total RM'000
2014						
Primary agriculture	-	85,756	-	474,645	-	560,401
Mining and quarrying	-	-	-	979,562	-	979,562
Manufacturing	-	-	-	1,672,496	-	1,672,496
Transport, storage and communication	-	10,003	-	1,642,320	-	1,652,323
Construction	-	-	-	269,805	-	269,805
Wholesale and retail trade, and restaurants and hotels	_	_	_	712,528	_	712,528
Finance, insurance, real estate and business						
activities	1,970,958	20,215	410,647	274,933	29,599	2,706,352
Electricity, gas and water	-	5,000	-	999,036	-	1,004,036
Education, health and others	-	-	-	177,829	-	177,829
Property development	-	-	-	560,030	-	560,030
Government	-	-	-	492,048	-	492,048
Others	-	-	-	7,189	-	7,189
	1,970,958	120,974	410,647	8,262,421	29,599	10,794,599

Credit risk exposure (cont'd.)

Industrial analysis (cont'd.)

Exposures to credit risk by industry are as follows (cont'd.):

On-balance sheet exposure (cont'd.)

	Deposit and placement with banks and other financial institutions	Investment securities RM'000	Amount due from ECR debtors RM'000	Loans, advances and financing RM'000	Derivative RM'000	Total RM'000
2013						
Primary agriculture	-	51,133	-	456,535	-	507,668
Mining and quarrying	-	-	-	366,327	-	366,327
Manufacturing	-	-	_	1,236,941	-	1,236,941
Transport, storage and communication	-	27,608	_	459,897	_	487,505
Construction	_	20,016	_	413,226	_	433,242
Wholesale and retail trade, and restaurants and hotels	_	10,005	_	399,932	_	409,937
Finance, insurance, real estate and business						
activities	1,705,276	236,275	382,345	225,487	379	2,549,762
Electricity, gas and water Education, health and	-	40,415	-	743,871	-	784,286
others	-	-	-	175,886	-	175,886
Property development	-	-	-	793,320	-	793,320
Government	-	-	-	558,482	-	558,482
Others	-	60,169	-	6,767	-	66,936
	1,705,276	445,621	382,345	5,836,671	379	8,370,292

Credit risk exposure (cont'd.)

Industrial analysis (cont'd.)

Off-balance sheet exposure

	Banking operation commitments	Insurance operation short term	Insurance operation medium/ long term	Total
	RM'000	RM'000	RM'000	RM'000
2014				
Manufacturing	997,756	484,911	171,506	1,654,173
Transport, storage and communication	528,100	7,024	63,357	598,481
Construction	107,855	-	86,297	194,152
Electricity, gas and water supply	514,319	-	123,291	637,610
Finance, insurance, real estate and business activities	236,885	-	-	236,885
Wholesale and retail trade, and restaurants and hotels	77,955	48,155	-	126,110
Government	-	-	-	-
Mining and quarrying	198,942	-	26,619	225,561
Information technology	-	6,158	2,053	8,211
Primary agriculture	128,078	-	-	128,078
Education, health and others	935	-	3,776	4,711
Property development	7,143	-	-	7,143
Others	-	49,766	-	49,766
	2,797,968	596,014	476,899	3,870,881
2013				
Manufacturing	880,204	355,456	163,826	1,399,486
Transport, storage and communication	650,761	7,016	-	657,777
Construction	218,621	-	27,573	246,194
Electricity, gas and water supply	696,657	1,827	186,839	885,323
Finance, insurance, real estate and business activities	294,642	-	-	294,642
Wholesale and retail trade, and restaurants and hotels	84,934	18,983	-	103,917
Government	73,793	-	-	73,793
Mining and quarrying	108,705	-	2,686	111,391
Information technology	9,255	-	8,714	17,969
Primary agriculture	164,962	-	-	164,962
Education, health and others	245	-	11,397	11,642
Property development	331,063	-	-	331,063
Others	-	32,461	-	32,461
	3,513,842	415,743	401,035	4,330,620

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:

	2014 RM'000	2013 RM'000
Available-for-sale investment securities:		
Long-term		
AAA	50,551	152,031
AA	60,420	200,796
A	-	22,622
NA	-	60,167
	110,971	435,616
Held-to-maturity investments securities:		
Long-term		
AAA	10,003	10,005
Derivative financial assets:		
Financial institutions		
AAA	-	168
A	2,365	3
A +	919	-
A -	26,315	-
	29,599	171
Commercial customers		
Risk Rating 5	_	176
Risk Rating 7	_	32
	_	208

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
2014				
Commercial customer				
Risk Rating 1	258,773	-	-	258,773
Risk Rating 2	1,795,662	931	-	1,796,593
Risk Rating 3	1,706,713	-	-	1,706,713
Risk Rating 4	1,622,258	5,761	-	1,628,019
Risk Rating 5	416,496	8,960	-	425,456
Risk Rating 6	1,161,628	6,365	-	1,167,993
Risk Rating 7	2,118	-	-	2,118
Risk Rating 8	22,842	-	-	22,842
Risk Rating 9	7,342	909	-	8,251
Unrated	7,189	-	-	7,189
Impaired	-	-	726,711	726,711
	7,001,021	22,926	726,711	7,750,658
Sovereign				
Risk Rating A	-	-	-	-
Risk Rating B	6,536	-	-	6,536
Risk Rating C	231,736	-	-	231,736
Risk Rating D	67,561	_	-	67,561
Risk Rating E	203,953	1,977	-	205,930
	509,786	1,977	-	511,763
	7,510,807	24,903	726,711	8,262,421

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
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

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

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

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

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

	2014	2013
	RM'000	RM'000
		_
1 month overdue	15,116	21,605
2 months overdue	909	14,473
3 months overdue	2,410	22,955
4 months overdue	787	1,246
5 months overdue	5,681	893
	24,903	61,172

Collateral and other credit enhancements

The main types of collateral or other credit enhancements held by the Group and the Company to mitigate credit risk are fixed deposits, securities, commercial and residential properties and machineries.

As at 31 December 2014, the financial effect of collateral (quantification of the extent to which collateral mitigate credit risk) held for loans, advances and financing for the Group and the Company is at 43% (2013: 23%). The financial effect of collateral held for other financial assets is not significant.

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 RM248.9 million (2013: RM167.8 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.

31 DECEMBER 2014

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

Fair values (cont'd.)

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

Derivative financial assets/liabilities

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

Loans, advances and financing

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

Borrowings (Non-hedged items)

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

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

Borrowings (Hedged items)

The fair value is based on marked to model valuation.

(ii) Fair value hierarchy

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

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

Fair values (cont'd.)

(ii) Fair value hierarchy (cont'd.)

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

	Carrying value	Fair value Level 2
	RM'000	RM'000
2014		
Financial assets		
AFS securities		
Unquoted debt securities	110,971	110,971
HTM securities		
Unquoted debt securities	10,003	10,003
Derivative financial assets	29,599	29,599
Loans, advances and financing	7,933,864	7,933,864
	8,084,437	8,084,437
Financial liabilities		
Borrowings - Medium Term Notes/Sukuk (Hedged items)	4,389,999	4,389,999
Derivative financial liabilities	30,205	30,205
	4,420,204	4,420,204
Assets for which fair values are disclosed:		
Investment properties	473	1,210

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

Fair values (cont'd.)

(ii) Fair value hierarchy (cont'd.)

	Carrying value	Fair value Level 2
	RM'000	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
Loans, advances and financing	5,301,508	5,301,508
	5,747,508	5,747,508
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

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.

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.

37. INSURANCE RISKS

The principal underwriting risk to which the Bank is exposed is credit risk in connection with credit, guarantee and political risk insurance underwriting activities. Management has established underwriting processes and limits to manage this risk by performing credit review on its policy holders and buyers.

The underwriting function undertakes qualitative and quantitative risk assessments on all buyers and clients before deciding on an approved insured amount. Policies in riskier markets may be rejected or charged at a higher premium rate accompanied by stringent terms and conditions to commensurate the risks.

31 DECEMBER 2014

37. INSURANCE RISKS (CONT'D.)

Concentration limits are set to avoid heavy concentration within a specific region or country. Maximum limits are set for buyer credit limits and client facility limits for prudent risk mitigation.

For the monitoring of buyer risks, the Bank takes into consideration both qualitative and quantitative factors and conducts regular reviews on the buyers' credit standing and payment performance to track any deterioration in their financial position that may result in a loss to the Bank.

On country risk, the Bank periodically reviews the economic and political conditions of the insured markets so as to revise its guidelines, wherever appropriate. In order to mitigate the insurance risk, the Bank may cede or transfer the risk to another insurer company. The ceding arrangement minimises the net loss to the Bank arising from potential claims.

Key assumptions

The sensitivity analysis is based upon the assumptions set out in the actuarial report and is subject to the reliances and limitations contained within the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full.

The sensitivity items shown are independent of each other. In practice, a combination of adverse and favourable changes could occur.

The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

Sensitivity analysis

The independent actuarial firm engaged by the Group and the Bank re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's and the Bank's estimation process in respect of its insurance contracts. The table presented below demonstrates the sensitivity of the insurance contract liabilities estimates to particular movements in assumptions used in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

Claim liability sensitivity analysis

	2014	2013
	Net	Net
	RM'000	RM'000
Estimated claim liabilities	28,722	27,073

31 DECEMBER 2014

37. INSURANCE RISKS (CONT'D.)

Claim liability sensitivity analysis (cont'd.)

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:

	2014 Net		2013 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	31,538	25,906	29,794	24,440

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:

	2014 Net		2013 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	28,948	28,946	28,073	26,161

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

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

	2014 Net		2013 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	31,361	26,325	29,614	24,838

31 DECEMBER 2014

37. INSURANCE RISKS (CONT'D.)

Claim liability sensitivity analysis (cont'd.)

d. Change in PRAD %

Assumed a claim Provision of Risk Margin for Adverse Deviation ("PRAD") of 15%. Changing this by 10% (to 16.5% and 13.5% respectively) gives the following results:

	2014 Net		2013 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	29,097	28,347	27,471	26,763

Premium/contribution liability sensitivity analysis

	2014 Net	2013 Net
	RM'000	RM'000
Estimated premium/contribution liabilities	9,543	15,836

a. Change in probability of default

For 2014, assumed 1-year probability of default of ranging from 1% to 5% for short term contracts, depending on the type of contract. For the MLT policies all 1-year probabilities were assumed to have a BB rating which equated to a 0.71% 1-year probability of default. Changing this rating assumption to B rating (less trustworthy- for the "High" Scenario) and BBB rating (more trustworthy- for the "Low" scenario) gives the following results:

		2014 Net		3 t
	High B rating points	Low BBB rating points	High +0.25% points	Low -0.25% points
Estimated premium/contribution liabilities	24,415	5,881	17,547	14,127

31 DECEMBER 2014

37. INSURANCE RISKS (CONT'D.)

Premium/contribution 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:

	2014 Net		2013 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	10,926	8,160	17,413	13,669

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

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

	2014 Net		2013 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	10,371	8,714	17,230	14,443

d. Change in PRAD %

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

		2014 Net		3 t
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	9,861	9,225	16,364	15,308

38. ISLAMIC BUSINESS FUNDS

Statement of financial position as at 31 December 2014

			2014	Group a	nd Bank	2013	
	Note	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Assets							
Cash and bank balances Deposits and placements with banks and other financial	(a)	558	52	610	58	109	167
institutions	(p)	21,730	3,513	25,243	317	1,199	1,516
Investment securities	(c)	85,756	-	85,756	322,330	-	322,330
Amount due from ECR-i debtors	(d)	319	-	319	367	-	367
Islamic Financing	(e)	2,596,870	-	2,596,870	1,450,887	-	1,450,887
Derivative financial instruments	(f)	1,097	-	1,097	-	-	-
Contribution receivable		-	750	750	-	783	783
Qard receivable		1,265	1,265	2,530	2,419	2,419	4,838
Other receivables		12,962	45	13,007	2,353	1	2,354
Total assets		2,720,557	5,625	2,726,182	1,778,731	4,511	1,783,242
Liabilities							
Financing payable	(g)	2,101,182	_	2,101,182	897,910	_	897,910
Deferred income	19	5,918	2,058	7,976	-	2,419	2,419
Provision for claim	20	, -	1,963	1,963	_	1,543	1,543
Provision for expenses liability	20	156	-	156	130	-	130
Other liabilities		387,187	1,604	388,791	739,017	549	739,566
Total liabilities		2,494,443	5,625	2,500,068	1,637,057	4,511	1,641,568
Financed by:							
Islamic banking fund		100,000	_	100,000	100,000	_	100,000
Takaful participants fund		-	(1,265)	(1,265)	-	(2,419)	(2,419)
Qard payable		1,265	1,265	2,530	2,419	2,419	4,838
Reserves		(196)	1,200	(196)	(245)	2,410	(245)
Retained Profits		125,045		125,045	39,500		39,500
Total Islamic business fund		120,040		120,040	09,000		09,000
and Takaful fund		226,114	-	226,114	141,674	-	141,674
Total liabilities, Islamic business fund, and Takaful							
participants fund		2,720,557	5,625	2,726,182	1,778,731	4,511	1,783,242
Commitments and contingencies	(k)	1,077,239	140,687	1,217,926	949,246	158,880	1,108,126

Statement of income for the year ended 31 December 2014

				Group a	nd Bank		
			2014			2013	
		Islamic			Islamic		
		business	Takaful		business	Takaful	
	Note	fund	fund	Total	fund	fund	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income derived from							
Islamic banking fund	(h)	118,208	-	118,208	50,156	-	50,156
Financing cost		(39,999)	-	(39,999)	(6,019)	-	(6,019)
Net income from Islamic							
banking fund		78,209	-	78,209	44,137	-	44,137
Gross contribution			0.170	0.170		0.100	0.100
		700	2,172	2,172	1.000	3,189	3,189
Wakalah fee		783	(783)	(=0)	1,080	(1,080)	- (2.2)
Reinsurance outward		-	(79)	(79)	-	(60)	(60)
Increase/(decrease) in			001	001		(4.040)	(4.04.0)
contribution liability		-	361	361	-	(1,013)	(1,013)
Increase in claim liability		-	(504)	(504)	-	(2,495)	(2,495)
Decrease in expenses liability		(26)	-	(26)	(130)	-	(130)
Takaful fees		122	(13)	109	138	(27)	111
Income from Takaful activities		879	1,154	2,033	1,088	(1,486)	(398)
Internal of profiting free days							
Islamic banking fund and Takaful fund results		79,088	1,154	80,242	45,225	(1,486)	43,739
Other Income	(i)	1,952	-	1,952	27,191	(1,100)	27,191
Net Income from Islamic	(1)	1,002		1,002	27,101		
business		81,040	1,154	82,194	72,416	(1,486)	70,930
Administrative expenses		(616)	-	(616)	(579)	-	(579)
Allowances for losses on							
financing	(j)	7,117	-	7,117	(36,673)	-	(36,673)
Profit/(loss) for the year before							
taxation and zakat		87,541	1,154	88,695	35,164	(1,486)	33,678
Zakat		(729)	-	(729)	(695)	_	(695)
Net profit/(loss)		86,812	1,154	87,966	34,469	(1,486)	32,983

Statement of changes in Islamic business fund and Takaful fund for the year ended 31 December 2014

	Islamic Banking Fund	Retained profits	Fair value adjustment reserve	Total
	RM'000	RM'000	RM'000	RM'000
Group and Bank				
At 1 January 2013	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
Net profit for the year	-	87,966	49	88,015
At 31 December 2014	100,000	125,047	(196)	224,851

Statement of cash flows for the financial year ended 31 December 2014

	Group a	nd Bank
	2014	2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation and zakat	87,541	35,164
Adjustments for:		
Individual allowance		
- Charged for the year	4,837	-
- Written back during the year	-	(327)
Collective allowance		
- Charged for the year	-	37,000
- Written back during the year	(11,954)	-
Unrealised foreign exchange gain	(24,610)	(10,379)
Unrealised gain evaluation on derivative	(975)	-
Unrealised loss evaluation on MTN	7,177	-
Operating profit before working capital changes	62,016	61,458
Changes in working capital:		
Other assets	(9,455)	(2,039)
Other liabilities	(348,292)	349,694
Islamic financing	(1,138,866)	(985,294)
Zakat paid	(695)	(429)
Net cash used in operating activities	(1,435,292)	(576,610)
Cash flows from investing activities		
Disposal/(purchase) of investments	236,452	(322,330)
Net cash generated/(used in) investing activities	236,452	(322,330)

Statement of cash flows for the financial year ended 31 December 2014 (cont'd.)

	Group a	ınd Bank
	2014	2013
	RM'000	RM'000
Cash flows from financing activities		
Net drawdown of financing payable	1,220,705	699,140
Net drawdown/(repayment) of ECR-i debtors	48	(258)
Net cash generated from financing activities	1,220,753	698,882
Net increase/(decrease) in cash and cash equivalents	21,913	(200,058)
Cash and cash equivalents at beginning of year	375	200,433
Cash and cash equivalents at end of year	22,288	375
Cash and cash equivalents comprise:		
Cash and bank balances	558	58
Deposits and placements with financial institutions	21,730	317
	22,288	375

Notes to the financial statements for the financial year ended 31 December 2014

(a) Cash and bank balances

		Group a	nd Bank
		2014	2013
		RM'000	RM'000
	Cash and bank balances	610	167
(b)	Deposits and placements with banks and other financial institutions		
	Deposits and placements with:		
	Licensed banks	23,850	1,516
	Other financial institution	1,393	-
		25,243	1,516
(c)	Investment securities		
	Available-for-sale investments		
	Unquoted debt securities	85,756	322,330

Notes to the financial statements for the financial year ended 31 December 2014 (cont'd.)

(d) Amount due from ECR-i debtors

	Group and Bank		
	2014 2013		
	RM'000	RM'000	
Amount due from participating licensed banks under ECR-i Scheme	319	367	
The maturity structure of the ECR-i debtors are as follows:			
Maturity within one year	319	367	

(e) Islamic financing

		Group and Bank		
		2014	2013	
		RM'000	RM'000	
(i)	Murabahah	478,428	570,352	
	Istisna'	379,268	344,791	
	Bai' Dayn	17,967	9,337	
	Tawarruq	1,832,690	1,021,366	
	ljarah**	610,856	189,972	
	Unearned income	(667,113)	(622,588)	
		2,652,096	1,513,230	
	Allowances for losses on advances and financing:			
	- Individual allowance	(4,837)	-	
	- Collective allowance	(50,389)	(62,343)	
	Net advances and financing	2,596,870	1,450,887	
** F	RM388,586,798 is in respect of Sukuk Issuance			
(ii)	The maturity structure of the advances and financing are as follows:			
	Within one year	562,489	670,155	
	One year to three years	169,016	155,429	
	Three years to five years	820,606	-	
	Over five years	1,099,985	687,646	
		2,652,096	1,513,230	

Notes to the financial statements for the financial year ended 31 December 2014 (cont'd.)

(e) Islamic financing (cont'd.)

		Group a	nd Bank
		2014	2013
		RM'000	RM'000
(iii)	Islamic gross financing analysed by profit rate sensitivity are as follows:		
	Fixed rate	670,675	553,122
	Variable rate	1,981,421	960,108
		2,652,096	1,513,230
(iv)	Islamic gross financing analysed by geography are as follows:		
	Malaysia	1,863,012	1,039,956
	East Asia	311,617	264,721
	Middle East	111,629	143,943
	Africa	2,013	3,738
	Europe	279,210	29,797
	Oceania	84,615	31,075
		2,652,096	1,513,230
(v)	Islamic gross financing analysed by industry are as follows:		
	Primary agriculture	229,824	226,687
	Mining and quarrying	7,291	58,323
	Manufacturing	657,182	594,608
	Transport, storage and communication	836,817	293,225
	Construction	32,863	-
	Wholesale and retail trade, and restaurants and hotels	324,040	59,413
	Finance, insurance, real estate and business activities	249,225	-
	Electricity, gas and water	230,239	230,000
	Others	84,616	50,974
		2,652,096	1,513,230
(vi)	Movements in impaired financing are as follows:		
	At 1 January	-	6,280
	Impaired during the year	6,709	-
	Reclassified as non impaired	-	(173)
	Amount written off	-	(6,107)
	At 31 December	6,709	-

Notes to the financial statements for the financial year ended 31 December 2014 (cont'd.)

(e) Islamic financing (cont'd.)

	Group a	ınd Bank
	2014	2013
	RM'000	RM'000
(vii) Movements in the allowance for impaired financing are as follows:		
Individual allowance		
Balance at 1 January	-	6,435
Allowance made during the year	4,837	-
Reversal during the year	-	(327)
Bad debts written off	-	(6,108)
Balance at 31 December	4,837	-
Collective allowance		
Balance at 1 January	62,343	25,343
Allowance made during the year	-	37,000
Reversal during the year	(11,954)	-
Balance at 31 December	50,389	62,343

(f) Derivative financial instrument

Group and Bank

		2014			2013			
	Fair Va	Fair Value		Fair Va	alue	Notional		
	Assets	Liability	Amount	Assets	Liability	Amount		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Derivative used as fair value hedges								
Profit rate swaps	1,097	-	1,048,950	-	-	-		
Total	1,097	-	1,048,950	-	-	-		

31 DECEMBER 2014

38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for the financial year ended 31 December 2014 (cont'd.)

(g) Financing Payable

		Group and Bank		
		2014	2013	
		RM'000	RM'000	
(i)	Revolving credit facility - unsecured Repayable within one year	1,045,670	897,910	
(ii)	Sukuk Two years to five years	1,055,512	-	
	Total borrowings	2,101,182	897,910	

(h) Income derived from investment of Islamic banking fund

	Group ar	Group and Bank	
	2014	2013	
	RM'000	RM'000	
Islamic financing:			
Murabahah	19,875	16,203	
Istisna'	14,290	12,199	
Bai' Dayn	1,043	233	
Tawarruq	45,167	16,868	
ljarah	15,398	1,500	
ECR-i debtors	758	17	
Deposits and placements with banks and other financial institutions	10,484	3,136	
Net income from profit rate swaps	11,193	-	
	118,208	50,156	

Notes to the financial statements for the financial year ended 31 December 2014 (cont'd.)

(i) Other Income

	Group and Bank	
	2014	2013
	RM'000	RM'000
Fee Income	6,264	12,635
Foreign exchange (loss)/gain	0,204	12,000
- unrealised	24,610	10,379
- realised	(22,720)	4,177
Net gain financial instruments designated through at fair value through profit or loss	975	-
Net loss on Sukuk designated at fair value profit or loss	(7,177)	-
	1,952	27,191

(j) Allowances for losses on financing

		Group and Bank		
		2014	2013	
		RM'000	RM'000	
(i)	Individual allowance			
	- Charged for the year	4,837	-	
	- Written back during the year	-	(327)	
(ii)	Collective allowance			
	- Charged for the year	-	37,000	
	- Written back during the year	(11,954)	-	
		(7,117)	36,673	

Notes to the financial statements for the financial year ended 31 December 2014 (cont'd.)

(k) Commitments and contingencies

	Group and Bank	
	2014	2013
	RM'000	RM'000
Banking operation commitments		
Contracted but not provided for:		
Guarantee facility	64,874	-
Letter of credit	1,602	-
Undrawn financing	1,010,763	949,246
	1,077,239	949,246
Insurance operation commitments		
Contracted but not provided for:		
Within one year	140,687	158,880
Total commitments and contingencies	1,217,926	1,108,126

39. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments.

It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity.

Segment information are presented in respect of the Group's business segments as follows:

1) Banking

Banking 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.

39. SEGMENT INFORMATION (CONT'D.)

	Group							
		2014 2013					13	
		Business	segments		Business segments			
	Insurance and					Insurance and		
	Banking	Takaful	Support	Total	Banking	Takaful	Support	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income	130,627	-	54,738	185,365	89,243	_	89,393	178,636
Underwriting results	_	10,652	_	10,652	_	2,118	_	2,118
Income from Islamic business	78,209	879	_	79,088	44,137	1,088	_	45,225
Other income	19,119	-	(21,626)	(2,507)	51,832	-	(4,707)	47,125
Net income	227,955	11,531	33,112	272,598	185,212	3,206	84,686	273,104
Overhead expenses	(23,757)	(8,560)	(41,896)	(74,213)	(22,338)	(7,697)	(40,216)	(70,251)
Operating profit Allowances for losses on loans, advances	204,198	2,971	(8,784)	198,385	162,874	(4,491)	44,470	202,853
and financing	(157,535)	_	_	(157,535)	(12,600)	_	_	(12,600)
	46,663	2,971	(8,784)	40,850	150,274	(4,491)	44,470	190,253
Taxation				(21,054)		<u> </u>		(44,841)
Zakat				(729)				(695)
							-	

40. COMPARATIVE

Net profit for the year

Certain comparative figures have been reclassified to conform current year's presentation, as shown below:

		As		
		previously		As
Group and Bank	Note	stated	Adjustment	re-stated
Statement of income				
Statement of income				
Other income	26	34,490	12,635	47,125
Income from Islamic business	38	57,860	(12,635)	45,225
Islamic business:				
Income derived from investment of Islamic banking fund	38 (h)	62,791	(12,635)	50,156
Other Income	38 (i)	14,556	12,635	27,191

19,067

The reclassification of fee income from Islamic operations is carried out to align with fee income from conventional banking to be reported as part of other income instead of net income from Islamic banking fund. This is to be consistent with other elements in other income as per Note 26 such as foreign exchange and others which consolidate both the result of conventional and Islamic operation.

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