

Expanding Frontiers[®]



ANNUAL REPORT 2016





VISION

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



MISSION

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

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

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



CORE VALUES

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

EXPANDING FRONTIERS

Export-Import Bank of Malaysia Berhad (EXIM Bank or MEXIM) enables breakthrough performance in cross-border financing through strategic products and services that elevate possibilities. The theme EXPANDING FRONTIERS has been registered as MEXIM's official signature after five years of branding and recognition. It encompasses our focus in building development partnerships and enabling Malaysian businesses to grow an international reach and presence.

This year's annual report shows the focus and precision that is trained in developing cross-border financial solutions that will take Malaysian businesses further. Powered by a determination to break business barriers in all we do, we continue to develop and market innovative products and services to expand frontiers for our clients.

Scan the QR Code by following these simple steps:



Get it

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



Run it

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



Access it

Get access to EXIM Bank's website



FEEDBACK

We need your feedback to make sure we are covering the things that matter to you. For the feedback form, scan the QR Code with your smartphone. You can also email communications@exim.com.my



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Message from the President/Chief Executive Officer Pg **28**



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ABOUT THIS REPORT



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

At MEXIM, our commitment to Expand Frontiers encompass advancing our relationships with stakeholders through enhanced operations and reporting. As we move forward, sound leadership will be instrumental in charting the way, and decisions will be underpinned by strong corporate governance standards as well as insightful strategies to manage risks and opportunities. These will enable us to excel in dynamic environments and take on tough challenges on the road to 2020.

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

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

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

REPORTING PERIOD

1 January 2016 to

31 December 2016

FEEDBACK

We seek to improve our reporting through constructive engagements with our stakeholders.

Please direct all comments, thoughts and remarks to:

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

Telephone : +603-2601 2000

Email : communications@exim.com.my

2016 KEY PERFORMANCE HIGHLIGHTS

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2016

Total assets
increased to

RM15.90

 billion

Increased by 8% from RM14.72 billion in 2015.



Total disbursement
grew to

RM10.35

 billion

Increased by 14% from RM9.06 billion in 2015.



Operating revenue
increased to

RM492.24

 million

Increased by 4.2% from RM472.54 million in 2015.



Total gross loans
and financing
assets closed at

RM13.11

 billion

Increased by 7.3% from RM12.22 billion in 2015.



A key support
of the national
agenda

1.42%

total assets value to nation's GDP

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



Contribution to
the Nation's Trade
Balance

11%

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

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

CURRENT FACILITIES OFFERED BY MEXIM

BANKING FACILITIES



CONVENTIONAL

Cross-Border Financing

- Overseas Project/Contract/ Investment Financing
- Buyer Credit
- Export of Services
- MalaysiaKitchen Financing
- Import Financing

Trade Finance

- Supplier Credit
- Export Credit Refinancing
- Trust Receipt
- Vendor Financing Scheme

Guarantee

- ADB-EXIM Trade Finance Programme
- Bank Guarantee
- Letter of Credit
- Forward Foreign Exchange



ISLAMIC

Cross-Border Financing

- Overseas Project/Contract/ Investment Financing-i
- Buyer Financing-i
- MalaysiaKitchen Financing Facility-i
- Term Financing-i
- Export of Services-i
- Import Financing-i

Trade Finance

- Supplier Financing-i
- Trust Receipt-i
- Export Credit Refinancing-i
- IDB Co-Financing
- Vendor Financing Scheme-i

Guarantee

- Bank Guarantee-i
- Letter Credit-i
- Forward Foreign Exchange-i

CREDIT FACILITIES



INSURANCE

Short-Term Credit Insurance

- Trade Credit Insurance
- Bankers Trade Credit Insurance
- Bank Letter of Credit Policy
- Multi Currency Trade Financing Scheme
- Indirect Exporters' Financing Scheme

Medium/Long-Term

- Specific Policy
- (Contracts/Constructional Works/Services)
- Overseas Investment Insurance
- Buyer Credit Guarantee
- Bond Risk Insurance



TAKAFUL

Short-Term Credit Takaful

- Trade Credit Takaful
- Bankers Trade Credit Takaful

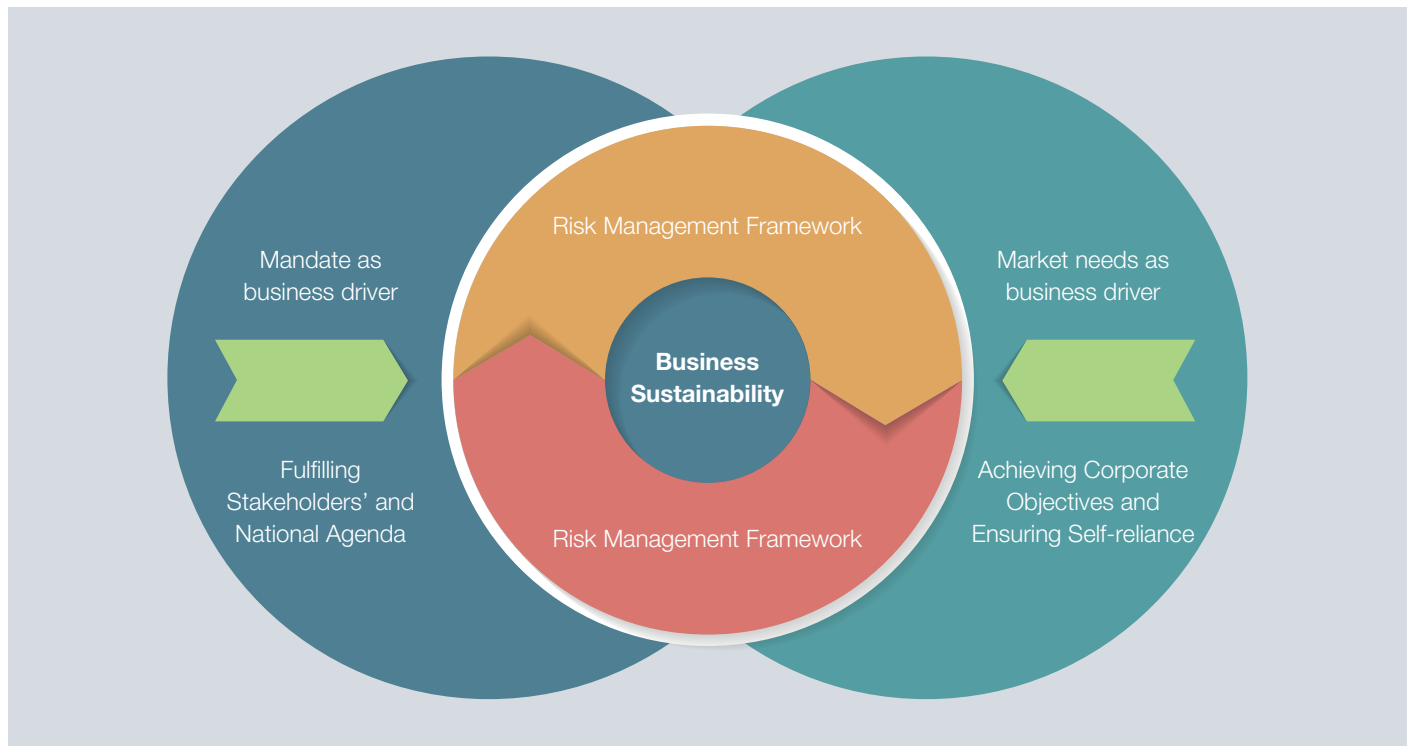
Medium/Long-Term

- Specific Takaful
- Overseas Investment Takaful

BUSINESS MODEL & STRATEGY

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2016

BUSINESS MODEL



STRATEGIC GOALS FOR 2017

GOAL
1

Become a catalyst in Malaysia's export development

Contribute 1.59% to the National GDP through export development by leveraging on opportunities presented by the Government's forecast of 10% to 15% growth rate range in 2017 and expected 2.7% growth in national gross exports.

GOAL
2

Achieve the right portfolio balance for the Bank to serve its mandate and achieve sustainable growth

Maintain an ideal portfolio mix of 70:30 for SMEs and GLCs/PLCs by attracting quality SME borrowers via target marketing and enhancing products with SME-specific requirements.

GOAL
3

Contribute 15% of nation's trade balance

Support the nation's trade balance, projected at RM88 billion, by 15% in 2017 by playing a role as a catalyst.

BUSINESS MODEL
& STRATEGYGOAL
4**Assist SMEs in improving business processes**

Allocate RM1.2 billion as financial and insurance coverage support to SMEs. Create new financing of RM200 million and credit insurance face value coverage of up to RM1 billion.

GOAL
5**Achieve LAF growth of 11%**

Grow LAF by 11% taking into account the net disbursement of RM1.96 billion. Currently, MEXIM contributes about 1.5% to the National GDP with the Bank's total assets expected to increase by 14.2%. This means growth from RM15.97 billion in FY2016 to RM18.09 billion in FY2017.

GOAL
6**Maintain the Bank's risk profile of good quality assets**

Ensure at least 60% of loan portfolio is classified as low risk/high quality asset by tightening financing parameters and targeting lower gross impaired assets ratio of 6.61% with ECR and 7.12% without ECR.

GOAL
7**Technology enhancement and improvement of current core systems**

Implement the Bank's 5-year IT Blueprint plan that looks into enhancement and improvement of the Bank's current core systems.

GOAL
8**Focus on Talent and Manpower Planning**

Achieve 353 manpower strength across the Bank supported by RM1.7 million investment in training programmes by practicing four 'RIGHT' principals of Recruit, Develop, Perform and Retain. Also by allocating 24% of budget to leadership programmes and 23% to development programmes.

ALM - Asset Liability Management

ECR - Export Credit Refinancing

GLC - Government Linked Companies

IT - Information technology

LAF - Loan Asset & Financing

PBA - Profit Before Allowance

PBT - Profit Before Tax

PLC - Public Listed Companies

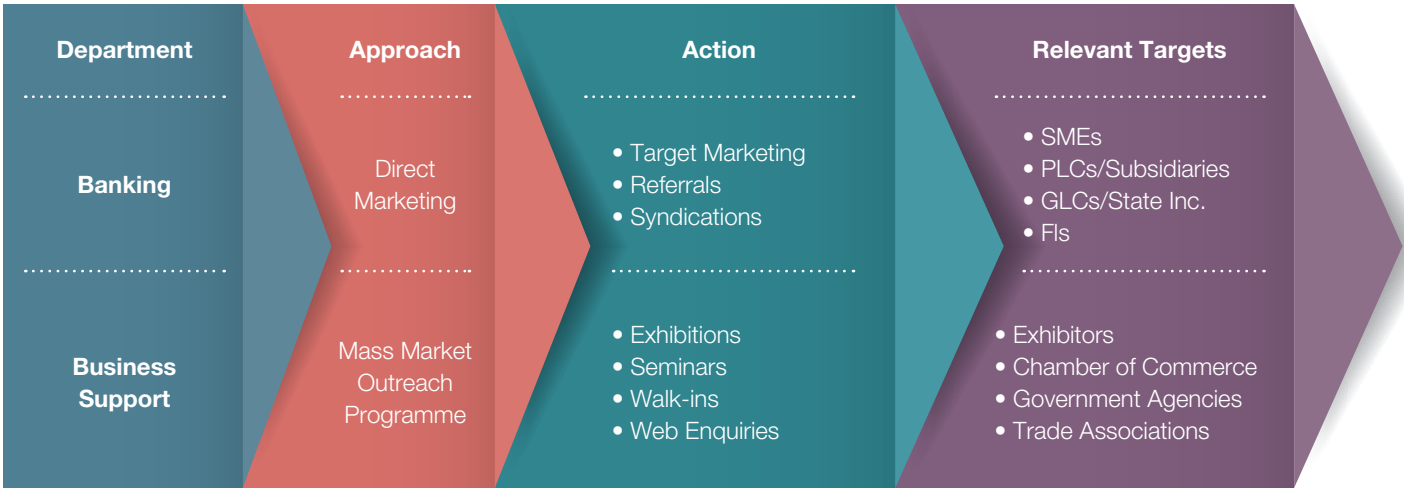
RWCR - Risk Weighted Capital Ratio

RWA - Risk Weighted Asset

PLC - Public Listed Companies

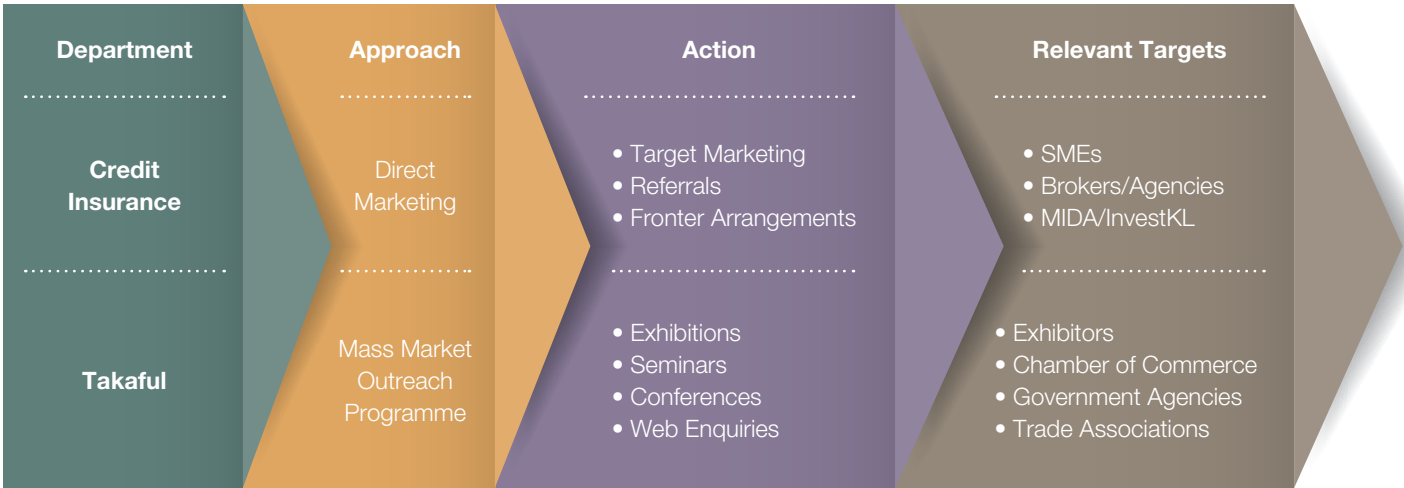
BANKING BUSINESS STRATEGY

Structured Marketing Approach



INSURANCE BUSINESS STRATEGY

Structured Marketing Approach



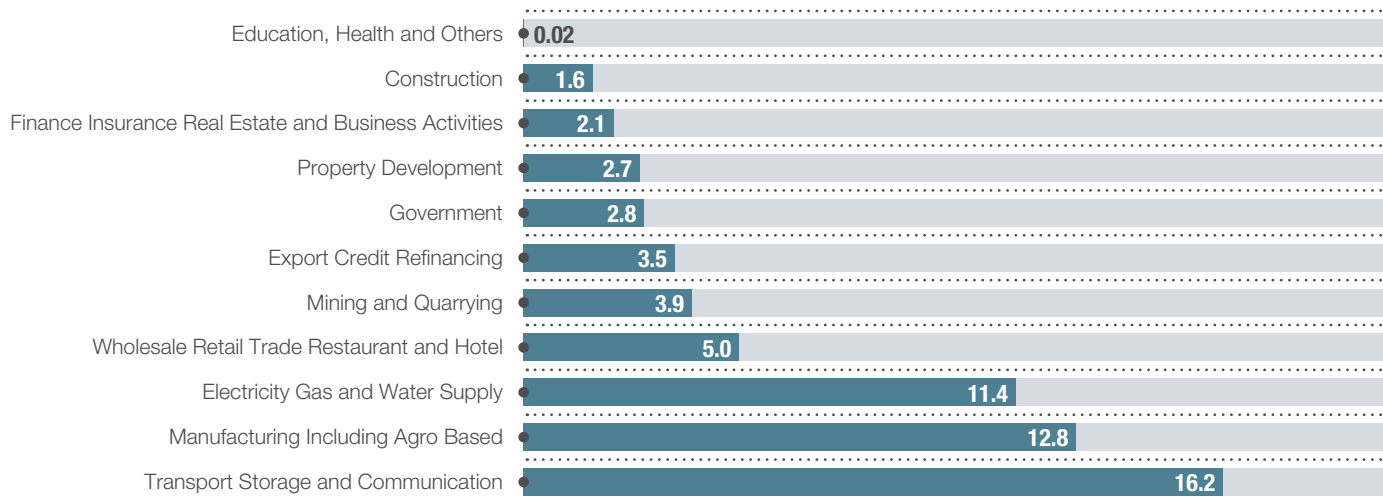
HOW WE HELP COMPANIES

BANKING PORTFOLIO 2016

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

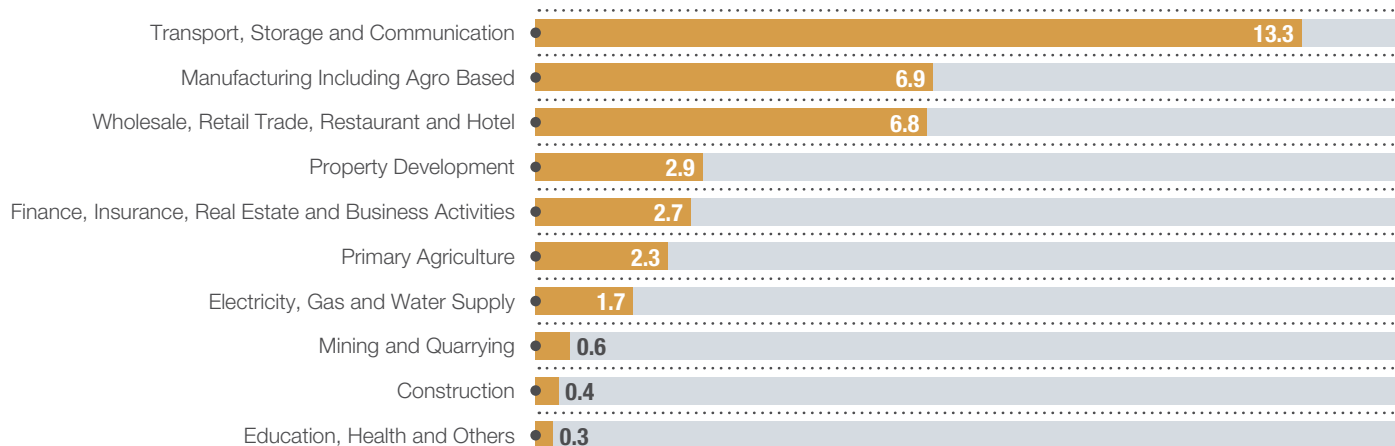
CONVENTIONAL
RM8,860.30 mil

62.0%

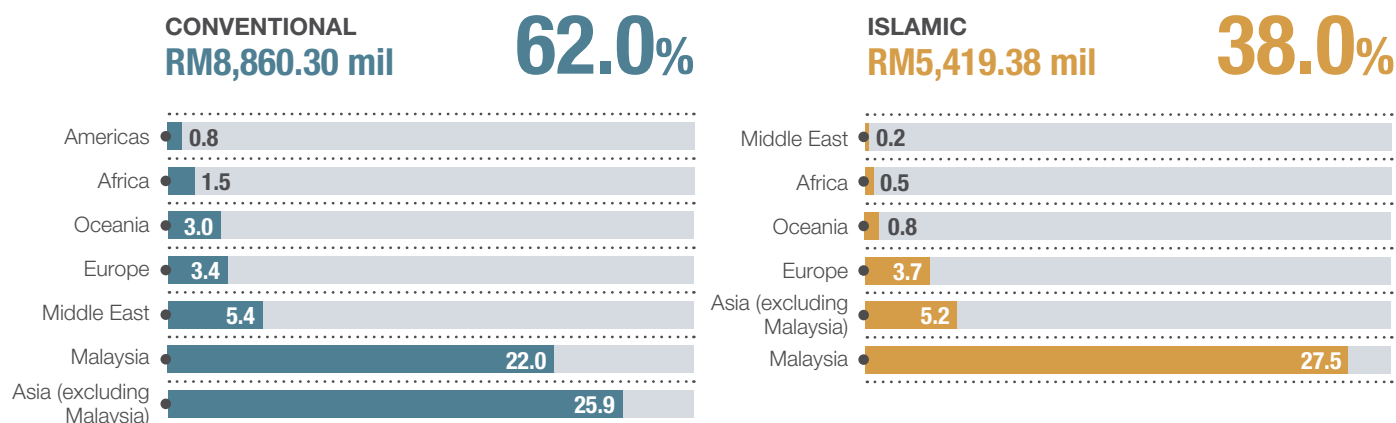


ISLAMIC
RM5,419.38 mil

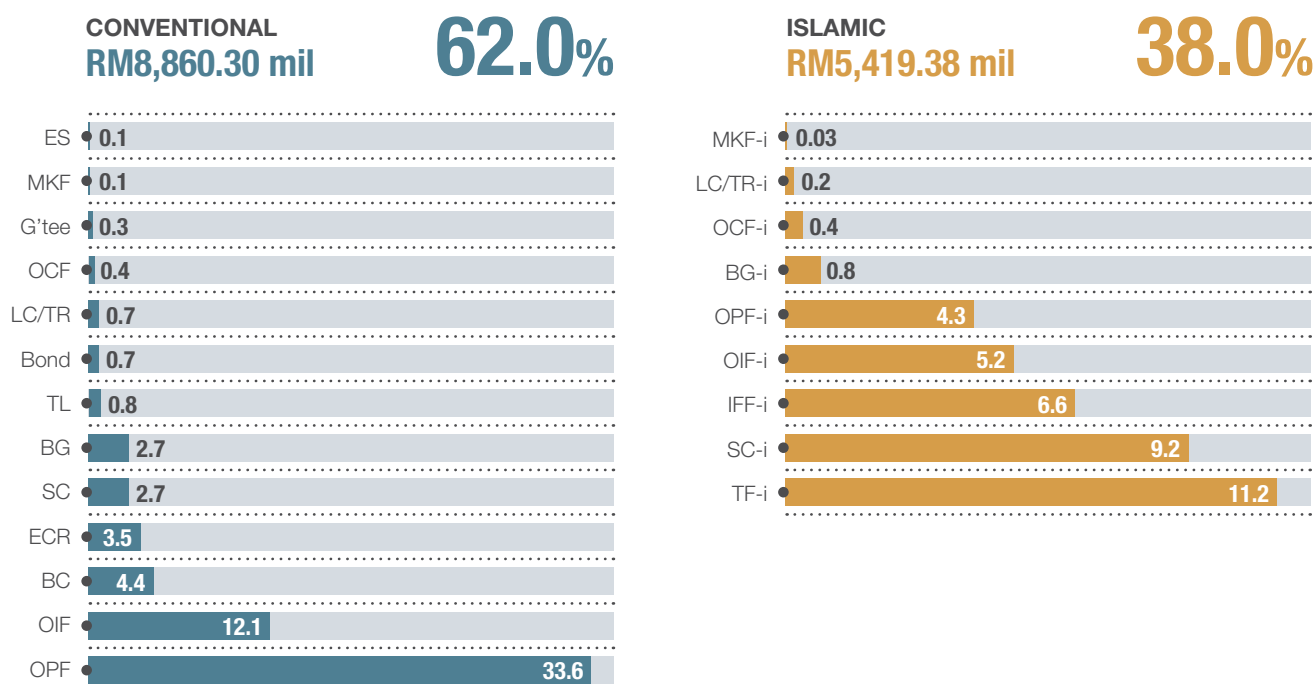
38.0%



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



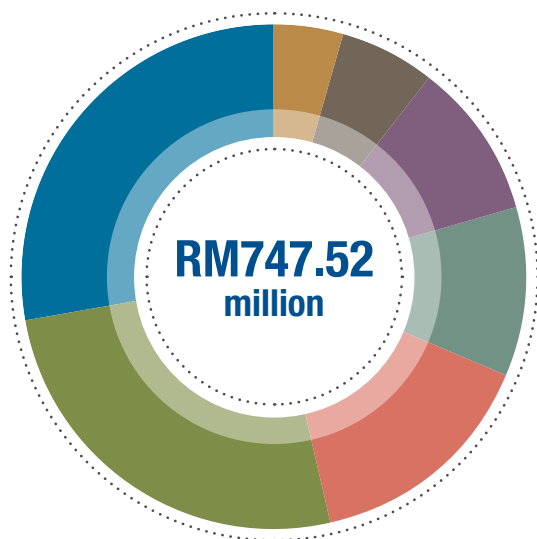
Loan and Guarantee Exposure - Facilities Breakdown by Conventional and Islamic (%)



CREDIT INSURANCE PORTFOLIO 2016

Credit Insurance Portfolio - Short-Term

BY REGION



ASIA (excluding Asia)

RM206.26 million

27.60%

MALAYSIA

RM193.68 million

25.90%

EUROPE

RM113.03 million

15.10%

MIDDLE EAST

RM79.21 million

10.60%

AMERICAS

RM75.29 million

10.10%

OCEANIA

RM46.54 million

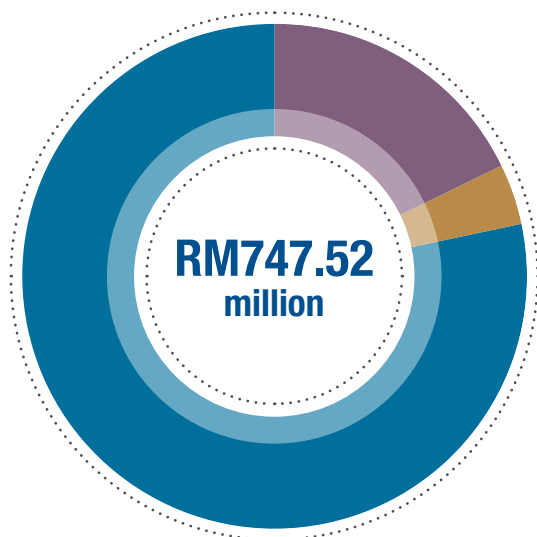
6.20%

AFRICA

RM33.50 million

4.50%

BY SECTOR

MANUFACTURING
INCLUDING AGRO BASED

RM583.70 million

78.10%

OTHERS

RM133.20 million

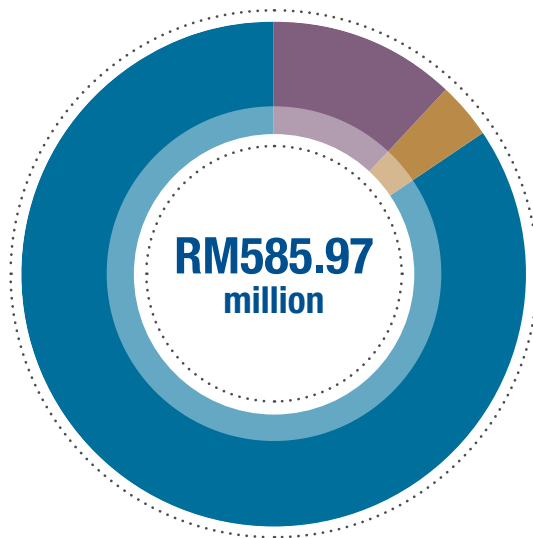
17.80%WHOLESALE, RETAIL
TRADE, RESTAURANT
AND HOTEL

RM30.62 million

4.10%

Credit Insurance Portfolio - Medium/Long-Term

BY REGION



ASIA (excluding Asia)

RM494.40 million

84.40%

AFRICA

RM70.65 million

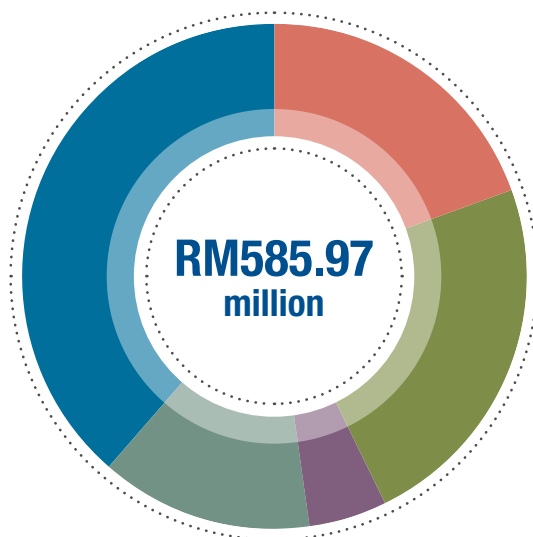
12.10%

MIDDLE EAST

RM20.91 million

3.6%

BY SECTOR

TRANSPORT STORAGE
AND COMMUNICATION

RM225.77 million

38.50%ELECTRICITY GAS AND
WATER SUPPLY

RM135.75 million

23.20%MANUFACTURING
INCLUDING AGRO BASED

RM114.99 million

19.60%

CONSTRUCTION

RM78.99 million

13.50%

MINING AND QUARRYING

RM30.47 million

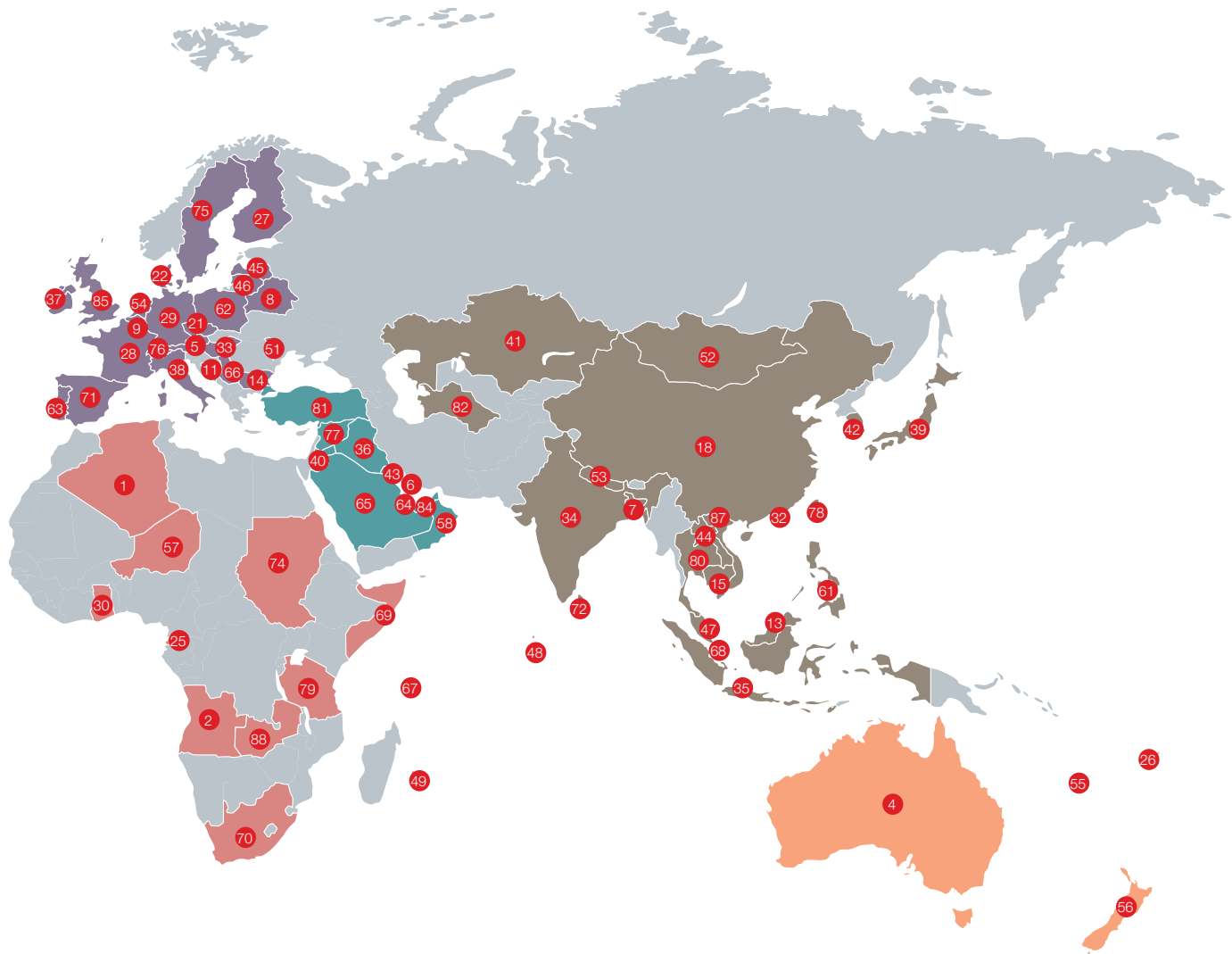
5.20%

BANKING AND CREDIT INSURANCE BY COUNTRY



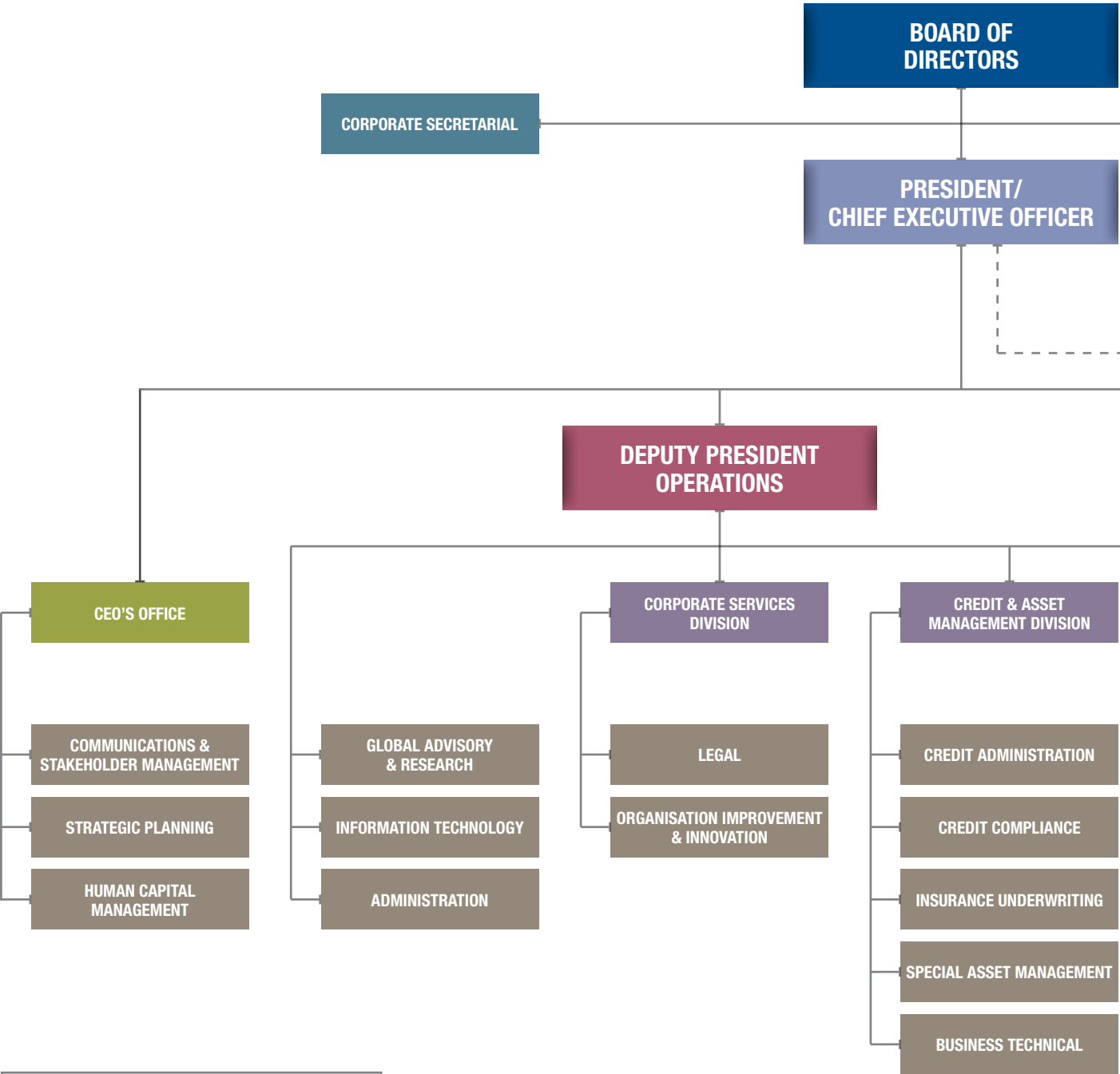
The Bank's total exposure covers over 88 countries while its stand alone credit insurance exposure extends over 52 countries.

- | | | |
|------------------------|------------------------|---------------------------|
| 1. Algeria | 20. Costa Rica | 39. Japan |
| 2. Angola | 21. Czech Republic | 40. Jordan |
| 3. Argentina | 22. Denmark | 41. Kazakhstan |
| 4. Australia | 23. Dominican Republic | 42. Korea (South) |
| 5. Austria | 24. Ecuador | 43. Kuwait |
| 6. Bahrain | 25. Equatorial Guinea | 44. Laos |
| 7. Bangladesh | 26. Fiji | 45. Latvia |
| 8. Belarus | 27. Finland | 46. Lithuania |
| 9. Belgium | 28. France | 47. Malaysia |
| 10. Bolivia | 29. Germany | 48. Maldives |
| 11. Bosnia-Herzegovina | 30. Ghana | 49. Mauritius |
| 12. Brazil | 31. Guatemala | 50. Mexico |
| 13. Brunei | 32. Hong Kong | 51. Moldova |
| 14. Bulgaria | 33. Hungary | 52. Mongolia |
| 15. Cambodia | 34. India | 53. Nepal |
| 16. Canada | 35. Indonesia | 54. Netherlands (Holland) |
| 17. Chile | 36. Iraq | 55. New Caledonia |
| 18. China | 37. Ireland | 56. New Zealand |
| 19. Colombia | 38. Italy | 57. Niger Republic |



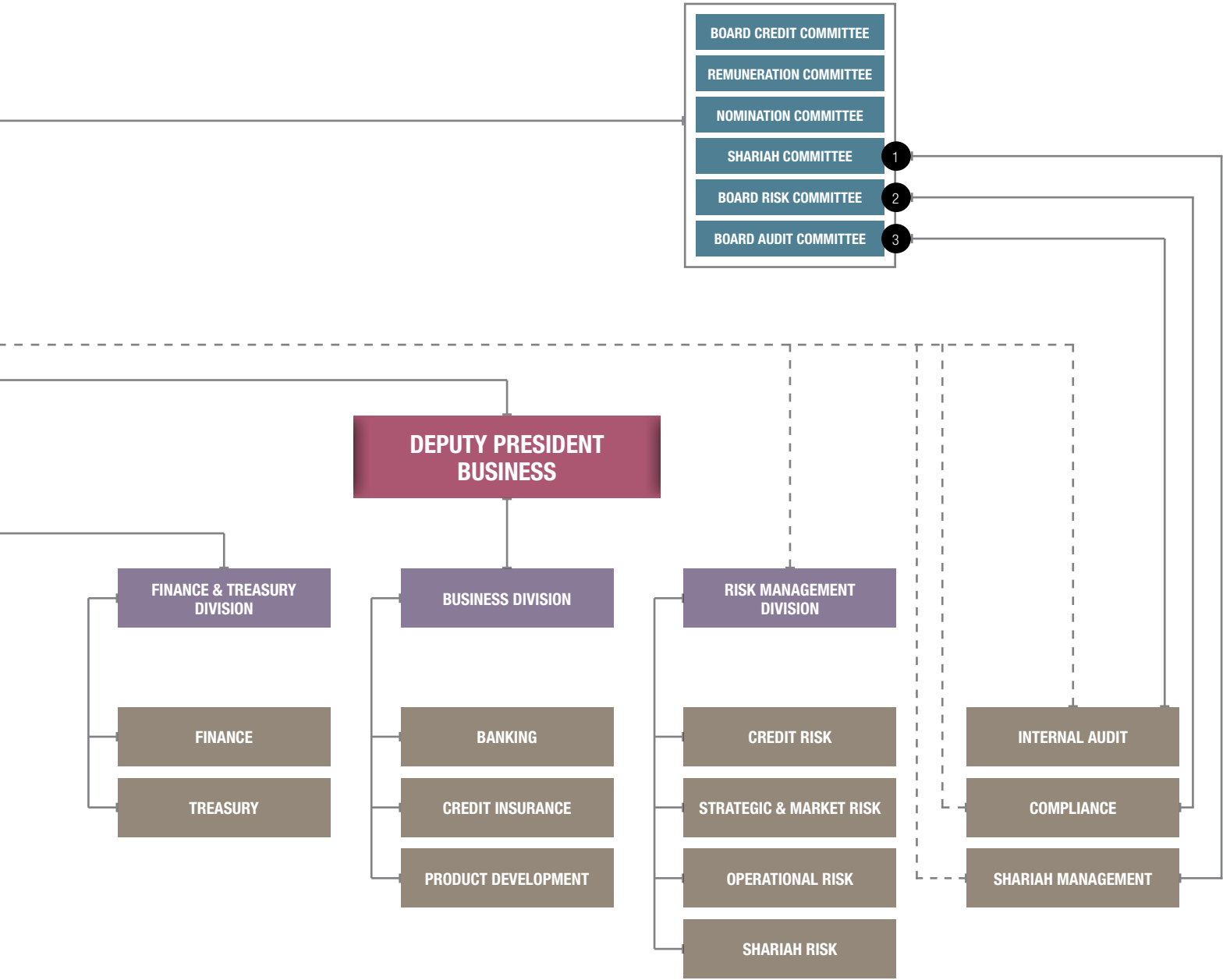
- | | | |
|------------------|--------------------------------------|--------------------------|
| 58. Oman | 69. Somalia | 80. Thailand |
| 59. Panama | 70. South Africa | 81. Turkey |
| 60. Peru | 71. Spain (including Canary Islands) | 82. Turkmenistan |
| 61. Philippines | 72. Sri Lanka | 83. U.S.A |
| 62. Poland | 73. St. Lucia | 84. United Arab Emirates |
| 63. Portugal | 74. Sudan | 85. United Kingdom |
| 64. Qatar | 75. Sweden | 86. Uruguay |
| 65. Saudi Arabia | 76. Switzerland | 87. Vietnam |
| 66. Serbia | 77. Syria | 88. Zambia |
| 67. Seychelles | 78. Taiwan | |
| 68. Singapore | 79. Tanzania | |

ORGANISATION
STRUCTURE



INDEPENDENTS	1	Secretariat: Shariah Management
DIVISION	2	Secretariat: Risk Management
DEPARTMENT	3	Secretariat: Internal Audit

Administrative Reporting Line - - - - -

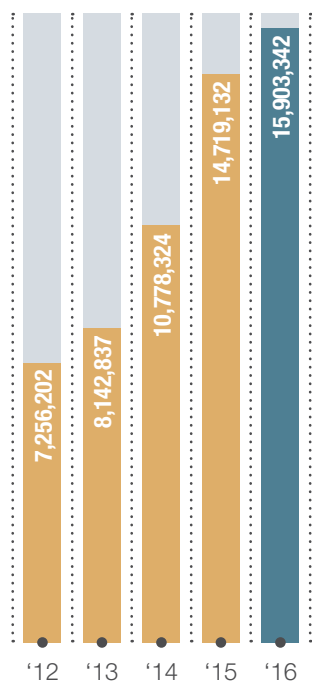


5-YEAR FINANCIAL HIGHLIGHTS

ITEM	FY2012 (RM'000)	FY2013 (RM'000)	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)
Total Assets	7,256,202	8,142,837	10,778,324	14,719,132	15,903,342
Total Disbursement	3,114,061	3,914,666	6,613,956	9,056,422	10,349,258
Operating Revenue	185,157	273,511	363,642	472,543	492,236
Total Gross Loans and Financing Assets	3,662,828	5,836,671	8,262,421	12,217,683	13,114,553
Net Income	244,991	273,104	272,598	395,966	337,956
Net Impaired Loans	11.20%	8.20%	6.46%	4.80%	10.44%
Operating Profit	185,401	202,853	198,385	317,422	236,062
PBT	169,737	190,253	40,850	46,013	(244,656)

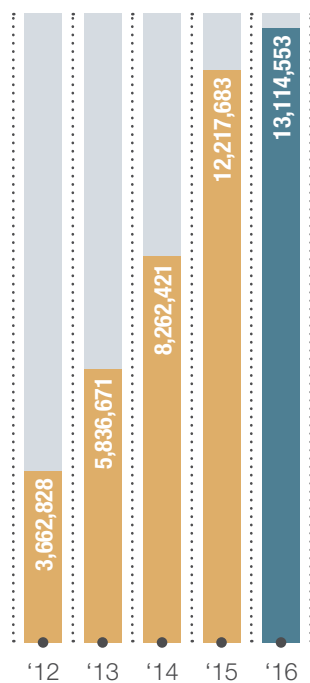
TOTAL ASSETS

(RM'000)



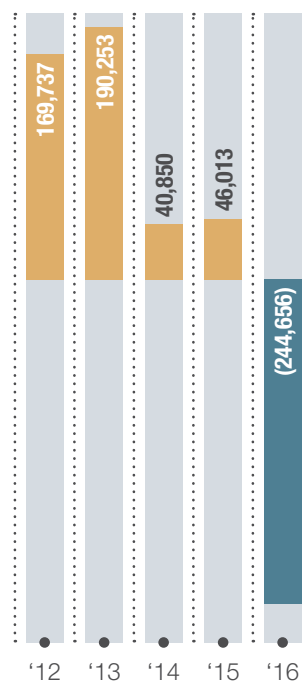
TOTAL GROSS LOANS AND FINANCING ASSETS

(RM'000)



PBT

(RM'000)



CORPORATE INFORMATION

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DIRECTORS

Datuk Mat Noor Nawawi

Chairman

Dato' Rosli Mohamed Nor

Dato' Sri Dr. Mohd Isa Hussain

Nik Najib Husain

(Term end w.e.f. 19 June 2017)

Dato' Agil Natt

Ismail Mahbob

Datuk Wong Seng Foo

(Retired w.e.f. 4 July 2017)

YM Tunku Afwida Tunku

A. Malek

Mohammad Fadzlan

Abdul Samad

Datuk Syed Ahmad Helmy

Syed Ahmad

Norzilah Mohammed

President/Chief Executive Officer



SHARIAH COMMITTEE

Dr. Zaharuddin Abd. Rahman

Assoc. Prof. Dr. Suhaimi Ab Rahman

Assoc. Prof. Dr. Zulkifli Hasan

Assoc. Prof. Dr. Mek Wok Mahmud

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

PRESIDENT/CHIEF EXECUTIVE OFFICER

Norzilah Mohammed

COMPANY SECRETARY

Julina Mohd Salleh

(LS0008055)

AUDITORS

Ernst & Young

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

REGISTERED OFFICE

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

REPRESENTATIVE OFFICE

PULAU PINANG

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

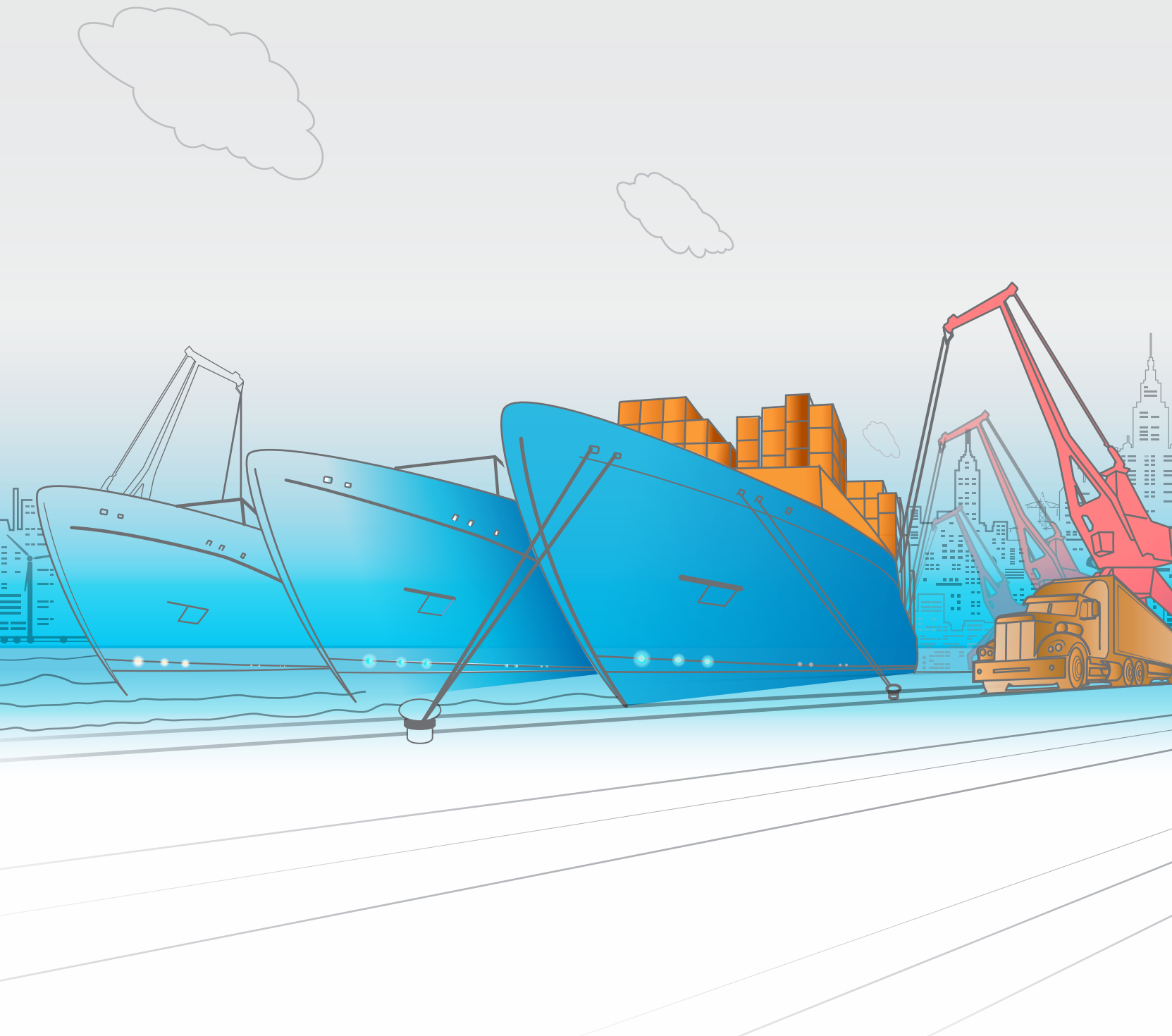
JOHOR DARUL TAKZIM

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

SARAWAK

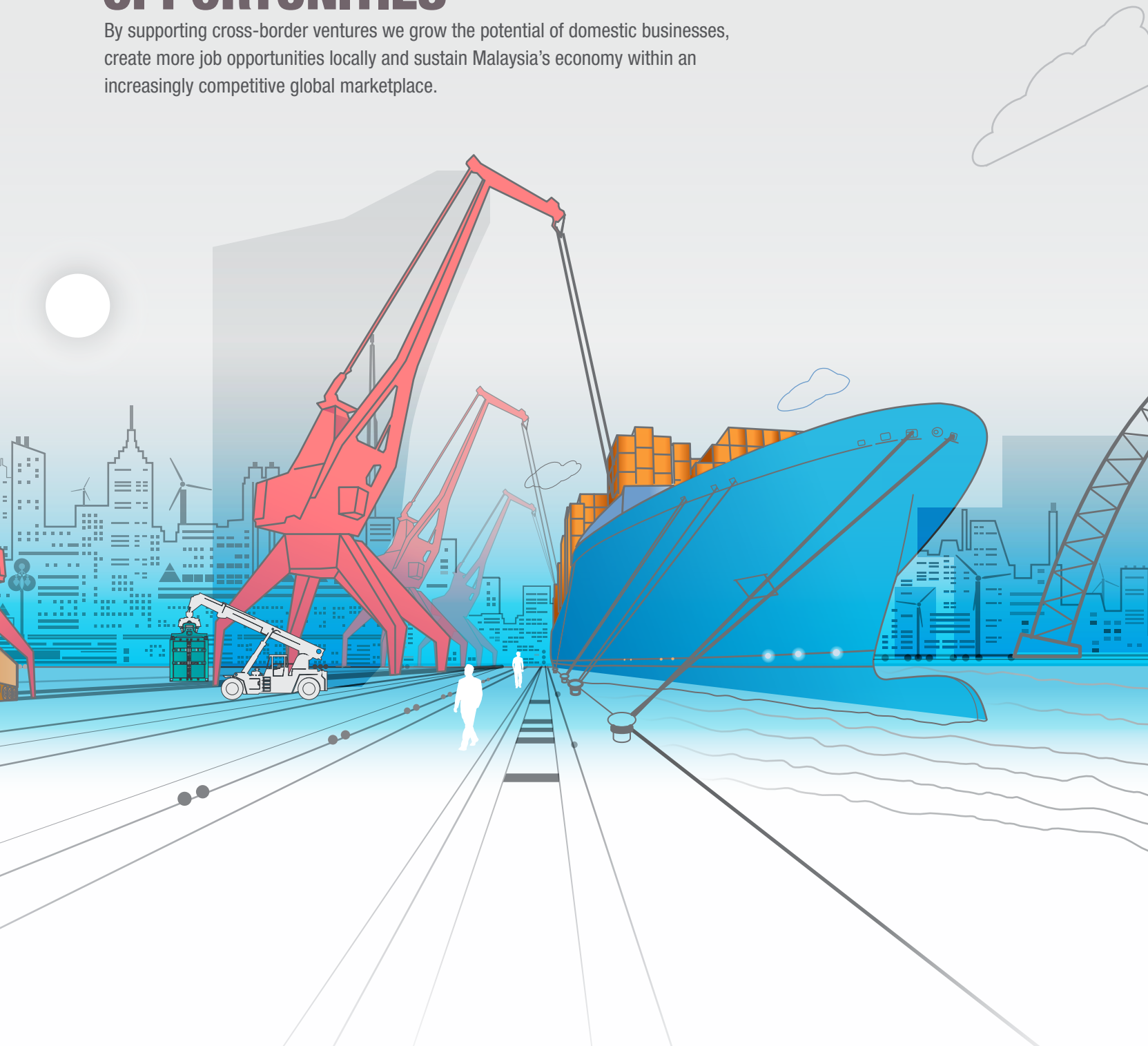
No. 67, Ground Floor
One Avenue Business Centre
Jalan Tun Jugah
93350 Kuching, Sarawak
MALAYSIA

Expanding Frontiers[®]



...IN BUILDING ECONOMIC OPPORTUNITIES

By supporting cross-border ventures we grow the potential of domestic businesses, create more job opportunities locally and sustain Malaysia's economy within an increasingly competitive global marketplace.



5-YEAR STRATEGIC PLAN

THE STRATEGY 2020

After completing a rigorous strategy review process we have developed the next phase in our strategy covering the period through 2020. The Strategy 2020 is all about focusing to deliver value to stakeholders. We reaffirm our commitment to being a preferred Financial Institution (FI) for Malaysian businesses seeking financing facilities, credit insurance cover and advisory services when conducting business abroad.

The strategic course will remain constant with a commitment to improvement:

- 1) Our commitment to client centricity remains undimmed. We will continue to place clients at the centre of everything we do. However, we will refocus our resources on clients who offer and value mutually beneficial partnerships with us.
- 2) We will maintain a global footprint, serving clients across the world. However, we will do this with a more focused geographical platform.
- 3) We remain committed to universal banking product offerings, but at the same time we are tightening our product perimeter.
- 4) We remain committed to serving our stakeholders, clients, shareholders, regulators and employees. Focusing EXIM Bank (MEXIM or the Bank) along these key dimensions enables us to deliver value to shareholders, and to other stakeholders. It enables us to take a proactive stance on the direction of future regulation, which continues to evolve. Additionally, it helps us to build a more robust controlled environment.

In 2017 and beyond, the Bank continues to pursue its corporate objectives and agenda by 2020, whilst concurrently implementing high-level strategies. The Bank aspires to build its business in a sustainable manner, within its risk appetite statement, which aims to balance the performance of the Bank's mandated role within proper prudential limits.

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

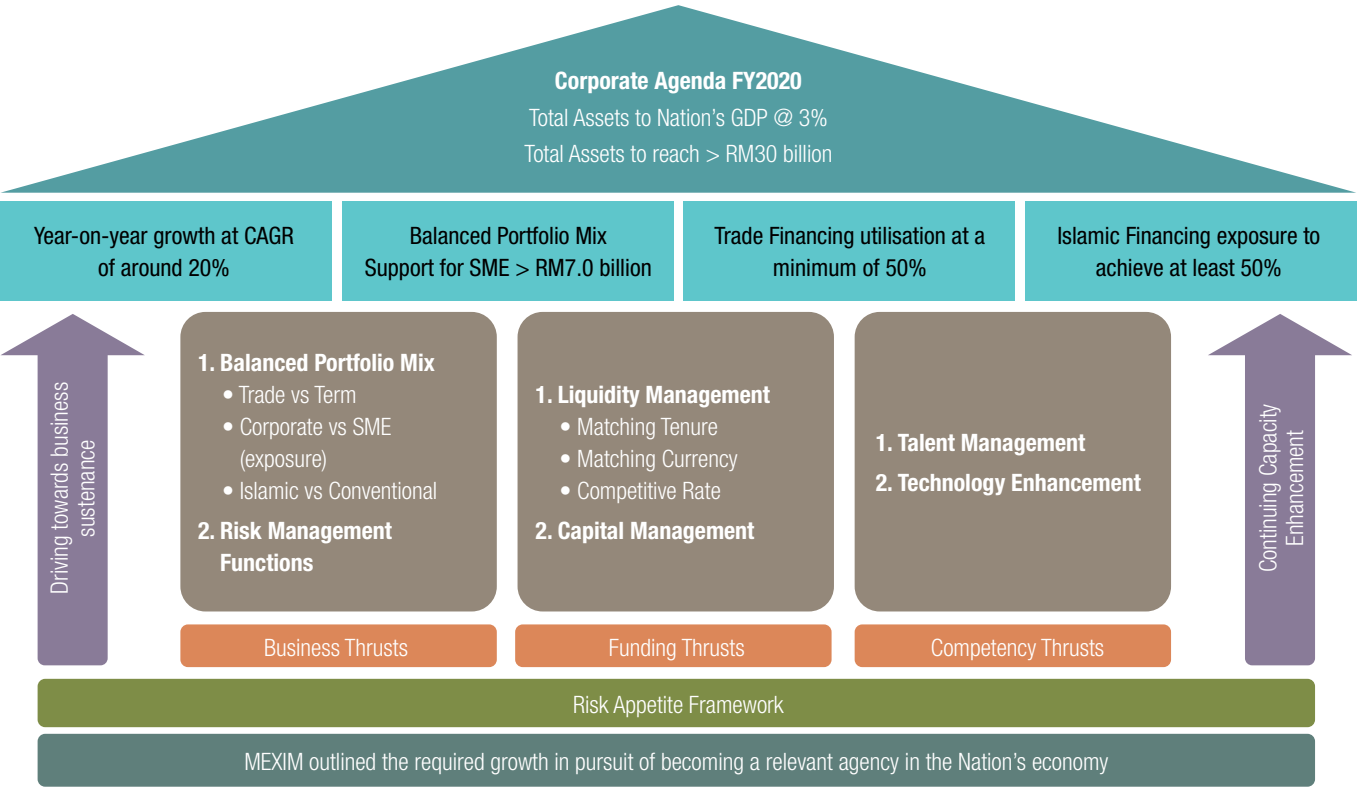
- **Grow business strategically and enhance business strategies to SMEs** – Since the Bank embarked on the SME Strategy in 2016, MEXIM has been providing significant support amounting to RM2.19 billion for SMEs through both financing and credit insurance with face value coverage worth of RM478.0 million and RM1.71 billion respectively. As part of the strategy 2020, the Bank will continue its aspiration for SMEs in 2017 and maintain its developmental roles as

the mandated DFI in supporting Malaysian exporters; (1) new financing of RM200 million; and (2) new credit insurance face value coverage of up to RM1.0 billion. Under the Bank's SME Strategy, the Bank is planning to introduce the EXIM Express Programme, a new initiative targeted to support the financing needs of qualified export-ready SMEs through faster business turnaround from initiation stage to disbursement. Over a period of 3 years it is forecasted that the total number of SME customers under the programme should reach 46 customers with cumulative disbursement of RM729.0 million.

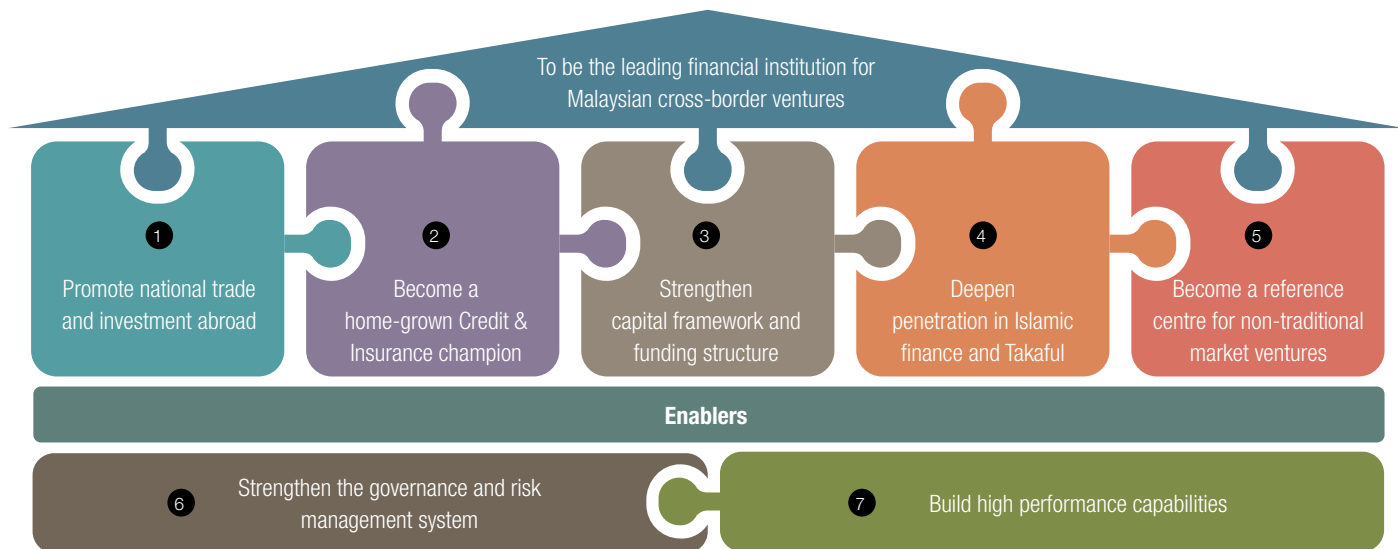
- **Build Islamic finance business** – We have made significant progress with respect to our high level strategy in building Islamic finance business of up to 39.14% as compared to our Strategy 2020 target for Islamic financing exposure to achieve at least 50% by FY2020.
- **Build trade credit insurance business** – We are better balanced as credit insurance business contributed insurance premium of RM8.81 million (target YTD: RM8.69 million).
- **Leverage on alliances with export credit agencies (ECA) and multilateral bodies** – In continuation of the previous year's effort in relation to SMEs marketing, the Bank will leverage on cooperation with related agencies or trade associations, namely SME Corporation Berhad, Malaysian Technology Development Berhad and Malaysia Digital Economy Corporation (MDEC) as well as SME Factor Sdn Bhd. The target is to reach out to qualified and export-ready SMEs, hence optimising the resources utilisation. Apart from this, the Bank take cognisance that in supporting SMEs, there is a need to design specific products in meeting their needs. For FY2017, Vendor Development Programme financing will continue to be marketed to SMEs. In addition to that, from a credit insurance perspective, a harmonised approach is imminent through joint collaboration with ECA members to meet their development goals.
- **Cross-sell between MEXIM's businesses and build branding and awareness** – The Bank aims to capitalise on its credit insurance, banking and advisory services to broaden its reach to Malaysian exporters, thereby offering a complete solution to Malaysia businesses venturing overseas. The Bank will further improve its branding and increase awareness of its areas of business such as the provision of financing facilities relating to the export of goods, export of services and overseas investments, financing facilities relating to imports of intermediary and capital goods and other strategic imports, as well as advisory services for Malaysian exporters.

MEXIM believes that with its corporate objectives in place and implementation of its high-level strategies balanced by its risk appetite, the Bank will achieve its vision of becoming a leading financial institution for Malaysian cross-border ventures. The Strategy 2020 is depicted below:-

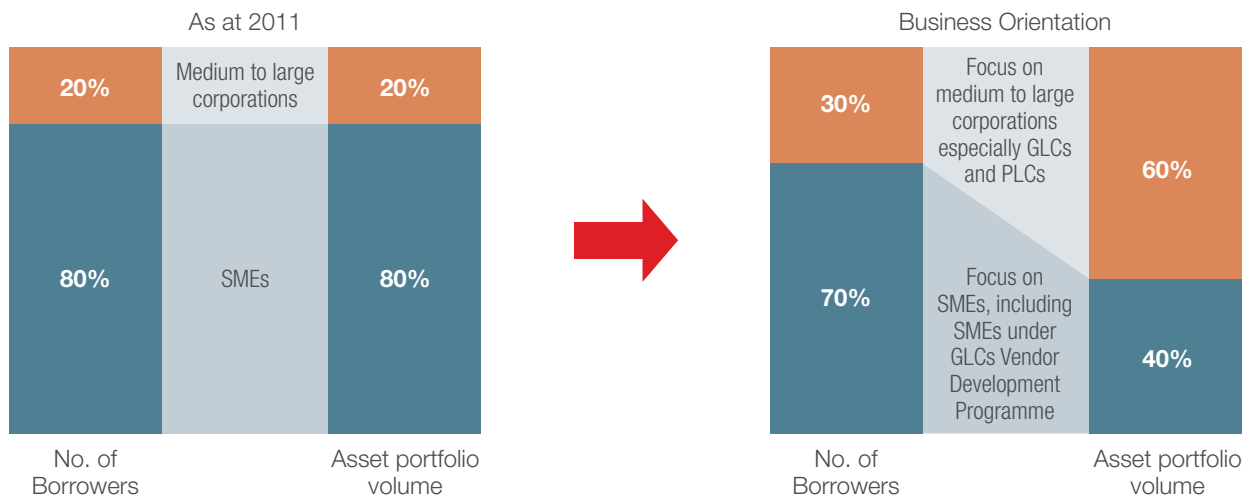
STRATEGIC DIRECTION FY2020



STRATEGIC VISION 2020



IDEAL PORTFOLIO MIX BELOW BY 2020



The Bank will continue to support cross-border financing and credit insurance for Malaysian exporters, targeting for its total asset value to achieve 3% of Malaysia's GDP or total assets worth of RM30.0 billion by 2020. The Bank will also align itself to the Government's direction by supporting export-ready SMEs to venture abroad.

Other targets of the Bank include maintaining a target asset value and target loan asset mix. MEXIM also aims to strengthen its Islamic finance business. The Bank aims to continue on its

trend of operating profitability while maintaining asset quality and adhering to prudential limits. MEXIM will also continue to maintain an internal Risk Weighted Capital Ratio (RWCR) threshold within the requirement set by Bank Negara Malaysia (BNM).

MEXIM also aims to maintain a minimum equity fund cover ratio of 100%, adhering to the Bank's internal measure aimed at ensuring it has sufficient liquidity to meet potential liquidity exposure from its revolving facilities and contingent liability claims.

MITIGATING RISKS

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Annual Report
2016

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

RISK	CONTEXT	MITIGATION	LINK TO KEY GOALS
Tighter regulations	<p>Regulatory requirements for capital adequacy, leverage, liquidity and funding.</p> <p>The regulatory requirements include:</p> <ul style="list-style-type: none"> • Higher Capital Buffer • Capital Adequacy • New Liquidity Framework • MFRS 9 <p>The MFRS 9 could lead to higher provision and increase in the cost of regulatory compliance as well as the cost in implementation of new controls.</p>	<ul style="list-style-type: none"> • Increase the Bank's Capital by RM500 million from Debt Capital Market (DCM). • Intensify the effort to prepare the Bank for BNM's approval to embark on deposit taking activity. • Strengthen the Asset Liability Management (ALM) to manage the volume, mix, maturity, rate sensitivity, quality and liquidity of assets and liabilities as a whole. • Implement MFRS 9 requirements on the classification and measurements of financial assets and liabilities based on business models, impairment methodology and hedge accounting. • Enhance effective implementation of risk management systems which assist in delivering the Bank's growth plan within the board-approved risk appetite and controlled environment. 	<ul style="list-style-type: none"> • To further strengthen the Bank's capital in order to remain resilient, amidst challenging future economic conditions. • Minimise undue concentrations of exposure, limit potential losses from stress events initiatives, focusing particularly on preserving levels of liquidity and capital, and also effectively managing the risk portfolios. • Managing liquidity risk arising from maturity mismatches whilst aiming to stabilise short-term profits, long-term earnings and long-term sustainability of the Bank. • The Bank shall remain cautious and selective on financing approvals, with continuous efforts to tighten its credit appraisal systems, credit risk monitoring and effective risk management functions.
Higher risk of inferior credit portfolio pursuant to current economic environment	<p>Global uncertainties could impact international financial markets leading to further volatility in foreign currency and weakening of Ringgit.</p> <p>Slowdown in the external factors will limit arrival of FDI into Malaysia.</p> <p>Impact of economic downturn towards the Bank.</p>	<ul style="list-style-type: none"> • Embark on competitive cost efficiency measures. • Pro-actively conduct review on the portfolios affected by an adverse credit event(s). • The Bank is guided by the statutory and regulatory requirements, Risk Appetite Statement (RAS), policies, guidelines and risk controls in managing its business. • Adhere to the Bank's internal measures which includes setting up concentration limits (by country and industry sector) and regular review on the effectiveness of the Bank's risk policies and controls. • Maintain ideal portfolio mix subject to prudential limits (by country and industry sector) and constantly observe high risk portfolios that could possibly cause imminent threat to the Bank's provisions. 	<ul style="list-style-type: none"> • Maintain and improve Bank's portfolio of good quality assets. • Ensure quality assets with adequate security are being approved. • The Bank shall remain cautious and selective on financing approvals, with continuous efforts to tighten its credit appraisal systems, credit risk monitoring and effective risk management functions.

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 MEXIM's
annual report and consolidated
financial statements for the financial
year ended 31 December 2016
(FY2016).



DATUK MAT NOOR NAWI
Chairman



A RESILIENT YEAR

Malaysia's economy maintained a steady growth rate in 2016 withstanding macroeconomic uncertainties and volatility. Sustained low oil and gas prices have seen the contribution of hydrocarbons to state revenue decreasing from 30% in 2014 to just 14.6% in 2016. However, earnings generated from goods and services tax imposed in 2015 and solid growth have seen the budgetary deficit keeping close to the government's projected 3.1% of GDP.

The Malaysian economy is very much influenced by the global economic and market conditions, including, but not limited to, the conditions in the United States, the People's Republic of China, Europe, Japan and in certain emerging market countries. The economic and fiscal situations of several European countries remain fragile and geopolitical tensions in Europe have also contributed to continuing global uncertainty.

There is continued volatility in the international financial and commodity markets. The pressure on emerging market currencies, including the Ringgit, have been exacerbated further by a decline in commodity prices, led by crude oil, as many emerging market economies are net exporters of commodities.

MALAYSIA'S 2016 TRADE PERFORMANCE

After an unremarkable eleven months, Malaysia experienced a surge in exports in December 2016 when total trade grew by 1.5% to reach RM1.49 trillion in 2016 compared with RM1.46 trillion in the previous year. Exports rose by 1.1% to RM785.93 billion and imports grew by 1.9% to RM698.66 billion. This resulted in a trade surplus of RM87.27 billion, the 19th consecutive year of trade surplus since 1998. ASEAN's share of Malaysia's total exports expanded to 29.4% in 2016 from 28.2% in 2015, the highest share since 1993.

Malaysia's exports rose 10.7% to RM75.6 billion in December 2016 from a year ago, exceeding economists' expectations of a growth of 9.6%. Total trade in December 2016, which was valued at RM142.4 billion, expanded RM14.2 billion or 11.1% from a year ago. A growth of RM5.8 billion or 4.2% was also recorded when compared to the previous month. A trade surplus of RM8.7 billion was recorded, an increase of RM360.1 million or 4.3% from the previous year.

Major contributors to export growth in 2016 were expansion of manufactured and agricultural exports by 3.2% and 4.7%, respectively, compensating for the lower performance of mining goods. The continued growth for electrical and electronics exports were driven by strong global demand for electronic devices and rising exports to ASEAN by 5.4% with significant growth to Singapore, Cambodia, Laos, Myanmar and Vietnam. The Philippines also spurred exports.

Imports grew RM6.9 billion or 11.5% to RM66.8 billion on a year-on-year basis. The growth in imports was contributed by intermediate goods, capital goods and consumption goods. The imports were higher than the survey of a 10.2% increase.

The increase in total trade in 2016 was contributed by higher trade with China, which expanded by RM10.09 billion, United States (RM6.87 billion), South Korea (RM3.56 billion), Taiwan (RM3.29 billion) and Saudi Arabia (RM3.04 billion). Significant increases were also recorded with Turkey amounting to RM2.81 billion, Hong Kong (RM1.93 billion), India (RM1.85 billion), Mexico (RM1.64 billion), Brazil (RM1.52 billion), Bangladesh (RM1.48 billion), ASEAN (RM1.41 billion) and the European Union (EU) (RM549.6 million).

While China continued to be the largest trading partner with Malaysia for the eighth consecutive year since 2009, ASEAN remained as an important and strategic trading partner for Malaysia, accounting for 27.1% of Malaysia's total trade in 2016, with a value of RM402.66 billion.



TOTAL ASSETS
increased by

8%



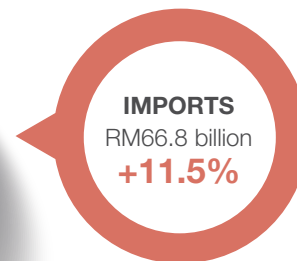
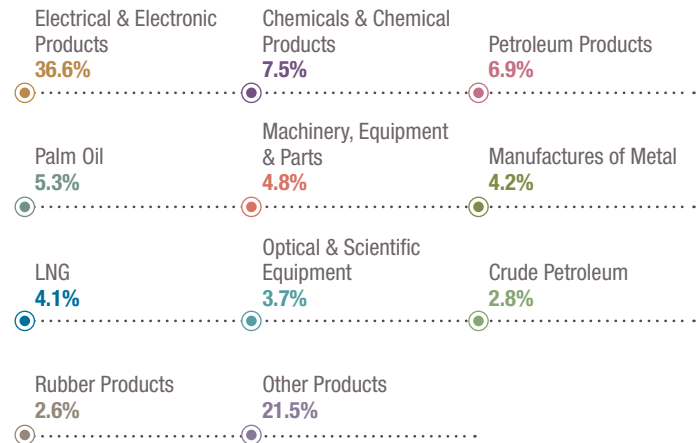
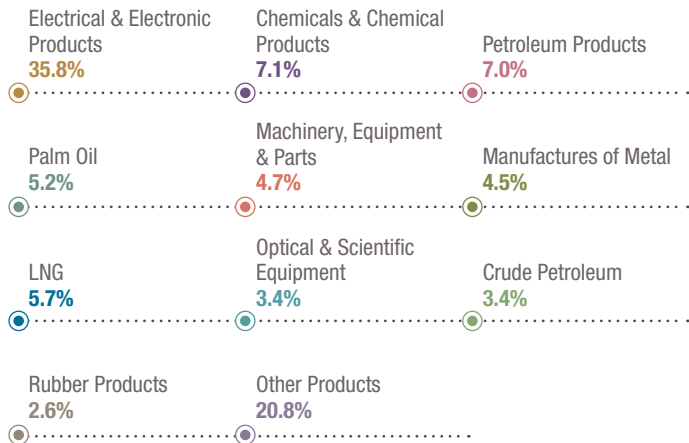
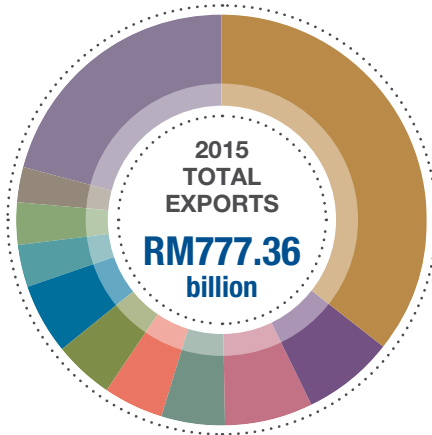
OPERATING REVENUE
increased by

4.2%



TOTAL DISBURSEMENT
increased by

14%

MESSAGE FROM THE
CHAIRMAN

TAKING A BALANCED APPROACH

The Bank's largest geographic exposures are in Asia, which accounts for 81.8%. The health of the economies of Asia is heavily dependent on international trade, investment and global economic factors. Given the volatility in the external economy, the Bank is mindful that a slowdown in China's economic growth may depress prices and trade in a number of commodity sectors and a prolonged slowdown could have wider economic repercussions. Adverse changes in Japan's economy in relation to its domestic demand, the Japanese Yen exchange rates and foreign direct investments have the potential to affect Asian economies that have a significant exposure to Japan's domestic market and outbound investment.

Given these economic circumstances, the Bank has been focusing on business partners in countries with which the Bank is more familiar, while maintaining geographic diversification which may reduce the impact of certain economic factors including a downturn. The Bank also seeks to manage this risk by setting concentration limits (by country and industry sectors) and regularly reviews the suitability of the Bank's risk policies and controls.

FULFILLING OUR MANDATE

Despite slower business growth in FY2016, the Bank continues to improve and improvise operations to better deal with our business. Indeed, the Bank managed to register a 4% increase in operating revenue as compared to last year.

The adoption of revised key strategic goals and aspirations in pursuing our growth strategy for sustainability and resilience is clearly on the right direction. The newly revised strategy, The Strategy 2020, replaces the ambitious Strategy 2018 which was revised by the Bank in September 2015. Strategy 2020 seeks to largely retain the business model with focus on its ability to grow further. The Bank has put in considerable effort over the years to grow its asset size and the Bank has achieved an 8% growth in assets for FY2016.

The Bank had also successfully priced its USD500 million 5-year, senior unsecured notes offering at 120 basis points over U.S. Treasuries at a fixed coupon of 2.48%. This offering marks EXIM's third USD-denominated public offering issuance, following MEXIM's successful inaugural senior USD Notes issuance in 2012 and senior USD Sukuk issuance in 2014. The pricing for the landmark offering marks the lowest ever historical credit

spread for MEXIM's publicly-offered USD Notes, the lowest coupon ever achieved by MEXIM as well as the lowest coupon achieved by a Malaysian issuer in 2016 for a similar tenor. The Notes will be issued pursuant to MEXIM's recently upsized USD3 billion Multicurrency Medium-Term Note Programme.

LOOKING AHEAD

MEXIM supports the aspiration of the National Export Council on trade business and plays an important role in the Eleventh Malaysia Plan which runs from 2016 to 2020. The Bank is targeting business growth of 10% to support Malaysia's estimated export expansion of 2.7% in 2017 and expects its Loan Asset Financing (LAF) to contribute 15% of the nation's trade balance.

Our success and achievements are driven by the commitment and hard work of our people. With the continued support of our shareholders, Board of Directors and staff, the Bank is optimistic in continuing to fulfil its Mandate positively guided by the 2017 Strategic Plan which has clearly laid out expected goals for the year in line with MEXIM's Strategy 2020.

On behalf of the Board and Management of MEXIM, we take this opportunity to thank the Government of Malaysia, Bank Negara Malaysia, partners and business associates for their continued support and efforts in bolstering trade opportunities for the nation. MEXIM is fully engaged and resolute in its commitment to deliver on all opportunities presented.

DATUK MAT NOOR NAWI

Chairman

MESSAGE FROM THE PRESIDENT/CHIEF EXECUTIVE OFFICER



Anchored on commitment and responsiveness, in 2016 MEXIM surpassed its set target of RM7.5 billion with an impressive total disbursement of RM10.35 billion.

“Opportunities continue to present themselves amidst a challenging fiscal environment.”



NORZILAH MOHAMMED

President/Chief Executive Officer

In view of the anticipated challenging environment of 2016, MEXIM had moderated our expectations for the year, focusing on our mandate as a policy bank and catalyst to Malaysian cross-border business. Our business model and strategy remained aligned to the National Export Council's export agenda, the Government's Export aspirations and anticipated contribution to the Nation's Trade Balance.

Staying committed and responsive, we achieved a commendable year-on-year real growth of 7% for 2016. This was mostly driven by the enhancement of our business strategies that strongly support MEXIM's mandate to create economic value for the nation as a whole. The Bank's total asset of RM15.9 billion represented 1.42% of the nation's GDP. This was contributed by a robust loan disbursement of RM10.35 billion. With the positive progress of the increase in the Bank's total asset size, the Bank may achieve the target set at 3% against GDP by 2020.

In line with the Government's focus on strengthening business contribution by SMEs, MEXIM focused on increasing its engagement with SMEs. During the year, MEXIM surpassed the set target, recording a substantial percentage increase in SME clients compared to 2015. Currently, SMEs make up 63% of the Bank's clientele, with the rest comprising large corporations, foreign governments and foreign companies covering diverse sectors ranging from trading, manufacturing and infrastructure. Underlying these initiatives is our keen intent to attain a rating at least similar to Malaysia's sovereign rating at all times by continuously improving the overall asset quality and maintaining a well balanced portfolio mix to ensure the Bank can discharge its mandated role on a sustainable basis.



Read more on this in our Management Discussion & Analysis on page 32

MEXIM's focus on enhancing business strategies included initiatives to speed up provision of support; ensure adequate liquidity and preservation of capital; improve awareness of MEXIM amongst the domestic industry via a comprehensive marketing campaign and assist indirect exporters

to encourage development of linkage industries. Continuous efforts on these fronts have yielded better business operations as ascertained by the steadfast improvements made on key financial indicators over the last five years.

Key result areas showed overall improvements against the previous financial year's performance. Operating revenue increased by 4.2% to RM492.2 million and gross loan and financing was up 7.3% to RM13.11 billion as compared to the previous year. These numbers show MEXIM's support towards expanding Malaysian business capabilities in the overseas market, even amidst a challenging market environment.

However we remain mindful of uncertainties that continue to plague market sentiments, particularly in the oil and gas sector wherein MEXIM has prominent exposure. As a prudent measure, MEXIM has decided to make provisions for potential losses on our exposures in relation to this sector. The total provision made for this sector alone in 2016 was about RM380 million. This led to the loss in operating profit which we intend to address with better management of credit quality and by continuing to intensify our recovery operations in 2017.

While the details of the Bank's performance, strategies and outlook are presented under the Management Discussion and Analysis segment, I would like to touch on some core operational drivers that have helped elevate the Bank's profile, and its contribution to the national export agenda and the industry.

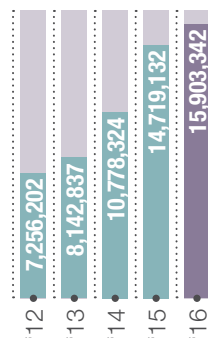
BUILDING STRATEGIC ALLIANCES

Efforts were made during the year to strengthen alliances with export credit agencies and multilateral bodies. MEXIM actively pursued alliances with international associations and multilateral organisations on business and corporate social responsibility fronts and has executed several agreements to further boost its business and market outlook.

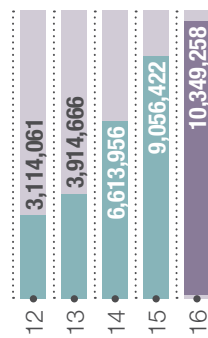


Read more on this in our Event Highlights on page 114

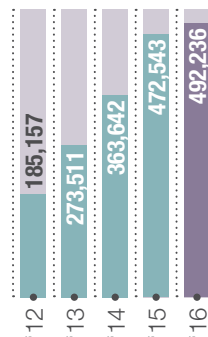
TOTAL ASSETS (RM'000)



TOTAL DISBURSEMENT (RM'000)



OPERATING REVENUE (RM'000)



MESSAGE FROM THE
PRESIDENT/CHIEF
EXECUTIVE OFFICER

To date, we are a member of the Berne Union, an international organisation for Export Credit Agencies; a member of Asian EXIM Banks Forum, an association of 10 EXIM Banks in Asia; as well as Aman Union and Association of Development Financing Institutions in Asia and the Pacific.

In promoting export, we work in collaboration with Malaysian government agencies including Ministry of International Trade and Industry (MITI), Malaysia External Trade Development Corporation (MATRADE), Malaysian Investment Development Authority (MIDA), Small And Medium Enterprise Corporation Malaysia (SMECorp), and Construction Industry Development Board Malaysia (CIDB).

ENSURING STRONG FUNDING AND LIQUIDITY

Taking advantage of conducive market conditions, MEXIM ventured into its third USD-denominated public offering issuance on 13 October 2016, following the successful inaugural senior USD Notes issuance in 2012 and senior USD Sukuk issuance in 2014. The proceeds from the offering are to be utilised for MEXIM's general banking and financing activities, working capital as well as other corporate purposes; ensuring adequate liquidity for the Bank's activities moving forward.

The USD500 million 5-year, senior unsecured notes offering followed a series of fixed income investor meetings in Asia and conference calls with European accounts from 10 October 2016 to 12 October 2016. At 120 basis points over U.S. Treasuries at a fixed coupon of 2.48%, the pricing for the landmark offering marks the lowest ever historical credit spread for MEXIM's publicly-offered USD Notes, the lowest coupon ever achieved by MEXIM as well as the lowest coupon achieved by a Malaysian issuer in 2016 for a similar tenor.

The Notes attracted interest from 79 accounts from a diverse group of investors comprising Asian investors who accounted for 88% of the total allocation, while Malaysian investors accounted for 8%, and the balance of 12% were allocated to investors from the Europe, the Middle East and Africa (EMEA) region. By investor type, the offering saw majority participation from fund managers (67%), banks (23%) and insurance companies (8%). The balance 2% were allocated to other investor classes.

To date, the transaction has received overwhelming support from investors. The tight pricing achieved by MEXIM, the level of subscription and diversification of investors in the offering is a testament of investors' confidence in MEXIM's strong credit

position and our unique role as Malaysia's only development financial institution dedicated to promoting the development of cross-border business ventures.

ENHANCING CROSS SELLING, BRANDING AND AWARENESS

We are also sustaining a campaign to capitalise on insurance, banking and advisory services to broaden MEXIM's reach to Malaysian exporters. During the year, the Bank engaged in advertising and promotional campaigns, and conducted seminars and workshops for Malaysian exporters. A fresh new brand identity was launched early in the year, covering the channels of press, online and below-the-line support materials to trigger stronger affinity with young entrepreneurs and build our identity as a modern and dynamic entity. This was a timely move in alignment with our focus on elevating service levels and targeting a wider segment of clients on the SME front.

ELEVATING SERVICE LEVELS

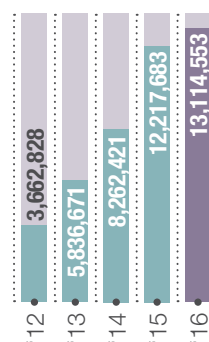
During the year, MEXIM placed greater focus on fulfilling our Clients Charter which guides us to serve our clients in a professional, efficient and ethical manner. This comprised a stronger focus on prompt response on any queries pertaining to our banking and credit insurance products and services. All correspondences, queries and feedback were provided timely acknowledgement. We also engaged in streamlining internal processes in order to facilitate client's completed applications and revert with the results within improved time-frames.



This Offshore Subsea Construction Vessel was financed under MEXIM's Overseas Investment Financing-i Facility.



TOTAL GROSS LOANS AND FINANCING ASSETS (RM'000)



In liaising with clients, we keep their vision, plans and customised needs in mind while offering financing and developmental advisory services to collaborate on business possibilities together as partners. In respect of our clients' privacy and security of information, we maintain the latest security standards to ensure total confidentiality of our client's accounts and information. Our qualified and experienced staff ensure our business methodologies comply with the standards set by our regulators to meet your financial needs.

These ongoing efforts are underscored by our focus on emerging reliable and quality financial products and services that make a difference in furthering the potential of Malaysian businesses.

ENGAGING IN CORPORATE SOCIAL RESPONSIBILITY

As a policy bank we are ever mindful of our responsibility to contribute back to society and serve the needs of our various stakeholders through meaningful contributions, sponsorships and by spearheading environmental causes. In 2016 we continued to embark on a holistic CSR journey, with focus on the pillars of Community, Workplace, Marketplace and Environment. A total of RM535,000 made up our CSR expenditure for the year. Moving forward, the Bank plans to continue devoting time and resources to 'spread the love' amongst Malaysian recipients within the designated four pillars.



Read more on this in Our Economic, Environmental & Social Journey on page 92

MOVING AS ONE

As we venture into 2017, prudent measures continue to be of vital importance to offset the provisions made to cover our business exposure in the oil and gas sector, and to remain resilient in the face of an uncertain economic climate. Greater focus will be devoted to intensifying recovery activities and enhancing credit quality through better management. With a new experienced management team on board to ensure all businesses and functions are directly represented, we are confident of better performance.

I wish to thank the Board, management and staff at MEXIM for their commitment and hard work that has resulted in another dynamic year of advancement for the Bank. I also take this opportunity to acknowledge the invaluable support and strength we receive from our shareholders, the Government of Malaysia, Bank Negara and other stakeholders. By moving as one, we have expanded frontiers and emerged new opportunities amidst a challenging fiscal landscape.

NORZILAH MOHAMMED

President/Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS



OVERVIEW OF MEXIM'S BUSINESS AND OPERATIONS

The Bank's legal and commercial name is Export-Import Bank of Malaysia Berhad (EXIM Bank or MEXIM), having its registered office at Level 16, EXIM Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia. The Bank was initially established as the "International Division" of Bank Industri and Teknologi Malaysia Berhad (BITMB) and was subsequently incorporated on 29 August 1995 as a government-owned Development Financial Institution (DFI) under the Companies Act, 1965 of Malaysia through it becoming a subsidiary of BITMB. As a DFI, the Bank is governed by the Development Financial Institution Act (DFIA). The Bank was subsequently spun off as an independent institution in 2005 to function as an independent DFI focused on export credit. On 30 December 2005, the Bank merged with Malaysia Export Credit Insurance Berhad, retaining the name Export-Import Bank of Malaysia Berhad.

As at 31 December 2016, the Bank had an authorised share capital of RM3,000,000,001 divided into 3,000,000,000 ordinary shares and 1 redeemable preference share of par

value RM1.00 each and an issued and paid-up share capital of RM2,708,665,284 comprising the following:

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

As at December 2016, there is one representative from MOF Inc. on the Bank's Board of Directors. Any appointment to the Board and of the Chief Executive Officer of the Bank is subject to the approval by MOF Inc.. The Bank's Board currently comprises the Chairman (who is also an independent non-executive director), seven other independent non-executive directors, one executive director, two non-independent non-executive directors (one being a representative from MOF Inc. and the other being a representative from MITI).

Business of the Bank

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

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

The facilities offered by the Bank fall into two principal categories: banking facilities and credit insurance facilities. The Bank offers both conventional and Islamic variations of these products. The contribution of the Bank's Islamic finance business to the Bank's overall business was 31.4% for the year ended 31 December 2015 and around 40% for the year ended 31 December 2016, in each case based on outstanding loan assets. The Bank intends to further strengthen its Islamic finance business going forward.

Banking facilities

The Bank offers a wide range of conventional and Islamic banking facilities. The conventional and Islamic banking facilities offered by the Bank are classified into three key categories: cross-border term financing, trade finance and guarantees.

- **Cross-border term financing**

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

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

As at 31 December 2016, the Bank's total loans outstanding relating to term financing (including both conventional and Islamic banking facilities) amounted to RM13.11 billion.

- **Trade finance**

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

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

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

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

As at 31 December 2016, the Bank's total loans outstanding relating to trade finance (including both conventional and Islamic facilities) amounted to RM2.8 billion.

- **Guarantees**

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

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

As at 31 December 2016, the Bank's total guarantees outstanding amounted to RM729.44 million.

Trade credit insurance and takaful facilities

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

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

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

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

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

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

As at 31 December 2016, the Bank's total exposure under short-term trade credit insurance and comprehensive takaful shipment amounted to RM0.8 billion.

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

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

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

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

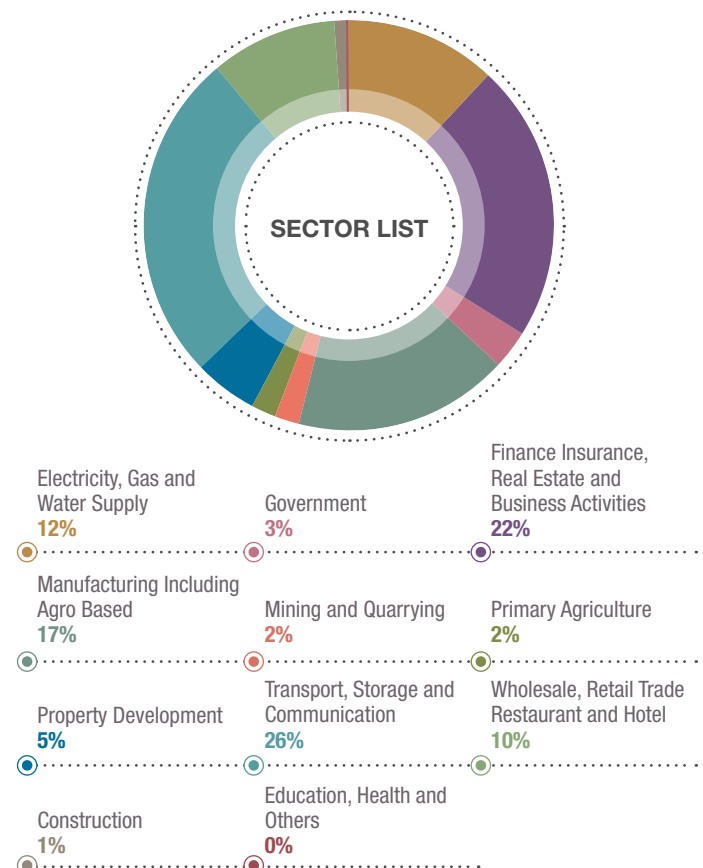
The Bank also offers bond risk insurance policies which cover the risk of any calling of surety bonds by principals or contract awarders of contractors who are required to provide surety bonds to their principals or contract awarders when undertaking overseas projects and overseas investment insurance. Such insurance policies cover unfair and fair calls by principals on surety bonds. In an unfair call, the principal is not entitled under the terms of the contract with the contractor to call on the surety bond as the contractor is not in material default of its obligations

under the contract or the contractor obtains a final and binding arbitration award against the buyer which was not subsequently honoured by the buyer. The principal may call on the surety bond in the event of political risks arising (such as the imposition of transfer restrictions, wars and civil disturbances) which renders the contractor unable to fulfil its obligations under the contract.

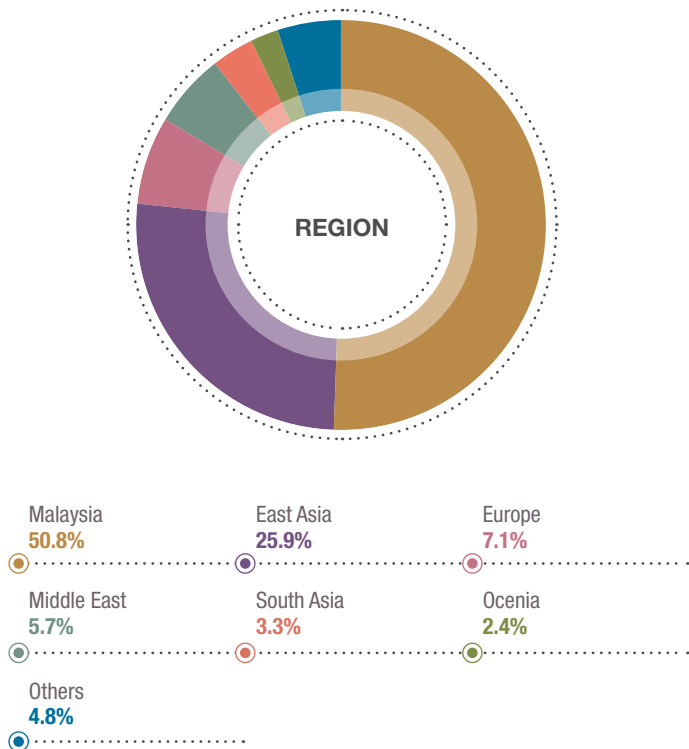
The Bank also offers specific takaful facilities to provide medium-term to long-term Shariah-compliant coverage to Malaysian contractors and manufacturers undertaking one-off contracts for export of capital goods, turnkey projects, construction works or rendering services abroad against commercial, economic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

As at 31 December 2016, the Bank's total exposure under medium-term to long-term trade credit insurance and takaful facilities amounted to RM0.6 billion.

Loan Exposure based on Sectors as at December 2016



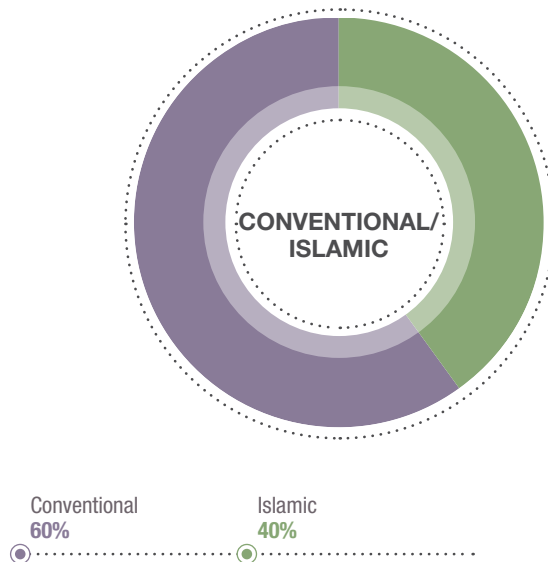
Loan Exposure based on Region as at December 2016



Trade and Non-Trade as at December 2016



Conventional and Islamic as at December 2016



OBJECTIVES AND STRATEGIES

Strategic Roadmap 2008 – 2020

The Bank aims to realise its vision of becoming a leading financial institution for Malaysian cross-border ventures through its 12-year Strategic Roadmap 2008-2020 (the “12-year Strategic Roadmap”), which it has been implementing through three phases: Phase 1 (2008-2010), Phase 2 (2011-2012) and Phase 3 (2013-2020).

Phase 1 (2008-2010)

In Phase 1 of the Bank’s 12-year Strategic Roadmap, the Bank implemented a “Corporate Improvement Programme” from 2008 to 2010 to position itself to successfully deliver on its mandate as a DFI and to be a leading financial institution for Malaysian cross-border ventures. The aim of the Corporate Improvement Programme was to restructure its operating structure and establish a platform for future growth. The implementation of the Corporate Improvement Programme placed the Bank in a better position to grow its business, strengthened its balance sheet and enabled the Bank to set a target for the year-on-year business growth rate of 10 - 15% from 2012 to 2015 of which the Bank had surpassed.

Phase 2 (2011-2012)

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

- **The Business Model**

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

Further to the introduction of the Business Model, the Bank saw an improvement in its business. The Bank's total assets grew from RM14.7 billion as at 31 December 2015 to RM15.9 billion as at 31 December 2016. Its loans and financing assets grew from RM12.2 billion as at 31 December 2015 to RM13.1 billion as at 31 December 2016. In 2016, the Bank recorded an increase in its total disbursement of RM10.35 billion as compared to RM9.1 billion in 2015. The Bank also recorded an increase in its operating revenue to RM492.2 million for the year ended 31 December 2016 from RM472.5 million for the year ended 31 December 2015.

Apart from improvement in the approval rate of loan applications, the Bank also saw an improvement in its asset quality. For the year ended 31 December 2016, 71% of newly approved financings were of a higher credit quality (i.e. rated between 1-4) in accordance with the Bank's internal credit ratings. The Bank has an internal credit rating of 1 to 9 with higher credit quality loans being awarded a rating between 1-4. Medium credit quality loans are rated between 5-6 and higher risk loans are rated between 7-9.

- **Targeted portfolio mix**

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

Phase 3 (2013-2020)

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

Following a comprehensive strategic review in 2015, the Bank has developed a strategy covering the period of 5 years from FY 2016 to FY 2020, which can be referred as "Strategy 2020" (see page 20). The Strategy 2020 was initiated in September 2015 and implemented in November 2015 during the Budget Review 2015 and Business Plan and Budget 2016. In developing the Strategy 2020, the Bank had conducted a detailed examination of its corporate mission and vision, strategic mandate and assessed our ability to serve our clients' future needs. This was done in the context of the macro economic outlook, global financial conditions and anticipated regulatory changes.

Based on this analysis, the Bank made its intention clear in keeping its global footprint to focus on geographic reach, maintaining cross-border banking and insurance products while tightening certain areas, maintaining holistic client coverage, targeting profitable client relationships and focusing on small SMEs. These strategies are aimed to make the Bank more efficient, by managing its risks better and being adequately capitalised. This will enable the Bank to assist in financing the export of Malaysian goods and services to international markets, including SMEs to create broad benefits for the economy and contribute to a stronger national economy.

With the current economic situation, the Bank's earnings and assets quality may be impacted. Nevertheless, we foresee that the Bank will remain resilient due to its strong capital and liquidity buffer. The Bank has the capacity to weather adverse economic and market developments without disruptions to the Bank's mandate.

KEY PERFORMANCE INDICATORS FOR 2016

**TOTAL BANKING DISBURSEMENT
RM10.35 BILLION**

2015: RM9.06 billion
2017 Target: RM9.10 billion

In FY2016, the Bank achieved net loan growth of 9.0%. This was contributed by a loan composition of 76% Trade and 24% Non-Trade. Out of the total loans, 60% were Conventional with Islamic loans coming in stronger at 40%.

The growth was attributed to higher disbursement of 81.7% coming from the Trade accounts in tandem with the higher Trade loan composition as compared to 60.4% only in FY2015. The high numbers from Trade is also supported by higher Malaysia's trade registered in 2016 of RM1.485 trillion as compared to RM1.463 trillion in 2015. Major contributors are from expansion of the manufactured and agricultural exports by 3.2% and 4.7% respectively. Rising exports to ASEAN by 5.4% also contributed to the growth with significant growth to Singapore, CLMV (Cambodia, Laos, Myanmar and Vietnam) countries and the Philippines.

**BUILDING INSURANCE BUSINESS
Face Value RM4.32 BILLION**

2015: RM4.04 billion
2017 Target: RM4.80 billion

In FY2016, the Bank's insurance business was boosted by 153% as evidenced by the Gross Premium of RM28.73 million, more than doubling the RM10.04 million recorded in FY2015.

The insurance composition saw Medium Long-Term (MLT) coverage surpassing that of Short-Term (ST) at RM17.74 million compared to RM10.99 million.

Takaful saw a surge in line with growing demand in Islamic financial services. Takaful at RM15.80 million overtook Conventional Insurance which recorded RM12.93 million.

Sixty new policies were approved during the year, an increase from the 40 new policies approved in FY2015.

**GROW BUSINESS STRATEGICALLY AND ENHANCE
BUSINESS STRATEGIES TO SMES**

Financial Support to SMEs **RM3.13 BILLION**

2016 Target: RM1.2 billion
2017 Target: RM1.2 billion

During the year, greater mass marketing efforts were channelled towards the SME market as MEXIM participated in seminars and exhibitions with government agencies such as MATRADE, MITI, TERAJU, SAME as well as business associations such as MEXPA, MPOB and MPOC. These helped drive revenue growth of 4.17% in FY2016 as guided by Strategy 2020.

MEXIM continues to pursue its corporate objectives and agenda by 2020, whilst concurrently implementing high-level strategies. MEXIM aspires to build its business in a sustainable manner, within its risk appetite statement, which aims to balance the performance of the Bank's mandated role within proper prudential limits.

Since MEXIM embarked on the SME Strategy in 2016, MEXIM has been providing significant support amounting to RM3,128 million for SMEs through both financing and credit insurance with face value coverage worth of RM887.46 million and RM2.24 million respectively. As part of the Strategy 2020, MEXIM will continue the aspiration for the SMEs in 2017 and maintain its developmental role as the mandated DFI in supporting Malaysian exporters by making available RM200.0 million for new financing and new credit insurance face value coverage of up to RM1.0 billion.

The Bank is also planning to introduce the EXIM Express programme, a new initiative targeted to support the financing needs of qualified export-ready SMEs through faster business turnaround from initiation stage to disbursement.

**NO. OF SME COMPANIES**

230 SME Customers (63% of Bank's total customers)
 2016 Target: 200 Customers
 2017 Target: 240 SME Customers (70% of Bank's total customers)

In FY2016, the Bank has assisted 230 new SME companies which surpassed the strategic initiative target set of 100 new SME companies set for the same year with a total combined approved financing amount of RM887.46 million and insurance face value of RM2.24 billion.

The nation export agenda will remain as the Bank's utmost priority. The key export areas for SMEs are not limited to Manufacturing, Technology, Communications, ICT and Services. Furthermore, the establishments of NEC will intensify the Bank's role as a catalyst to boost the nation's cross-border business ventures. The Bank will continue to assist the Malaysian exporters by coordinating the financing needs that may not be filled by the Malaysian business banks.

During the 2016 budget announcement, the Small Medium Enterprise (SMEs) masterplan outlined that the SMEs business will be strengthened to contribute 41% of the nation's GDP by 2020. This shows that the Government is serious on focusing to strengthen the economic growth via SMEs. Arising from this aspiration, MEXIM continues to build quality assets from SMEs. The Bank has identified current borrowers with acceptable track records and further promotions are done to pursue to these SMEs marketing segment. The Bank will continue its effort in collaborating and cooperating with the relevant stakeholders that have the same objective of developing SMEs.

**BUILDING ISLAMIC FINANCE BUSINESS**

40% of total portfolio
 2015: 39% of total portfolio
 2017 Target: 50% of total portfolio

Islamic finance has grown tremendously since it first emerged in the 1970's. The enactment of the Islamic Banking Act 1983 enabled the country's first Islamic Bank to be established and thereafter, with the liberalisation of the Islamic financial system, more Islamic financial institutions have been established

Malaysia's long track record of building a successful domestic Islamic financial industry of over 30 years gives the country a solid foundation – a financial bedrock of stability that adds to the richness, diversity and maturity of the financial system. Presently, Malaysia's Islamic banking assets reached USD65.6 billion with an average growth rate of 18-20% annually.

Islamic finance has grown tremendously since it first emerged in the 1970's. The enactment of the Islamic Banking Act 1983 enabled the country's first Islamic Bank to be established and thereafter, with the liberalisation of the Islamic financial system, more Islamic financial institutions have been established

In line with this growth, MEXIM is also joining the band wagon and we are proud to share that approximately 40% of our loan exposure as at FY2016 are Islamic. Most of our Conventional products have mirror Islamic products to support this initiative and keeping the option open to our customers.

KEY RISK CONSIDERATIONS

Exports play an important role in driving Malaysia's economic growth, as demonstrated by the consistently high percentage of exports against the gross domestic product for the economy over the past decade. The Ministry of International Trade and Industry, Malaysia (MITI) announced in June 2016 that Malaysia exports grew to RM780 billion in 2015, an increase of 1.9% as compared to the previous year. MEXIM is expected to play an important role in the "Eleventh Malaysia Plan 2016 – 2020" through its central role in promoting exports, nonetheless, global or regional developments may expose material adverse impact on the Bank's sustainability:-

- Malaysia's economy is influenced by the global economic and market conditions, including, but not limited to, the conditions in the United States, the People's Republic of China (the "PRC"), Europe, Japan and in certain emerging market countries. The global financial, credit and currency markets have, since the second half of 2008, experienced sporadic and substantial dislocations, liquidity disruptions and market corrections. While there have been signs of economic recovery in the United States, it remains susceptible to global events and volatility. Fiscal and monetary actions of the United States can also impact not only the United States but global markets and economies.
- Economic and fiscal situations of several European countries remain fragile and the geopolitical tensions in Europe have contributed to continuing global uncertainty. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to the single E.U. market. Brexit could adversely affect Europe or worldwide economic or market conditions and could contribute to instability in global financial and foreign exchange markets. In addition, Brexit could lead to legal and regulatory uncertainty and new national laws and regulations as the United Kingdom determines which E.U. laws to replace or replicate. Any of these effects of Brexit, and others which cannot be anticipated, could adversely affect the business, results of operations, financial condition and prospects of the Bank.
- There is continued volatility in the international financial and commodity markets. The pressure on emerging market currencies, including the Ringgit, have been exacerbated further by a decline in commodity prices, led by crude oil, as many emerging market economies are net exporters of commodities. Among the more affected currencies in 2014 and 2015, coinciding with the plunge in commodity prices,

were those of commodity-exporting economies such as the Canadian Dollar, Australian Dollar, Brazilian Real, Russian Ruble, Indonesian Rupiah and the Ringgit.

- Adverse changes in Japan's economy in relation to its domestic demand, the Japanese Yen exchange rates and foreign direct investments also have the potential to affect Asian economies that have a significant exposure to Japan's domestic market and outbound investment.
- A slowdown in China's economic growth may depress prices and trade in a number of commodity sectors and a prolonged slowdown could have wider economic repercussions. The Bank's largest geographic exposures are to Asia, which together accounts for 81.8% of its combined on and off-balance sheet credit exposure as at October 2016. The health of Asia's economy is heavily dependent on international trade, investment and global economic factors. A slowdown in the growth rate or a contraction in their economies could result in lower demand for credit and other financial products and services and higher defaults among borrowers, which could be detrimental to the Bank's business, results of operations, financial condition and prospects.

Given these economic circumstances, the Bank has been focusing on business partners in countries which the Bank is more familiar with while maintaining geographic diversification in a bid to reduce the impact of certain economic factors, including a downturn.

The Bank also seeks to manage this risk by setting concentration limits (by country and industry sector) and regularly reviews the suitability of the Bank's risk policies and controls.

However, there is no assurance that such economic problems will not persist causing financial instability which could affect the Bank's business, financial condition, results of operations, prospects and ultimately the ability of the Bank to sustain its central role in promoting Malaysia exports.

Moving forward, in view of these considerations, the following goals have been set for the year ahead.

KEY GOALS MOVING AHEAD

**Maintain ideal portfolio mix
(Business orientation) 70%
of SME**

Impact: Ideal portfolio mix for the Bank to serve mandate, growth and sustainability.

Action Plans: To serve its developmental role, the Bank aims to establish 70% of its customers as SME borrowers and the remaining 30% of LAF to focus on medium to large corporation i.e. GLCs & PLCs.

**Build high quality asset, at
least 60% of loan portfolio
classified as low risk/high
quality asset**

Impact: Maintaining the Bank's risk profile of good quality assets as part of the Bank's effort to reduce its level of impaired assets, to make sure that the overall quality of loan portfolio will not deteriorate in the future.

Action Plans: The Bank aims to tighten our financing perimeter within allow credit rating (≤ 4 , A&B) which indicates strong asset quality coupled with the right choice of sector and industry, prudential limits and to be stand guided by RAS and GARD.

**Continue to improve and
strengthen the Bank risk
management policies and
procedures. RAS**

Impact: The approach includes minimising undue concentrations of exposure, limiting potential losses from stress events initiatives, focusing particularly on preserving levels of liquidity & capital, and effectively managing the risk portfolios.

Action Plans: The Bank will focus on sustainable business in line with its risk appetite statement.

**Talent management –
Achieve 353 manpower
strength**

Impact: 353 manpower strength across the Bank, supported by RM1.7 million in training programmes to prepare employees appropriately.

Action Plans: The human capital strategies for talent management is based on the four "Right" principles namely as recruit, develop, perform and retain the employees.

**Technology enhancement
& improvement of current
Core System at RM11.8
million**

Impact: The business process and turnaround time will improve; all system data will be integrated and centralised for business analytics and knowledge management moving forward.

Action Plans: The Bank plans to spend approximately RM11.8 million to enhance IT in 2017.

**Business process
improvement to assist
SMEs at RM1.2 billion**

Impact: Financial and insurance coverage support to SMEs of up to RM1.2 billion as stipulated under the Malaysian National Budget 2017.

Action Plans: The aim is to support the growth and development of SME exporters towards the new financing of RM200 million; and credit insurance face value coverage of up to RM1.0 billion.

**The catalyst in Malaysia's
export development.
1.59% of GDP**

Impact: Contributes about 1.5% to the National GDP through export development.

Action Plans: The Bank is fully aligned with the Government's aspiration on the 2.7% export growth (trade balance) which estimates the Bank's growth rate range between 10% to 15% in 2017.

Sustain Growth at 11%

Impact: LAF asset growth by 11%, taking into account the net disbursement of RM1.96 billion. Subsequently, we forecast the LAF asset to be around 14.19 billion (Forecast FYE16: RM12.95 billion).

Action Plans: The Bank will support the aspiration of the National Export Council on trade business and is fully aligned with the Government's 2017 export projections of 11% growth for 2017. The Bank aims to contribute 15% of the Nation's Trade Balance.

Strengths

The Bank's key strengths include the following:

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

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

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

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

The Bank continues to increase its asset diversification towards low risk counterparties through active marketing strategies which have contributed to its strong capital position and turnaround in asset quality.

The Bank aims to continuously improve the overall asset quality and maintain a well-balanced portfolio mix to ensure it is able to discharge its mandated role on a sustainable basis. The Bank targets low risk borrowers and aims to achieve a portfolio mix comprising at least 30.0% of low risk borrowers. These low risk borrowers contribute approximately 60.0% of the Bank's outstanding loan assets. A loan disbursement mix of 40:60 with regard to trade to non-trade assets ensures business sustainability and sufficient liquidity without relying on further capital injections from the Government.

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

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

The directors of the Bank have significant relevant experience in their respective fields of expertise and have a mandate to develop a sustainable business model for the Bank. As of 1 October 2015, Datuk Mat Noor bin Nawi became the new Chairman and Non-executive Director of the Board. There are currently 11 Board members, including the Chairman. The Board is complemented by an experienced management team which contributes to the growth of the business of the Bank.

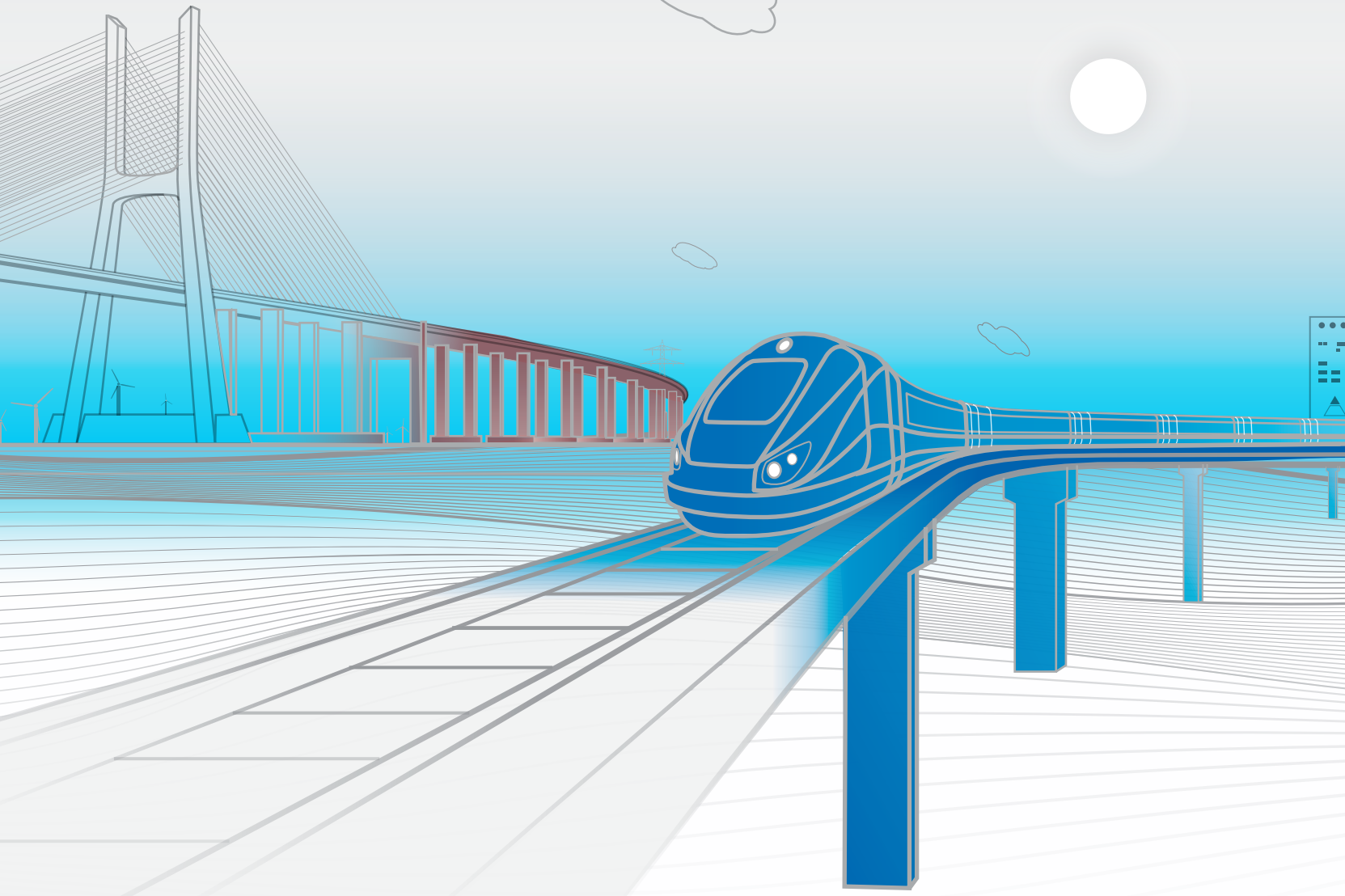
- **The Bank's established systems and prudent risk management**

Risk management is a critical part of the Bank's operating model. The Bank's established and prudent risk management approach forms an integral part of the Bank's management and decision-making process at all levels. The Bank maintains geographic diversification in terms of its credit portfolio and sets concentration limits (by country and industry sector). The Bank also constantly monitors its portfolio to identify and manage concentration risk and regularly reviews the suitability of its risk policies and controls. The Bank conducts stress testing on its credit portfolio to identify possible events or future changes in economic conditions that could affect its credit exposures and assesses its ability to withstand such changes. Further, for prudent risk mitigation, the Bank sets maximum limits for buyer credit limits and client facility limits.

- **The Bank's broad spectrum of conventional and Islamic financing products**

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

Expanding Frontiers[®]





...IN BUILDING OUR NATION'S REPUTE

in 2016, MEXIM facilitated the entry of Malaysian companies into Asia, Europe, Middle East, Oceania, Africa and Americas. While this expands presence for their businesses, it also grows a stronger Malaysian brand globally.



BOARD OF DIRECTORS



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- 01 **Datuk Mat Noor Nawawi** • Chairman
02 **Norzilah Mohammed** • President/Chief Executive Officer
03 **Dato' Rosli Mohamed Nor** • Director

- 04 **Dato' Sri Dr. Mohd Isa Hussain** • Director
05 **Dato' Agil Natt** • Director
06 **Ismail Mahbob** • Director



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07 **Datuk Wong Seng Foo** • Director

08 **Nik Najib Husain** • Director

09 **YM Tunku Afwida Tunku A. Malek** • Director

10 **Mohammad Fadzlan Abdul Samad** • Director

11 **Datuk Syed Ahmad Helmy Syed Ahmad** • Director

DIRECTORS' PROFILES



DATUK MAT NOOR NAWI

Chairman

Nationality:	Malaysian
Date of Appointment:	1 October 2015
Board Committee(s):	Board Credit Committee
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • Master of Science (Policy Economics) from University of Illinois Urbana-Champaign USA • Bachelor of Science (Resource Economics) from Universiti Putra Malaysia, Malaysia
Present Directorship(s):	<ul style="list-style-type: none"> • Carrier International Sdn Bhd (Chairman) • Konsortium Bas Ekspres Semenanjung Berhad (Chairman) • Universiti Tun Hussein Onn Malaysia • Felcra Training & Consultancy Sdn Bhd • Institut Penyelidikan Perhutanan Malaysia (FRIM)
Present Appointment(s):	None
Past Appointment(s):	<ul style="list-style-type: none"> • 1981 – Agriculture Economist with the Federal Agricultural Marketing Authority • 1983 – Assistant Director in the Economic Planning Unit's (EPU) Distribution Section • Deputy Director I of EPU

- Deputy Secretary General (Systems & Controls) of the Ministry of Finance (MOF)
- Deputy Secretary General (Policy) of the MOF

Government Assignments:

- 1989 / 2000 – First and second National Economic Consultative Council Secretariat (NECC)
- 1995 / 2003 – Secretaries to the preparation of the Seventh and Eighth Malaysia Plans
- 2014 / 2015 Secretariat to the preparation of the Economic Report in 2014 and 2015

Recipient of the Panglima Jasa Negara and many other state and federal medals and awards in recognition of his outstanding service in the public sector

Past Directorship(s):

- Pengurusan Aset Air Berhad
- Bintulu Port Holdings Berhad
- PR1MA Berhad
- Bank Kerjasama Rakyat Malaysia Berhad
- Kumpulan Wang Simpanan Pekerja
- Suruhanjaya Sekuriti
- Telekom Malaysia Berhad

**NORZILAH MOHAMMED**

President/Chief Executive Officer

Nationality:	Malaysian
Date of Appointment:	8 March 2016
Board Committee(s):	Board Credit Committee, Nomination Committee, Remuneration Committee, Board Risk Committee, Board Audit Committee and Shariah Committee
Academic / Professional Qualification(s):	Bachelors of Science in Business Administration majoring in Accounting, California State University, Sacramento, United States
Present Directorship(s):	<ul style="list-style-type: none"> • Malaysia External Trade Development Corporation (MATRADE) • Lembaga Pinjaman Perumahan Suruhanjaya Awam (LPPSA) • Malaysia Export Credit Insurance Berhad (MECIB) • Morning Glory Sdn. Bhd. • MASCEANA Sdn. Bhd.
Present Appointment(s):	<ul style="list-style-type: none"> • Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) • Asian EXIM Banks Forum (AEBF) • Association of Development Financial Institution of Malaysia (ADFIM) • Mawaddah Committee for Islamic Corporate Social responsibility (Chairman)

	Working Groups: <ul style="list-style-type: none"> • International Working Group (IWG) for Export Credit Agency (ECA) under The Organisation for Economic Co-operation and Development (OECD) • Kumpulan Fokus Sektor Pembinaan, Majlis Eksport Negara, Jabatan Perdana Menteri • Construction Industry Transformation Program (CITP) <ul style="list-style-type: none"> i. Initiative Working Group on Export of Construction Services ii. Trust Working Group on Internationalisation
Past Appointment(s):	<ul style="list-style-type: none"> • Head of Recovery Team, MEXIM • Chief Credit Officer, MEXIM • Chief Risk Officer, MEXIM • Chief Operations Officer, MEXIM
Past Directorship(s):	<ul style="list-style-type: none"> • Pengkalan Megaria Sdn. Bhd. <p>* The company has been dissolved in September 2016</p>

**DATO' ROSLI MOHAMED NOR**

Independent Non-Executive Director

Nationality:	Malaysian
Date of Appointment:	2 September 2009
Board Committee(s):	<ul style="list-style-type: none"> • Board Credit Committee • Board Risk Committee • Nomination Committee • Remuneration Committee
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • Bachelor of Science in Civil Engineering from Brighton University, UK • Attended a Finance Course at Harvard Business School in the United States
Present Directorship(s):	<ul style="list-style-type: none"> • ADS Projek Sdn. Bhd. • Guomara Sdn. Bhd. • KMK Plus Sdn. Bhd. • KMK Ventures Sdn. Bhd. • Econpile Holdings Bhd.
Present Appointment(s):	<ul style="list-style-type: none"> • Business Development Director of TRC Infra Sdn. Bhd.

Past Appointment(s):	<ul style="list-style-type: none"> • 1982 – Design Engineer with Engineering and Environmental Consultants Sdn. Bhd. • 1988 – Senior Manager with United Engineers (M) Bhd. • 1992 – Founder & Managing Director of Benar Antara Sdn. Bhd, a PKK Class A Contractor • 2002 – Established KMK Plus Sdn. Bhd. (construction), KMK Ventures Sdn. Bhd. (iron ore mining), and Guomara Sdn. Bhd. (coal trader)
Past Directorship(s):	None

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

Non-Independent Non-Executive Director

Nationality:	Malaysian
Date of Appointment:	3 May 2011
Board Committee(s):	<ul style="list-style-type: none"> • Board Credit Committee • Nomination Committee • Remuneration Committee
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • PhD in Finance from University Putra Malaysia • MBA in Finance from University Kebangsaan Malaysia • Bachelor of Economics (Honours) (Applied Statistics) from University of Malaya • Post-graduate Diploma in Public Management from National Institute of Public Administration (INTAN)
Present Directorship(s)	Malaysian Airports Holding Bhd., Telekom Malaysia., Pos Malaysia, Destini Berhad, Felcra Bhd., Pelaburan Hartanah Bhd., Integrated Nautical Resort Sdn. Bhd., Garuda Suci Sdn. Bhd., Mass Rapid Transit Corporation Sdn. Bhd., MyHSR Corporation Sdn. Bhd., Lembaga Pembangunan Langkawi (LADA), Perbadanan Kemajuan Negeri Pahang (PKNP), Lembaga Tabung Angkatan Tentera (LTAT), Suruhanjaya Sekuriti (SC), Dana Pembangunan Pasaran Modal (CMDP) and Malaysian Venture Capital Development Council (MVCDC)

Present Appointment(s):	Deputy Secretary General (Investment) in the Ministry of Finance
Past Appointment(s):	<ul style="list-style-type: none"> • 1983 – Assistant Director in the Prime Minister's Department • 1985 – Assistant Director at the Pahang State Economic Planning Unit of Pahang • 1990 – Assistant Secretary in the Government Procurement Division, Ministry of Finance (MoF) • 1996 – Senior Assistant Director of the Budget Management Division, MoF • 2004 – Deputy Under Secretary of Investment, MoF (Inc.) and Privatisation Division • 2008 – Deputy Secretary General (Operation), Ministry of Transport Malaysia • 2009 – Interim Head of the Public Land Transportation Commission (SPAD) • 2010 – Deputy Under Secretary of Government Investment Companies division of MoF • 2015 – Under Secretary of Government Investment Companies division of MoF
Past Directorship(s):	None

DIRECTORS'
PROFILES**NIK NAJIB HUSAIN**

Independent Non-Executive Director
(Term end w.e.f. 19 June 2017)

Nationality:	Malaysian
Date of Appointment:	20 June 2011
Board Committee(s):	<ul style="list-style-type: none"> • Board Credit Committee • Board Audit Committee • Nomination Committee • Remuneration Committee
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • Masters in Public Administration from University of Wisconsin-Madison, USA • B. A. Econs. (Hons) from University of Malaya
Present Directorship(s):	None
Present Appointment(s):	None

Past Appointment(s):	<ul style="list-style-type: none"> • 1973 – Served in the Economic and Finance Divisions in the MoF • 1990 – Malayan Banking Berhad (Maybank) in its Corporate Banking and International Banking Departments • 1999 – Trade Finance and Promotion Department (TFPD) of the Jeddah-based Islamic Development Bank (IDB). Later appointed as Advisor to the CEO, International Islamic Trade Finance Corporation (ITFC), a subsidiary of the IDB Group
Past Directorship(s):	None

**DATO' AGIL NATT**

Independent Non-Executive Director

Nationality:	Malaysian
Date of Appointment:	2 February 2012
Board Committee(s):	<ul style="list-style-type: none"> • Board Risk Committee (Chairman) • Board Credit Committee • Board Audit Committee
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • Master of Science in Finance degree from Cass Business School, City, University of London • Bachelor of Science in Economics (Honours) degree from Brunel University, London • Advanced Management Program, Harvard Business School in the United States
Present Directorship(s):	<ul style="list-style-type: none"> • Sumitomo Mitsui Banking Corporation Malaysia Berhad (Chairman) • Credit Guarantee Corporation Malaysia Berhad (Chairman) • Manulife Insurance Berhad (Chairman) • Manulife Asset Management Services Berhad (Chairman) • Cagamas Berhad • Sogo (KL) Department Store Sdn. Bhd. and Sogo (KL) Sdn. Bhd. • Sits on the Board of Trustees of Yayasan Tun Abdul Razak

Present Appointment(s):	None
Past Appointment(s):	<ul style="list-style-type: none"> • 1977 – Corporate Finance Manager with Bumiputra Merchant Bankers Berhad • 1982 – Island & Peninsular Bhd as Senior General Manager (Finance) • 1990 – Regional Chief Representative, Kleinwort Benson Ltd. • 1995 – Senior General Manager, Corporate Banking in Maybank • 2000 – Chief Executive Officer and Managing Director of Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad) • 2004 – Executive Director/Deputy President of Maybank • 2006 – President and Chief Executive Officer of the International Centre for Education in Islamic Finance (INCEIF), The Global University of Islamic Finance
Past Directorship(s):	None

DIRECTORS'
PROFILES**ISMAIL MAHBOB**

Independent Non-Executive Director

Nationality:	Malaysian
Date of Appointment:	10 August 2012
Board Committee(s):	<ul style="list-style-type: none"> • Nomination Committee (Chairman) • Board Credit Committee • Board Risk Committee • Remuneration Committee
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • Diploma in Marketing, Chartered Institute of Marketing, UK • Associate Chartered Institute of Islamic Finance Professionals (CIIF) Malaysia • Adjunct Fellow of College of Business, University Utara Malaysia
Present Directorship(s):	<ul style="list-style-type: none"> • Saudi Reinsurance Company (Saudi Arabia) • Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
Present Appointment(s):	None

Past Appointment(s):	<ul style="list-style-type: none"> • 1977 – Branch Manager at Magnet Insurance Brokers, Kota Kinabalu • 1979 – Branch Manager with Progressive Insurance Sdn Bhd, Kota Kinabalu • 1988 – Assistant General Manager at American Malaysian Insurance Sdn Bhd • 1990 – Head of Non-Energy Section, Malene CSB Insurance Brokers Sdn Bhd • 1997 – Senior Vice President at Labuan Reinsurance (L) Ltd • 2007 – President/Chief Executive Officer of MNRB Retakaful Berhad
Industry Participation:	Contributed to the production of a book on Takaful and Mutual Insurance produced by The World Bank
Past Directorship(s):	None

**DATUK WONG SENG FOO**

Non-Independent Non-Executive Director
(Retired w.e.f. 4 July 2017)

Nationality:	Malaysian
Date of Appointment:	23 October 2012
Board Committee(s):	<ul style="list-style-type: none"> • Board Credit Committee • Board Risk Committee • Board Audit Committee
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • Master of Business Administration (MBA) from Henley Management College/ Brunel University, United Kingdom • BA (Honours) in Geography from University of Malaya • Diploma in Marketing from Chartered Institute of Marketing (UK)
Present Directorship(s):	None
Present Appointment(s):	Senior Director, Multilateral Trade Policy and Negotiations Division, Ministry of International Trade and Industry (MITI)

Past Appointment(s):	<ul style="list-style-type: none"> • 1983 – Assistant Director in the ASEAN Economic Cooperation Unit of the International Trade Division • 1989 – Assistant Director, Industrial Development Division, MITI • 1992 – Principal Assistant Director of Multilateral Trade Relations Division, MITI • 2001 – Minister-Counselor (Economic) attached to the Embassy of Malaysia in Washington D.C., USA • 2006 – Director of Investment and Industrial Strategy, MITI • 2007 – Head of FTA Policy and Negotiations Coordination Division, MITI • 2009 – Senior Director, Economics and Trade Relations, MITI
Past Directorship(s):	None

**YM TUNKU AFWIDA TUNKU A. MALEK**

Independent Non-Executive Director

Nationality:	Malaysian
Date of Appointment:	15 August 2014
Board Committee(s):	<ul style="list-style-type: none"> • Board Audit Committee (Chairman) • Board Credit Committee • Board Risk Committee
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • Bachelor in Science (Hons.) in Economics and Accounting from City, University of London • Chartered Accountant from The Institute of Chartered Accountants in England and Wales
Present Directorship(s):	<ul style="list-style-type: none"> • Asia Equity Research Sdn. Bhd. • Gamuda Berhad • Telekom Malaysia Berhad • i-VCAP Management Sdn. Bhd. • Lafarge Malaysia Berhad • Benih Semaian Sdn. Bhd.
Present Appointment(s):	None

Past Appointment(s):	<ul style="list-style-type: none"> • 1995 – Executive Director/Chief Investment Officer of Commerce Asset Fund Managers Sdn. Bhd. • 2003 – Chief Executive Officer and Executive Director of MIMB Investment Bank Berhad • 2006 – Chief Executive Officer and Executive Director of Kenanga Investment Bank Berhad
Past Directorship(s):	None

**MOHAMMAD FADZLAN ABDUL SAMAD**

Independent Non-Executive Director

Nationality:	Malaysian
Date of Appointment:	29 April 2015
Board Committee(s):	<ul style="list-style-type: none"> • Remuneration Committee (Chairman) • Board Credit Committee • Board Risk Committee • Nomination Committee
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • Bachelor of Science in Biochemistry & Biology from Universiti Malaya • Certificate in International Management from INSEAD
Present Directorship(s):	<ul style="list-style-type: none"> • Rekrea Corp Sdn. Bhd. (Chairman) • Citra Zaman Café Sdn. Bhd. • Coffee Planet (KLCC) Sdn. Bhd.
Present Appointment(s):	Managing Director and master franchisee of Coffee Planet Malaysia Sdn Bhd
Past Appointment(s):	<ul style="list-style-type: none"> • 2003 – Managing Director/Chief Executive Officer of Asean Bintulu Fertiliser Sdn Bhd • 2006 – Managing Director/Chief Executive Officer of PETRONAS Trading Corporation Sdn Bhd • 2007 – Senior General Manager/ Retail Business Division, PETRONAS Dagangan Berhad

Past Directorship(s):

- PETRONAS Penapisan (Terengganu) Sdn Bhd
- PETRONAS Trading Corp Sdn. Bhd (PETCO)
- Thang Long LPG Co Ltd (a joint venture between PETRONAS and Petro Vietnam)



**DATUK SYED AHMAD HELMY
SYED AHMAD**

Independent Non-Executive Director

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

SHARIAH COMMITTEE

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- 01 **Dr. Zaharuddin Abd. Rahman** • Chairman
- 02 **Assoc. Prof. Dr. Suhaimi Ab Rahman** • Committee Member
- 03 **Assoc. Prof. Dr. Zulkifli Hasan** • Committee Member
- 04 **Assoc. Prof. Dr. Sharifah Faigah Syed Alwi** • Committee Member
- 05 **Assoc. Prof. Dr. Mek Wok Mahmud** • Committee Member
- 06 **Zulkipli Yunos** • Committee Secretariat

SHARIAH COMMITTEE PROFILE



DR. ZAHARUDDIN ABD RAHMAN

Chairman

Nationality:	Malaysian
Date of Appointment:	2 April 2013 (as member) 13 July 2016 (as Chairman)
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • PhD in Shariah and Islamic Finance from the University of Wales, United Kingdom • Master in Shariah (Hons) from Al-Yarmouk University, Jordan • Bachelor of Arts (Hons) in Usuluddin from University of Malaya
Present Appointment(s):	<ul style="list-style-type: none"> • Assistant Professor at the Kuliyyah of Economics & Management Sciences, International Islamic University, Malaysia • Shariah Committee for BNP Paribas Malaysia Berhad (Chairman) • Shariah Advisor, Employee Provident Fund Islamic, Malaysia • Shariah Advisor, ACR ReTakaful Berhad, Malaysia • Member, Shariah Committee, Perbadanan Usahawan Nasional Berhad (PUNB)
Past Appointment(s):	<ul style="list-style-type: none"> • Shariah Expert & Consultant of Bank Negara Malaysia • Shariah Expert, Panel Member, Jabatan Kemajuan Islam Malaysia (JAKIM) • Shariah Advisor, Al-Rajhi Bank Berhad

	<ul style="list-style-type: none"> • Board of Management member, Institute of Islamic Banking and Finance (IIBF), IIUM • Shariah Consultant, UEM Land Berhad • Shariah Counsel, Siraj Capital Ltd, Jeddah
Expertise & Experience:	<ul style="list-style-type: none"> • Written numerous books and articles on Islamic Jurisprudence and Islamic Banking published in local and international media and Shariah journals • Features on local television and radio articulating on various Shariah issues especially with regard to Islamic commercial transactions • Has vast experience in Internationally accepted Islamic Banking and finance products and pioneered some of the Islamic Financing and Capital Market products in previous Banks such as :- <ol style="list-style-type: none"> 1. Three Party Murabahah (Murabahah Lil Ameer Bishiraa) 2. Istisna ending with Ijarah 3. Sukuk Mudarabah and Musyarakah structure • Very experienced in conducting academic researches in Islamic Banking & Finance and Fiqh contemporary issues



ASSOC. PROF. DR. SUHAIMI AB RAHMAN
Committee Member

Nationality:	Malaysian
Date of Appointment:	16 September 2011
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • PhD in Law from the University of Wales, Aberystwyth, United Kingdom • Masters in Comparative Law from the International Islamic University, Malaysia • Degree in Shariah from Al-Azhar University, Egypt
Present Appointment(s):	<ul style="list-style-type: none"> • Associate Professor at the Faculty of Economics and Management Universiti Putra Malaysia (UPM) • Head of the Department of Management and Marketing, Faculty of Economics and Management, UPM • Shariah Council member of the QSR Brands Sdn. Bhd. • Shariah Committee member of OCBC AL-Amin Bank Berhad • Shariah Committee member of Great Eastern Takaful Berhad
Past Appointment(s):	<ul style="list-style-type: none"> • Shariah Committee, Koperasi UPM Berhad • Shariah Committee member of Dana Wakaf Ilmu, UPM

Expertise & Experience:

- Consultant for SIRIM, Department of Standards Malaysia, Halal Development Corporation (HDC), JAKIM and National Fatwa Councils in developing national Halal policies and standards
- Moderated several seminars in Halal and Shariah compliant transactions throughout the country
- Published books and various articles in academic and professional journals

SHARIAH
COMMITTEE
PROFILE**ASSOC. PROF. DR. ZULKIFLI HASAN**

Committee Member

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



ASSOC. PROF. DR. MEK WOK MAHMUD

Committee Member

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

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

Committee Member

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

“

All the support you need to cross-borders... the Shariah compliant way

For your business to succeed overseas, you need assured support for your financing, banking and insurance needs. MEXIM's portfolio of Islamic finance solutions provide comprehensive solutions to facilitate the entry of Malaysian companies to new markets.

”

Islamic
Banking

Islamic
Cross
Border
Financing

Islamic
Trade
Financing

Guarantee

Short-Term
Credit
Takaful

Medium-Term
to
Long-Term
Credit Takaful

MANAGEMENT COMMITTEE



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- 01 **Norzilah Mohammed** • President/Chief Executive Officer
02 **Chairil Mohd Tamil** • Deputy President Business

- 03 **Zulkefli Samat** • Chief Risk Officer
04 **Norlela Sulaiman** • Chief Financial Officer



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- 05 **Mohd Nasir Johar** • Head, Communications & Stakeholder Management
- 06 **Thariq Abdullah** • Head, Corporate Services

- 07 **Julina Mohd Salleh** • Company Secretary
- 08 **Lilis Zatira Rapih** • Head, Human Capital Management

MANAGEMENT COMMITTEE PROFILE



NORZILAH MOHAMMED

President/Chief Executive Officer
Chairman of CMC, FIIC, ITC, MARC, MC, MRC

Nationality:	Malaysian
Date of Appointment:	8 March 2016
Length of Service:	9 years
Responsibility:	<ul style="list-style-type: none"> • Provide strategic leadership for the Bank by working with the Board and Management to establish long-term goals, strategies, plans and policies • Chart the overall direction of the Bank's products and services including the Bank's financial performance, credit quality, operations regulatory compliance and risk management • Lead the management team towards continuous growth and leadership development
Experience:	<ul style="list-style-type: none"> • Chief Operating Officer, EXIM Bank • Chief Risk Officer, EXIM Bank • Chief Credit Officer, EXIM Bank • Head of Recovery Team, EXIM Bank • Deputy Head, Prokhas Sdn Bhd • Pengurusan Danaharta Nasional Berhad • Bank Bumiputra Malaysia Bhd • Price Waterhouse Coopers
Academic / Professional Qualification(s):	Bachelors of Science Degree in Business Administration majoring in Accounting, California State University, Sacramento, United State



CHAIRIL MOHD TAMIL

Deputy President Business
CMC, FIIC, ITC, MARC, MRC, MBDC (Chairman), MC (Alt Chairman)

Nationality:	Malaysian
Date of Appointment:	5 February 2014
Length of Service:	6 years
Responsibility:	<ul style="list-style-type: none"> • Monitor, evaluate and improve performance of the Bank's divisions in line with the strategic direction for the year • Establish the Bank's annual Business Plan to guide Divisions in identifying target customers and meeting set goals • Review and endorse loan proposals prepared by the Bank's relationship managers
Experience:	<ul style="list-style-type: none"> • Advisor, Prokhas Sdn Bhd • Director, Capital Market & Head, Kazakhstan, Shoraka Advisers Sdn Bhd • Director, Investment Banking, Bank Muamalat Malaysia Berhad • Manager, Capital Markets, Commerce-International Merchant Bankers Bhd • Assistant Manager, Privatisation & Project Finance, Perwira Affin Merchant Bank Berhad • Assistant Manager, Corporate Care Unit, Perwira Affin Merchant Bank Berhad
Academic / Professional Qualification(s):	Bachelor Degree in Economics & Accounting, University of Bristol, United Kingdom



NORLELA SULAIMAN

Chief Financial Officer

CMC, FIIC, ITC (Alt Chairman), MC, MARC, MRC (Alt Chairman)

Nationality:	Malaysian
Date of Appointment:	2 January 2013
Length of Service:	9 years
Responsibility:	<ul style="list-style-type: none"> Responsible for all aspects of financial planning, reporting, management accounting, taxation and treasury's investment and implementation of new accounting standards and regulatory requirements. Also the Principal advisor to regulatory bodies, Board of Directors and management on financial and treasury matters
Experience:	<ul style="list-style-type: none"> Prokhas Sdn Bhd Pengurusan Danaharta Nasional Berhad
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> Bachelor's Degree in Accounting/Finance Leicester United Kingdom Fellow member of Association of Chartered Certified Accountants (FCCA) Fellow member of Malaysian Institute of Accountants (CA)



THARIQ ABDULLAH

Head, Corporate Services

FIIC, MC, MRC, CMC, MARC (Alt Chairman)

Nationality:	Malaysian
Date of Appointment:	1 December 2008
Length of Service:	9 years
Responsibility:	<ul style="list-style-type: none"> Responsibilities include providing legal advisory services bankwide, management of the Bank's Integrity programmes and formulation of corporate services improvements and innovation strategies
Experience:	<ul style="list-style-type: none"> Head, Legal, KFC Holdings (Malaysia) Berhad/QSR Brands Berhad Manager, Legal, Pernec Corporation Berhad Enforcement, Securities Commission Legal Assistant, Syed Ahmad & Co.
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> Master of Laws, Queen Mary Westfield College University of London Bachelor of Law, International Islamic University of Malaysia

MANAGEMENT
COMMITTEE
PROFILE**ZULKEFLI SAMAT**

Chief Risk Officer
FIIC, ITC, MC, MRC, MARC, CMC (Alt Chairman)

Nationality:	Malaysian
Date of Appointment:	August 2015
Length of Service:	9 years
Responsibility:	<ul style="list-style-type: none"> • Responsible for identifying, evaluating, managing, monitoring and reporting risk; towards developing risk policies, framework & guidelines and conducting compliance and risk assessments
Experience:	<ul style="list-style-type: none"> • Head, Credit Risk Department, EXIM Bank • Credit Analyst Manager, Bank Islam • Credit Analyst Manager, Commercial Banking Division at RHB Bank
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • Master in Business Administration, University of Toledo, Ohio, USA • Bachelor of Science in Business Administration, Bowling Green State University, USA • Certified Credit Professional, Institute Bank-Bank Malaysia (CCP)

**MOHD NASIR JOHAR**

Head, Communications & Stakeholder Management
MC

Nationality:	Malaysian
Date of Appointment:	October 2010
Length of Service:	9 years
Responsibility:	<ul style="list-style-type: none"> • Managing the Bank's media/public relations programmes and activities, external stakeholder engagements and partnerships, advertising & promotions, CSR and corporate marketing communications initiatives
Experience:	<ul style="list-style-type: none"> • Planning & Communications, EXIM Bank • Head, Strategic Planning, EXIM Bank • Head, Corporate Branding, Bank Islam • Head, Business Development, Bank Islam • Manager, Strategy & Business Development, Bank Islam • Manager, Corporate Communication, Bank Islam • Sponsorship/Fundraising Manager, SUKOM Ninety Eight Berhad
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> • Master of Business Administration, Charles Sturt University, Australia • Bachelor of Business Administration (Management), RMIT University, Australia • Diploma in Computer Science, Institute Teknologi MARA, Shah Alam



JULINA MOHD SALLEH

Company Secretary

Nationality:	Malaysian
Date of Appointment:	1 September 2005
Length of Service:	12 years
Responsibility:	<ul style="list-style-type: none"> Managing overall corporate secretarial matters including Board appointments, respond to regulatory requirements and corporate governance
Experience:	<ul style="list-style-type: none"> Bank Pembangunan Malaysia Berhad HeiTech Padu Berhad Permodalan Nasional Berhad
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> Bachelor of Business Administration, University of New Brunswick Canada Licensed Company Secretary (LS8055) Alliance of Approved Company Secretaries



LILIS ZATIRA RAPIAH

Head, Human Capital Management
MARC, MC

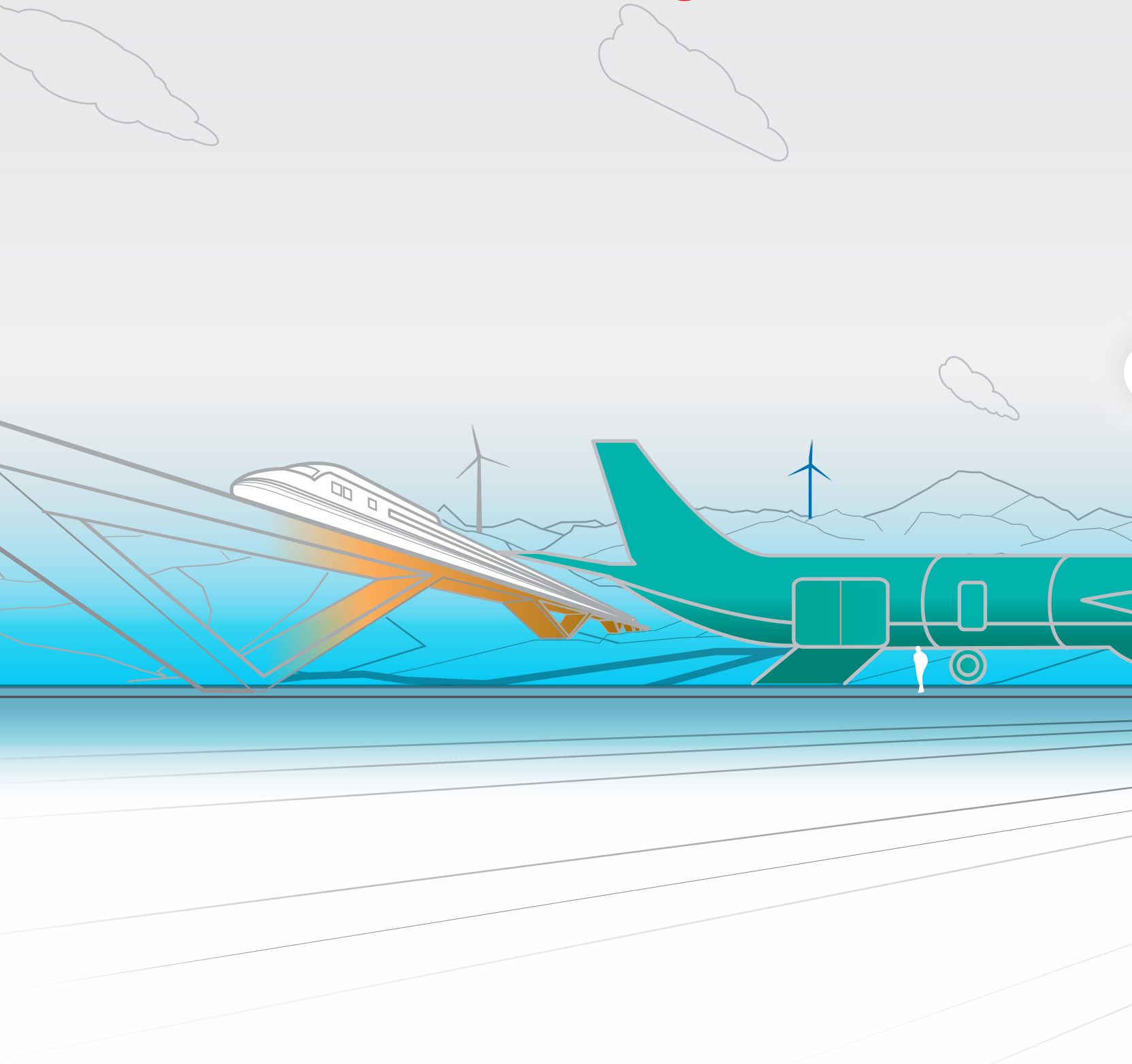
Nationality:	Malaysian
Date of Appointment:	11 June 2012
Length of Service:	4 years
Responsibility:	<ul style="list-style-type: none"> Management and administration of human resource requirements of the Bank
Experience:	<ul style="list-style-type: none"> 19 years in human capital management with focus on talent management, employee development and industrial and employee relations
Academic / Professional Qualification(s):	<ul style="list-style-type: none"> B. (Ed) TESOL from University of Warwick, UK Accredited Professional Competency Practitioner Certification Certificate in Industrial Relations

Committees:

- CMC (Credit Monitoring Committee)
- FIIC (Financing, Investment and Insurance Committee)
- ITC (Information Technology Committee)
- MARC (Management Audit Review Committee)

- MBDC (Management Business Development Committee)
- MC (Management Committee)
- MRC (Management Risk Committee)

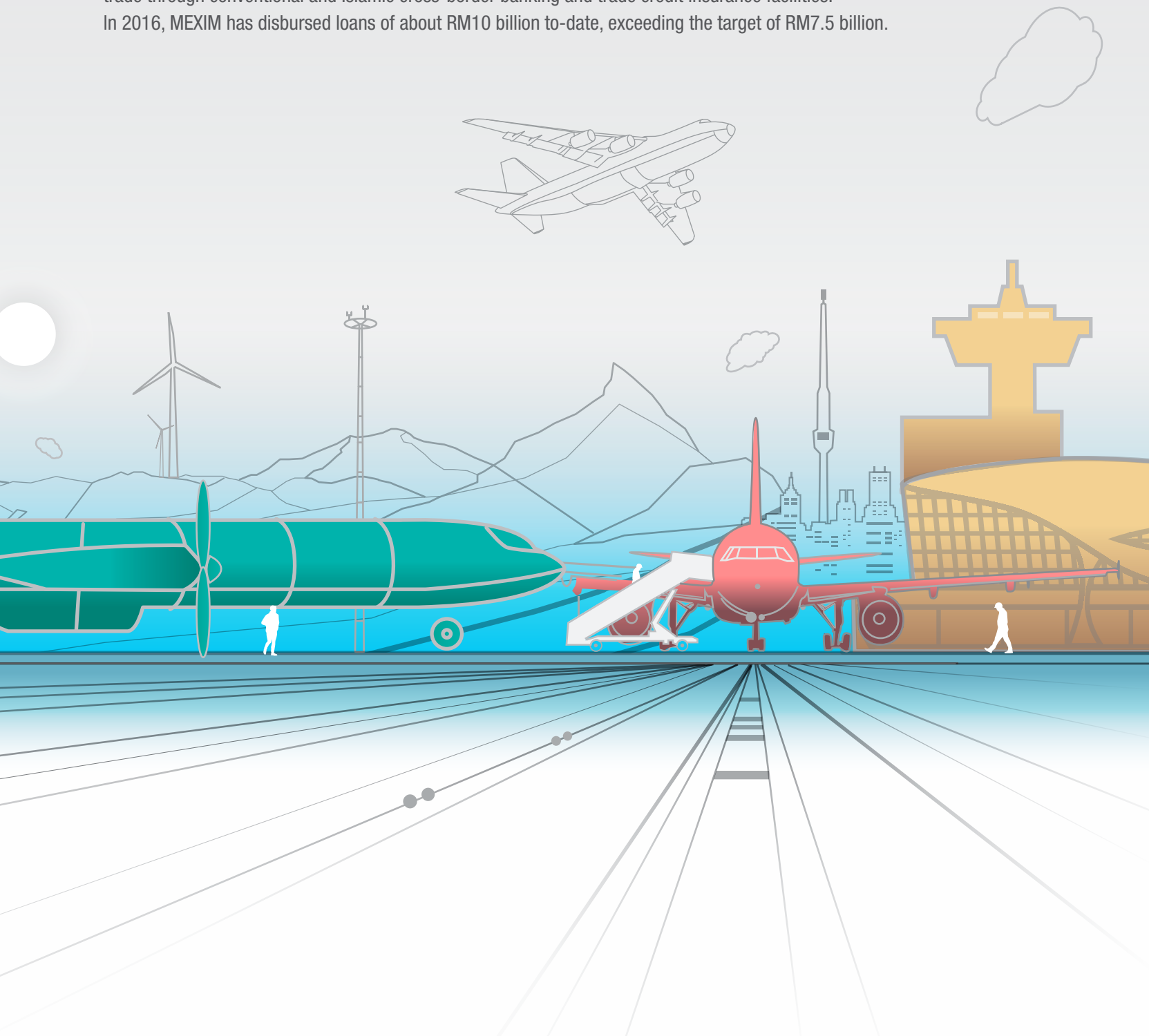
Expanding Frontiers[®]





...TO SURPASS LIMITS

Taking your business as far as your mind can travel, MEXIM facilitates Malaysia's participation in global trade through conventional and Islamic cross-border banking and trade credit insurance facilities. In 2016, MEXIM has disbursed loans of about RM10 billion to-date, exceeding the target of RM7.5 billion.



SPECIFIC DISCLOSURE ON PERFORMANCE ASSESSMENT

During FY2016, the Bank registered a year-on-year loan growth of 7% against the targeted 10% growth for the year. In relation to support provided to SMEs, a total of 230 customers benefitted from the Bank's assistance as against the targeted number of 100 customers.

As at December 2016, the Bank managed to increase its asset with the loan disbursement of RM10.35 billion, which surpassed the intended RM7.5 billion target, thus ensuring that the Bank achieves its long-term target of having a total asset size of at least 3% of the country's GDP.

With regards to credit processing efficiency, the Bank has also improved on the time taken to process a loan application to an average of 31 days* as compared to the 35 days target set for FY2016.

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

Below are tables detailing the performance of the Bank for FY2016:

DEVELOPMENT OUTCOMES (SHORT/MEDIUM/LONG-TERM)					
Objective	Strategic Actions	Performance Target	Target FY2016	Actual FY2016	Target FY2017
High level impact analysis on DFIs achievement					
Mandated role	Pertinent areas in development initiatives	Loan growth	10%	7%	11%
		SME customers (numbers)	100	230	240
		Financing & Credit Insurance Coverage (value)	RM1.2 billion	RM1.44 billion	RM1.2 billion

MANDATED SECTOR OUTPUT (SHORT/MEDIUM/LONG-TERM)					
Objective	Strategic Actions	Performance Target	Target FY2016	Actual FY2016	Target FY2017
Institutional achievements in supporting the needs of the targeted sectors					
Export business acceleration	Providing various banking facilities to aid the growth of quality assets	Loan disbursement	RM7.5 billion	RM10.35 billion	RM9.1 billion

CORPORATE GOVERNANCE DISCLOSURE REPORT

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

BOARD OF DIRECTORS

Board Composition and Balance

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

EXIM Bank's Directors are persons of high caliber and integrity and they possess the appropriate skills, knowledge, experience and competencies to address key risks and major issues relating to the Bank's policies and strategies. The Directors more than adequately fulfill the fit and proper criteria as specified in the Financial Services Act 2013 (FSA) and the BNM Policy Document on Fit and Proper Criteria.

A brief profile of each member of the Board is presented on pages 48 to 58 of this Annual Report.

Board Charter

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

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

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

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

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

Roles and Responsibilities of the Board

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

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

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

- 1) The Board is charged with leading and managing EXIM Bank in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Bank. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of EXIM Bank are managed. The Board sets EXIM Bank values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.
- 2) The Board play critical role in ensuring sound and prudent policies and practices of the Bank. The Board will perform its oversight role effectively and understands its overall responsibilities to stakeholders. The Board will not be involved in the day-to-day operations of the institutions, but will provide effective check and balance mechanism in the overall management of EXIM Bank.
- 3) The Board carries ultimate responsibility for the proper stewardship of the Bank. The Board understands that the responsibility for good Corporate Governance in ensuring the maximisation of shareholders' value and safeguarding the stakeholders' interest through rigorous and diligent oversight over EXIM Bank affairs, establishing, amongst others, the corporate values, vision and strategy that will direct the activities of the Bank, and to be aware of the types of material financial activities the Bank intends to pursue.

- 4) The Board has a fiduciary responsibility to act in the best interest of the EXIM Bank and to protect it from inappropriate actions or influences of dominant or controlling shareholders that are detrimental or not to the best interest of the Bank and its other shareholders and stakeholders.
- 5) The Board understands that the responsibility for good Corporate Governance rests with them and therefore strives to follow the principles and best practices stated in the Malaysia Code of Corporate Governance (MCCG).
- 6) The roles and responsibilities of the Board of Directors shall be governed by the Development Financial Institutions (Amendment) Act (DFIA) 2015, Companies Act 2016, BNM's Guidelines on Corporate Governance for Development Financial Institutions (BNM/RH/GL 005-14) and the Memorandum and Articles of Association of the Bank, including any guidelines as may be issued by the relevant authorities from time to time.

Segregation of position of Chairman and President/Chief Executive Officer

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

Board Appointment Process

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

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

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

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

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

Board Meeting and Supply of Information

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year. Special Board meeting may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration. During the financial year ended 31 December 2016, the Board met 14 times.

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

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

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

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

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

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

Details of attendance of each Director on the Board and respective Board Committees of EXIM Bank during the financial year ended 31 December 2016 are as follows:

Name of Directors	Board Number of Meetings		BCC Number of Meetings		BRC Number of Meetings		NC Number of Meetings		RC Number of Meetings		BAC Number of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Director												
Datuk Mat Noor Nawī (Chairman)	14	14	24	24	-	-	-	-	-	-	-	-
Dato' Rosli Mohamed Nor	14	14	24	24	12	12	10	10	4	4	-	-
Dato' Sri Dr. Mohd Isa Hussain	14	11	24	22	-	-	10	10	4	4	-	-
Nik Najib Husain	14	14	24	24	-	-	10	10	4	4	6	6
Dato' Agil Natt	14	14	24	24	12	12	-	-	-	-	6	6
Ismail Mahbob	14	14	24	24	12	10	10	10	4		-	-
Datuk Wong Seng Foo	14	12	24	20	12	11	-	-	-	-	6	5
Tunku Afwida Tunku A. Malek	14	13	24	23	12	12	-	-	-	-	6	6
Mohammad Fadzlan Abdul Samad	14	14	24	24	12	12	10	10	4	4	-	-
Datuk Syed Ahmad Helmy Syed Ahmad	14	14	24	23	-	-	10	9	4	3	6	6
Norzilah Mohammed ¹ (President/CEO) (Appointed on 8 March 2016)	12	12	21	21	-	-	-	-	-	-	-	-
Directors who have ceased/resigned since the last report - Nil												
	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

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

¹ Appointed as a member of the Board of Directors with effect from 8 March 2016 as well as member of the BCC with effect from 8 March 2016




Training and Development of Directors

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

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

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

In furtherance of the quest for continuous learning and acquisition of relevant skills and knowledge in order to enhance their business expertise and professionalism, the following are conferences, seminars and training programmes attended by the Directors for the financial year ended 31 December 2016:

Training Focus	List of Conferences/Seminars and Training Programmes
Corporate Governance 	<ul style="list-style-type: none"> • FIDE Core Programme • FIDE Elective: Corporate Governance for Development Financial Institutions • FIDE Forum: Special briefing on its Directors Register (DR) • Corporate Directors Onboarding Programme (CDOP) • FIDE Forum: Directors' Remuneration Report 2015: Briefing on the implementation of the recommendations • Directors Forum "The Innovation Zone: Unleashing the Mindset Beyond Malaysia" • FIDE FORUM Dialogue with Deputy Governor on the Corporate Governance Concept Paper • Implementation of FIDE FORUM's Directors Register • MINDA Power Talk: What Will Distinguish the Great Boards of Tomorrow? • 3rd Distinguished Board Leadership Series - "Effective Board Evaluation" by Ms Beverly Behan on 25 July 2016 • International Foundations of Directorship (IFoD) • How Effective Boards Engage in Succession Planning for the CEO and Top Management
Economics 	<ul style="list-style-type: none"> • Exclusive Invitation to ICLIF's 1st Leaders Room talk for 2016 by David Nour: Relationship Economics – The art & science of relationships, renewal, and reinvention of the enterprise • 12th World Islamic Economic Forum
Finance 	<ul style="list-style-type: none"> • Warning Signals & Lessons Learned in Corporate Credit • Financial Language in the Boardroom
Audit, Compliance and Risk Management 	<ul style="list-style-type: none"> • C-Suite Risk Conference • FIDE Forum: Dialogue session on "The New and Revised Auditor Reporting Standards: Implications to Financial Institutions" • 1st Distinguished Board Leadership Series – "Cyber-Risk Oversight" • Corporate Director Advanced Programme 2016 : Strategy & Risks • Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (AMLATFPUAA 2001) • Corporate Directors Onboarding Programme: Updates on Companies Bill 2015 and Its Implications to Directors • FIDE Elective: Internal Capital Adequacy Assessment Process (ICAAP) Banks

Board Performance Evaluation

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

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

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

Directors' Remuneration

EXIM Bank acknowledges the importance of attracting and retaining qualified Directors with high calibre having the necessary skills, qualifications and experience for effective functioning of the Board.

1. Non-Executive Director (NED)

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

2. Executive Director (ED)

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

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

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

A summary of the total remuneration of the Directors, distinguishing between ED and NEDs, in aggregate with categorisation into appropriate components for the financial year ended 31 December 2016 is set out on page 206 of this Annual Report.

BOARD COMMITTEES

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

The Board Committees are as follows:

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

Board Credit Committee

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

The BCC shall have the following specific responsibilities on:

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

During the financial year ended 31 December 2016, the BCC met 24 times. Members of BCC and details of meeting attended by members are stated on page 78 of this Annual Report.

Board Audit Committee

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

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

The responsibilities of the BAC are as follows:

1. External Audit
 - Review with the external auditors, the scope of their audit plan, the system of internal accounting controls, the audit reports, the assistance given by the management and its staff to the auditors and any findings and actions to be taken. The BAC should also select external auditors for appointment by the Board each year and to review their compensation, the scope and quality of their work and their discharge or resignation.
 - Ensure co-ordination where more than one audit firm is involved.
 - Monitor and assess the effectiveness of the external audit, including meeting with the external auditors without the presence of senior management at least annually.
 - Maintain regular, timely, open and honest communication with the external auditors, requiring the external auditors to report to the BAC on significant matters, mainly on:
 - i. Appropriateness of the accounting and financial reporting principles used by the Bank.
 - ii. Unbiased opinion on the business conduct of the Management and staff.
 - iii. New implementation or enforcement of regulatory requirements.
 - Ensure that senior management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations.

2. Internal Audit

- Oversees the functions of the internal audit department and to ensure compliance with BNM/RH/GL 013-4 (Guidelines on Internal Audit Function of Licensed Institutions, UPW/GP1 (Standard Guidelines on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT), BNM/RH/ GL-012-3 (Shariah Governance Framework for Islamic Financial Institutions) and the requirement of the relevant laws and regulations of others supervisory authority.
- Review internal controls, including the scope of the internal audit programme, the internal audit findings, and recommend action to be taken by management. The reports of internal auditors and BAC should not be subject to the clearance of the P/CEO or executive directors.
- Approve the Audit Charter before being endorsed by the Board, so that the internal audit function may be effectively discharged.
- Approve the audit plan for the internal audit and should be flexible to respond to changing priorities and needs.
- Ensure that adequate and appropriate resources are made available to the internal audit function and the compensation scheme of internal auditors are consistent with the objectives and demands of internal audit function.
- Ensure that the continuing professional development for internal audit staff and to ensure that they have sufficient up to date knowledge of auditing and the activities of the Bank.
- Noting significant disagreements between the CIA and the senior management team, in order to identify any impact the disagreements may have on the audit process or findings

3. Financial Reporting

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

4. Related Party Transaction

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

The BAC held 6 meetings during the financial year 31 December 2016. Members of the BAC and details of meeting attended by members are stated on page 78 of this Annual Report.

Board Risk Committee

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

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

The BRC shall have the following specific responsibilities on:

1) Strategy and Policy

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

2) Organisation

- Overseeing the overall management of all risks including market risk management, asset and liability management, credit risk management, country risk management and operational risk management.
- Ensuring that there are clear and independent reporting lines and responsibilities for the overall business activities and risk management functions and recommending risk management derived organisational alignments where necessary to the Board.

- Cultivating a proactive risk management culture within the Bank so that risk management processes are applied in the day-to-day business and activities.
- Appropriating independent review of the Bank's risk management infrastructure, capabilities, environment and processes where necessary.

3) Measurement

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

4) Processes and Technology Enabler

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

The BRC met 12 times during the financial year ended 31 December 2016. Members of BRC and details of meeting attended by members are stated on page 78 of this Annual Report.

Remuneration Committee

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

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

The functions and responsibilities of the RC are as follows:

- 1) To propose and recommend to the Board the remuneration policy and guidelines for the Directors, P/CEO, DPO, DPB, CFO, CRO and CCO of EXIM Bank as well as for the Shariah Committee (SC) members. The remuneration policy should:
 - Be documented and approved by the board and any changes thereto should be subject to the endorsement of the board;
 - Reflect the experience and level of responsibility borne by individual Directors, MD/CEO, CFO, CBO, CRO and CCO;
 - Be sufficient to attract and retain Directors, MD/CEO, CFO, CBO, CRO and CCO of caliber needed to manage the Bank successfully; and
 - Be balanced against the need to ensure that the funds of the Bank are not used to subsidize excessive remuneration package and to ensure that the remuneration are in line with the current industry best practices.
- 2) To propose and/or periodically review and recommend to the Board the specific remuneration packages for Directors, P/CEO, DPO, DPB, CFO, CRO and CCO of EXIM Bank. The remuneration packages should:
 - Be based on an objective consideration and approved by the Board;
 - Reflect the experience and level of responsibility borne by individual Directors, P/CEO, DPO, DPB, CFO, CRO and CCO.

- Take due consideration of the assessments of the nominating committee of the effectiveness and contribution of the Director, P/CEO, DPO, DPB, CFO, CRO and CCO concerned;
 - Not be decided by the exercise of sole discretion of any one individual or restricted group of individual; and
 - Be competitive and is consistent with the Bank's culture, objective and strategy.
- 3) To recommend to the Board with regards to the payment guideline for staff bonus and annual salary increment of the company.

During the financial year ended 31 December 2016, the RC met 4 times. Members of RC and details of meeting attended by members are stated on page 78 of this Annual Report.

Nomination Committee

The primary objective of the Nomination Committee (NC) is to establish a documented, formal and transparent procedure for the appointment of Directors, President/Chief Executive Officer (P/CEO), Deputy President, Operations (DPO), Deputy President, Business (DPB), Chief Financial Officer (CFO), Chief Risk Officer (CRO) and Chief Credit Officer (CCO) as well as the Shariah Committee (SC) members and to assess the effectiveness of individual directors, the Board as a whole and the various committees of the Board, the P/CEO, DPO, DPB, CFO, CRO and CCO as well as the SC members.

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

The functions and responsibilities of the NC are as follows:

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

The NC held 10 meetings during the financial year 31 December 2016. Members of the NC and details of meeting attended by members are stated on page 78 of this Annual Report.

STATEMENT ON INTERNAL CONTROL

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INTERNAL CONTROL

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

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

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

THE BOARD AUDIT COMMITTEE

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

- (a) The President/Chief Executive Officer (P/CEO) is entrusted with the management of EXIM Bank, where her roles, responsibilities and authority limits are set by the Board. The appointment of the P/CEO requires the approval of the Board;
- (b) Specific responsibilities have been delegated to the relevant Board Committees, based on their respective terms of references. These Committees have the authority to examine all matters within their scope of responsibility and submit their recommendations to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board;
- (c) Delegation of authority, including limits at various levels of Management and those requiring the Board’s approval, are documented and designed to ensure proper accountability and responsibility;
- (d) Policies and procedures manuals for key processes are documented and regularly reviewed and updated for application across EXIM Bank;
- (e) The BAC regularly reviews the adequacy and integrity of EXIM Bank’s internal control systems and management information system including systems for compliance with applicable laws, regulations, rules, directives and guidelines as identified by the internal auditors, the external auditor and regulatory authorities. It also reviews the adequacy and comprehensiveness of the internal audit process, scope of audit, competency of the auditors and the independence of the Internal Audit function;

- (f) EXIM Bank's annual business plan and budget are submitted to the Board for approval. In addition, variances between actual and targeted results are also presented to the Board on a monthly basis. This allow for timely responses and corrective actions to be taken to mitigate risks;
- (g) The IAD reports to the BAC, performs regular reviews of the processes to assess their effectiveness and highlights any significant risks affecting EXIM Bank. The BAC reviews the internal auditor's auditable areas and resources annually, via the Annual Audit Plan;
- (h) The BAC regularly reviews and holds discussions with the Management on actions taken to address lapses in internal controls and issues identified in reports prepared by the internal auditors, external auditor and regulatory authorities.

INTERNAL AUDIT DEPARTMENT

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

RELATIONSHIP WITH EXTERNAL AUDITOR

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

STATEMENT ON RISK MANAGEMENT

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RISK MANAGEMENT FRAMEWORK

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



Strategy

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

Organisation

Organisation refers to a risk based organisation structure with appropriate checks and balances and focus on responsibilities in relation to risk management.

Processes and Enablers

Processes and Enablers refer to common, continuous and consistent application of a standard risk management process across all levels within the Issuer's organisation. Enablers are operational and management tools that are established to support and monitor the effectiveness of the risk management processes.

Measurement and Control

Measurement and Control refers to comprehensive measurement of risks undertaken by the Issuer with risk control mechanisms that act to limit the effect of the measured risks.

RISK MANAGEMENT STRATEGIES

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

In order to achieve the above objective, the Bank has identified the following risk strategies:

a. Clear Responsibilities for Risk Management

The Bank clearly defines the roles and responsibilities of parties involved in the entire risk management process. The ultimate responsibility for understanding the risks run by the Bank and ensuring that they are properly managed lies with the Board. The Bank's management team (the "Management") is responsible for effective oversight management of risk.

b. Integrate Risk Management in all Decision-making Processes

As risk management is an essential component of good management, the Bank integrates risk management into its existing strategic management and operational processes.

c. Comprehensive Assessment of Risks on all Activities

All material risks faced by the Bank are assessed. Risk assessment is conducted based on consistent application of the following process: identification of risk, measurement of risk and evaluation of risk.

d. Effective Risk Control Mechanisms

Risk control mechanisms include policies, guidelines, procedures and risk limits. Each risk control ensures that each risk has a process or measure to help contain or control that risk and that such process or measure is being applied and works as intended. The Bank ensures that a proper risk control mechanism is established for each of its key risk areas.

e. Adequate System for Monitoring and Reporting

The Bank ensures the adequacy of its systems for monitoring and reporting risk exposures by assessing how the Bank's changing risk profile affects the need for capital. The Board and Management receive reports on the Bank's risk profile and capital needs on a regular basis.

f. Effective Internal Control Review

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

g. Operational Risks

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

RISK MANAGEMENT PROCESS

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

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

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

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

SHARIAH GOVERNANCE DISCLOSURE REPORT

1. OBJECTIVE

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

2. COMPOSITION

EXIM Bank SC consists of six (5) members. During the financial year ended 31 December 2016, 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	YBrS Dr. Zaharuddin Abd. Rahman (Chairman)	9/9
2	YBrS Assoc. Prof. Dr. Suhaimi Ab. Rahman	9/9
3	YBrS Assoc. Prof. Dr. Zulkifli Hasan	8/9
4	YBrS Assoc. Prof. Dr. Mek Wok Mahmud	8/9
5	YBrS Assoc. Prof. Dr. Sharifah Faigah Syed Alwi	8/9

3. ROLES AND RESPONSIBILITIES

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

a. Responsibility & Accountability

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

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

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

c. To endorse Shariah Policy and Procedure

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

d. To endorse and validate relevant documentations

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

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

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

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

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

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

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

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

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

h. To provide written Shariah opinion

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

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

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

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

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

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

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

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

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

l. Represent the Bank or to attend any meetings with the SAC or other relevant bodies pertaining to any Shariah issues relating to the Bank's Islamic business and operation.**m. The SC shall maintain the confidentiality of the Bank's internal information. All information shall be kept in strict confidence, except when disclosure is authorized by the Bank or required by the law.**

OUR ECONOMIC, ENVIRONMENTAL & SOCIAL JOURNEY

EXPANDING FRONTIERS IN SOCIAL RESPONSIBILITY

because our success is tied to the success of our people, society and nation.

Increased export and trade is a catalyst for Malaysia's economic growth and prosperity. MEXIM's core values drive us to facilitate cross border ventures responsibly and sustainably, while prioritising Environmental, Social and Governance commitments that assure the long-term sustainability and well-being of our community.

STARTING SMALL. GROWING BIGGER.



EXIM Bank's Corporate Social Responsibility (CSR) initiatives are anchored on a clear and simple goal – to serve. Be they clients, shareholders, employees, government regulators or the general public; we aim to serve with honesty, transparency, respect and integrity. Every effort starts off small, but through time and commitment we want to make a long-lasting impact.

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

At MEXIM, our Corporate Social Responsibility (CSR) endeavours are focused under the four CSR pillars of Marketplace, Community, Workplace and Environment. Our approach to CSR stems from the same desire that drives us to create value, build bridges and expand frontiers. Whether for our client, shareholder, employee, government regulator or member of the general public, the Bank seeks to make a meaningful and positive impact, in line with our core values.

In recent years, we have taken steps to ensure our CSR approach is undertaken with Bursa's Sustainability Reporting Guide and ESG Index in mind so as to better enhance our corporate responsibility reporting.

Every CSR initiative is undertaken with an initial study of objectives and the expected cost and benefits to our stakeholders and our business. These are assessed by our Communications & Stakeholder Management Department (CSMD) with other relevant teams for opportunities and positive societal impact. Once approved, we define our goals, strategies and policies and the event is implemented with contribution from identified teams. Throughout the event, we communicate and engage with stakeholders to gather feedback in order to facilitate continuous improvements. Finally, we measure and monitor our impact, progress and achievements.



MARKETPLACE

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



COMMUNITY

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



WORKPLACE

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



ENVIRONMENTAL

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



MARKETPLACE

MEXIM supports the growth of key economic sectors and as a Development Financial Institution (DFI), we remain mindful of our role in bolstering government initiatives in building awareness and understanding of import and export issues. We ensure marketplace ethics and are committed to providing reliable products, services and professional practices.



MEXIM and MIGHT Technology signed a memorandum of collaborative agreement in October 2016 in conjunction with International Greentech & Eco Products Exhibition & Conference Malaysia, witnessed by Minister of Energy, Green Technology and Water Datuk Seri Maximus Johnity Ongkili.



MEXIM organised the 33rd Asian EXIM Banks Forum (AEBF) Training programme in Kuala Lumpur.

SUPPORTING ECONOMIC AND SOCIAL DEVELOPMENT

Throughout the year, MEXIM assisted a wide range of Malaysian industries to produce a greater combined effect for the economy. A total disbursement of RM10.33 billion was made to Trade and non-Trade industries during the year under review. Through our endeavours in the Marketplace, MEXIM helps businesses attain their goals and facilitate the nation's progress towards developed nation status.

In 2016, new progressive ventures to assist local green technology players were put in place with the signing of a memorandum of collaborative agreement with MIGHT Technology to assist burgeoning local green technology players in developing their export markets; and the signing of an Islamic facility agreement worth US\$10 million (RM41.36 million) with local green technology player Evergreen Corp Sdn Bhd, to develop its waste conversion unit.

ENSURING ENGAGED & ETHICAL MARKETPLACE PRACTICES

Customers represent an important pillar for any going concern, and MEXIM recognises the value that excellent customer service can yield not just for our bottom line, but also for customer welfare and satisfaction. We pride ourselves in the measures we have implemented to deliver professional, timely and friendly support.

We open up the following feedback channels to encourage stakeholders to get in touch:

Tel: +603-2601 2000 Email: communications@exim.com.my

This is complemented by our dedicated teams who stand ready to consult with customers at their premises should the need arise.

RESPONSIBLE FINANCING

We adhere to Bank Negara's regulations and recommendation on responsible financing and ensure all our customers meet the required standards and comply with all applicable local national laws.



MEXIM's Head of Communications & Stakeholder Management, Mohd Nasir Johar with Mr. George Gordon Rublee, a speaker from ADB.



We are governed by a Code of Conduct whereby our stakeholders are assured that we carry out our roles responsibly, with integrity. Internal channels and processes for dealing with untoward or unscrupulous behaviour have been put in place. This includes a Whistleblowing Policy which was introduced in 2010.

KNOWLEDGE-SHARING WITH INDUSTRY MEMBERS

MEXIM was actively involved in events pertaining to trade and the wider economy in 2016, with roles running the gamut from participants and sponsors to speakers and panelists for topical panel discussions. These are done with the objective of building a sound industry knowledge base and forging relationships across a global network. Such events include the media launch of MEXIM's edition of the Exporting and International Trade book, and the 33rd Asian EXIM Banks Forum (AEBF) Training programme.

The Exporting and International Trade book is a guide and reference material for exporters and those who want to go into international trade. The limited MEXIM edition is available in English, Bahasa Melayu and Mandarin to build export awareness among SMEs and entrepreneurs of all races. The book is distributed during business education events by MATRADE, TERAJU, MARA and SMECorp.

MEXIM also organised the 33rd AEBF Training programme in Kuala Lumpur which brought together 42 participants from 17 institutions within the Asian region. The event focused on Loan Restructuring and Recovery Management and ensured greater synergy in processes and systems within the Asian economy.

CORPORATE SPONSORSHIP

Through corporate sponsorships, MEXIM supports Government initiatives that improve the well-being of the society and nurtures future business relationships with valued and potential customers of the Bank.

In 2016, we continued to engage as a corporate sponsor in building relationships among other finance institutions, government linked corporations and the media, by helping to contribute to the success of various key events.

For the third consecutive year, MEXIM participated and contributed to Tabung Haji's main annual programme, Program Sahabat Korporat TH, to contribute vital items needed by the over 20,000 Tabung Haji pilgrims as they proceed on their Haj journey. In 2016, MEXIM sponsored two guidebooks entitled 'Buku Fiqh Ibadat Haji dan Umrah Wanita' and 'Risalah Ziarah Madinah Al-Munawarah' which came up to a total contribution of RM215,900. These guidebooks were distributed to pilgrims during 'bulan haji'.

MEXIM also repeated its sponsorship of Malam Wartawan Malaysia 2016, an annual event which celebrates and acknowledges the achievements of outstanding work from various journalists in the previous year. We contributed RM20,000 towards this worthwhile cause that provides an opportunity for the Bank to strengthen its relationship and networking with the press.

During the year, MEXIM also pledged itself as a platinum sponsor of the CSR Malaysia Awards 2016, contributing RM20,000 towards this inaugural event that provides a platform to celebrate the outstanding achievers and inspiring corporations for their efforts of creating a better Malaysia through their CSR activities.

Later in the year, MEXIM joined other DFIs in sponsoring Majlis Makan Malam Perdana ADFIM organised by the Association of Development Finance Institutions of Malaysia. The inaugural dinner with YB Datuk Johari Abdul Ghani, Minister of Finance II, sought to inculcate cooperation and networking among ADFIM members with other government and private agencies.

These sponsorship activities have helped enhance MEXIM's profile and awareness in the industry through channels that benefit society at large. They also build MEXIM's image as a proactive and involved corporate entity.



MEXIM received the Company of the Year Award from CSR Malaysia during CSR Malaysia Awards 2016, in acknowledgement of the Bank's efforts in championing corporate social responsibility initiatives.



COMMUNITY

MEXIM is committed to investing our time, expertise and resources to touch the lives of thousands through financial aid, material aid and personal interaction. These range from volunteering help, channeling financial and material contributions to help the underprivileged, to supporting educational initiatives.



MEXIM's Chairman Datuk Mat Noor Nawi presenting the Bank's contribution to Madrasah Hashimiah to purchase household items and food supplies.



One of MEXIM's venues for its 2016 Zakat Distribution was Masjid Al-Syakirin in Gombak.

ZAKAT DISTRIBUTION & OTHER CONTRIBUTIONS

Every year MEXIM distributes zakat funds to different states in Malaysia in support of poor senior citizens, orphans and single mothers. These contributions are given in the spirit of helping to make a positive difference in the lives of the less fortunate and inculcating a more caring society.

During the year, MEXIM distributed its annual zakat to over 300 individuals totalling RM273,218.52 around Kelantan, Negeri Sembilan and Selangor. In Negeri Sembilan, the Islamic youth organisation Anggota Belia Islam Malaysia (ABIM) was selected as MEXIM's partner in screening and distributing a total of RM64,000 to 80 recipients who qualify. All recipients received donations in cash and school supplies.



Zakat Distribution at Kg Durian Daun Rembau, Negeri Sembilan.



Another venue for MEXIM's Zakat Distribution was KRT Lubok Setol, Kota Bahru.

To-date, MEXIM had supported more than 20 NGOs by contributing over RM190,000.00 to improve the lives of the needy. In 2016, MEXIM also donated RM10,000 to Madrasah Hashimiah to purchase household items and food supplies for the upkeep of the home. The Bank also continued its annual contribution of RM100,000 in the month of Ramadhan to 50 different mosques within Malaysia with each mosque receiving RM2,000.



Recipients of Zakat at KRT Lubok Setol, Kota Bahru.



MEXIM contributed to the upgrading of village facilities to help the poor Muslim community of Kampung Cham, Cambodia.



MEXIM's Board member, En. Ismail Mahbob (second from right) was part of the mission team to Kampung Cham.

SOCIALLY RESPONSIBLE PROJECTS

MEXIM keeps itself responsive and looks out to help targeted communities through special projects that can make a sustainable difference. In 2016, the Bank responded to a cross-border request for help and assistance by the Kampung Cham community in Cambodia. In collaboration with EZ Kembara Sdn Bhd, this CSR programme targeted to help poor Muslim communities at Kampung Cham by upgrading village facilities and enhancing their quality of life. A total of nine wells, three solar panels, two houses and other facilities were built for the community upon receiving the donation from MEXIM. One of MEXIM BOD Members, En. Ismail Mahbob along with four other EXIM staff accompanied the mission to Cambodia and provided on ground assistance.



MEXIM invited 50 orphans and their caretakers to the Bank's 2016 IFTAR programme.

SPREADING FESTIVE CHEER

Festive occasions are opportune moments for MEXIM to channel financial and material contributions to contribute to the needs of the underprivileged. As part of its annual events calendar, MEXIM's Ramadhan was celebrated with 50 orphans and their caretakers where they were feted to 'buka puasa' delights and given financial and material aid. This year, a pre-buka puasa ceramah by a couple of well-known speakers, Dato' Ustazah Siti Nor Bahyah Mahmood and Ustaz Wan Akashah Wan Abdul Hamid, preceded the Iftar celebration. The Board, Management and staff all came together to share in the festive joy with these young guests who also received goodies and 'duit raya' from MEXIM and its media guests. The Bank also gave a RM10,000 cheque to Pertubuhan Kebajikan Baitul Aini Selangor during the event.



MEXIM's CEO Norzilah Mohammed presenting the RM10,000 cheque to the representative of Pertubuhan Kebajikan Baitul Aini Selangor.



MEXIM's CEO Norzilah Mohammed accepting a copy of the Islamic Economics Textbook published by International Shari'ah Research Academy (ISRA).

CONTRIBUTING TO EDUCATION IN ISLAMIC FINANCE

During the year, MEXIM also contributed RM1 million to the Islamic Economics Textbook Project by International Shari'ah Research Academy (ISRA) for Islamic Finance. ISRA was established by Bank Negara Malaysia to undertake research in the area of Shariah and Islamic Finance. Through pioneering

research and rigorous intellectual dialogue, ISRA has dynamically pushed the boundaries of Islamic finance and have to date, published 41 academic books. The published Islamic Economics Textbook caters to academicians, practitioners and policy makers and has been accepted as a complement to the current textbook used in over 80 universities nationwide.



WORKPLACE

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



MEXIM invests in developing human capital of diverse expertise, backgrounds and cultures.



MEXIM collaborated with the National Blood Centre for its 2016 Blood Donation Drive.

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

STAFF REMUNERATION & BENEFITS

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

MEXIM ensures proper commensuration and attractive benefits such as:

- Medical benefits for staff and family; with insurance coverage.
- Training and development opportunities; staff are sent for technical and leadership programs locally and abroad to expand their skills and keep abreast with latest industrial developments. High potential talents are sent for professional accreditation certification programmes.
- Hari raya gifts in the form of shopping vouchers at AEON, Parkson, SOGO, Tesco or Giant.
- In house gymnasium, surau, parking space and convenience store; comfortable and sanitized room for breastfeeding mothers to express milk.

As an outcome, staff turnover improved in 2016 from 8.3% to 4.7%. This was due to internal engagement programmes and work-life balance opportunities.

EMPLOYEE ENGAGEMENT 2016

In 2016, Workplace CSR became a core thrust for EXIM's human capital efforts. It formed a platform for all our employee engagement activities and became the centre point of promoting our shared core values of **E**fficiency, **eX**cellence of service, **I**nnovation and **M**utual Respect. Various programmes were planned and implemented, based on 3 pillars:

- a) Physical – programmes to inculcate health, fitness and a healthy lifestyle amongst employees
- b) Psychological – motivational programmes to drive employees towards striving for personal and professional excellence
- c) Environmental – programmes that instigate awareness on environmental issues and ecological conservation



Recipients of MEXIM's Long Service Awards 2016.



MEXIM's Blood Donation Programme for 2016 saw over 60 bags of blood being collected.



MEXIM's staff participating in a mass workout at the launch of the EXIM Cergas programme.

MEXIM's 2016 Employee Engagement programmes are listed below:

Category	Programmes	Purpose of Organising
Psychology	Children Excellence Award	Recognition to employees' children who excelled in the UPSR up to degree education.
	Programme Smart Study by Osman Affan	To help employee's children aged 11 - 17 years old, who will be sitting for major examination, learn new learning techniques via mind/memory skills.
	Birthday Treat 2016 (7 batches) • Visit to i-City Shah Alam with lunch	To promote interactions among employees, enhance the organisational cohesion of employees.
	Talk on Crime Prevention by Kamal Afendi. Talk by Agensi Anti Dadah Kebangsaan AADK	Raise awareness among staff about criminal activity at the workplace and at home. Educate the staff on how to handle drug abuse among youngsters.
	Long Service Awards • Total 23 recipients in 2016	Recognition for employees who have served the Bank for more than 10 years, with dedication.
	Talk by AKPK	Provide awareness on the importance of proper wealth management to avoid living in debt.
Physical	EXIM Cergas - Kick off programme with Health Talk by Kevin Zahari	Inculcate work life balance and instil a healthy lifestyle culture within the Bank's employees through continuous health programmes.
	Light Exercise – every Monday morning via video and coordinated instructions through PA system	
	KL Explorace and Treasure Hunt to Melaka	
	Weekly Zumba & Badminton	
	Blood Donation Campaign – JV with Pusat Darah Negara where more than 60 bags of blood were collected	
	Cycling Programme	



MEXIM's staff showcased their entrepreneurial skills during the Jumble Sales 2016.

Category	Programmes	Purpose of Organising
Environment	Jumble Sales – Bazaar Style - Each dept had a booth to sell products, ranging from food, clothing items, beauty and health products, games, etc. A sum of RM14,000 was raised and donated to charitable homes	Provide a platform for the employees who have products/goods/services to sell and earn some profits as well as to provide opportunities for the employees to unleash their entrepreneurial skills
	Recyclable Art Campaign - competition where each department comes up with items made from recycled items	Tap employees' creativity in recycling items and reducing waste
	Saving Electricity Campaign- average saving by Dept/ Level	Inculcate positive attitude among employees to reduce the cost of electricity and increase the Bank's profit

GENDER & AGE DIVERSITY

MEXIM's gender diversity is almost at par with the recommended target of 30% female employment. In terms of age diversity, MEXIM is mindful of its current low count of Generation Z.

a) Number of Staff in MEXIM

Year	Female	Male	Grand Total
2015	145	156	301
2016	155	169	324

b) Number of Staff by Demographic Cohort

Generation Name	Births Start	Total Staff	Youngest Age Today*	Oldest Age Today*
Generation X (Baby-Boomers)	1965 - 1979	172	38	52
Generation Y (The Millennials)	1980 - 1995	135	24	37
Generation Z	1996 - 2010	1	19	19



New members of MEXIM's Emergency Response Team learning CPR.



MEXIM achieved the Best Fire Drill award for 2016.

HEALTH & SAFETY

In ensuring workplace safety and building proactive responsiveness in case of emergencies, our Health, Safety & Environment team implemented several programmes in 2016 designed to improve health and safety awareness for all staff and operational performance of our designated Emergency Response Team (ERT) members. The talks and courses helped MEXIM clinch the Best Fire Drill 2016 award by Datuk Wira Hj Wan Mohd Nor Bin Hj Ibrahim, Ketua Pengarah Jabatan Bomba Dan Penyelamat Malaysia under the Financial Institution Category.

Health, Safety & Environment Activities in 2016

1. 20 & 21 February – Basic Occupational First Aid and CPR Course and BOFA Refresher (for new and existing ERT members)
2. 21 & 22 March – Talk on Health & Safety at the Workplace by Fire and Rescue Department Malaysia Kuala Lumpur (KL) for all staff
3. 29 – 31 March – Refresher Course at Balai Bomba dan Penyelamat Taman Desa, KL (for ERT members)
4. 13 April – Fire Drill and Evacuation Exercise for all staff
5. 17 November – Safety in the Workplace Talk by Department of Occupational Safety and Health (DOSH) Putrajaya and KL for all staff
6. 18 November – Executive Talk by the Director, Fire and Rescue Department Malaysia KL and mini exhibition for all staff



The ERT members at the conclusion of the refresher course at the Taman Desa Fire Station.

 **ENVIRONMENT**

MEXIM makes conscious efforts to conduct our business in a safe and environmentally sustainable manner. This is apparent through compliance of environmental regulations and Company policies and programmes, as well as special projects to increase environmental awareness.



MEXIM's staff in action during the Bank's Environmental CSR Programme 2016 at Zoo Negara.



MEXIM's staff repainting the Zoo's benches to help enliven and refresh the landscaping.

On-going environmental campaigns and initiatives throughout the years have inculcated a strong sense of environmental awareness in our employees. Every year the Bank purposefully seeks to support an environmental cause through financial support and by volunteering time and hands-on effort in making a positive difference.

In May 2016, the Bank became a corporate sponsor with Zoo Negara Malaysia in support of wildlife conservation. This involved the sponsorship of a pair of performing South American Macaws to increase the number of Macaws at the zoo and help enhance the zoo's animal show attraction.

MEXIM's CEO and staff also participated in a one day event to enhance the landscaping of the zoo and assist zoo personnel in upgrading and refurbishing the zoo facilities. Members of the public and media were invited to this event to help create publicity that will increase Zoo Negara Malaysia's visitor numbers.

As Zoo Negara Malaysia is a non-profit organisation which is constantly in need of corporate sponsors to aid its efforts in conserving wildlife and plants, the Bank also participated in three other sponsorship packages themed 'Green', 'Grow' and 'Glow'.

**Be at Zoo Negara
this Saturday to find out!
21 May 2016, 9am to 1pm**

**WHAT'S RED AND
BLUE AND ABLE
TO CROSS BORDERS
WITH EASE?**

This Saturday, Zoo Negara and EXIM Bank
are **welcoming 2 new South American
Macaws to their new Malaysian
home.** Come join us for this exciting
event and witness the opening of their
new enclosure.

20th ANNIVERSARY
1995 - 2015

EXPORT-IMPORT BANK OF MALAYSIA BERHAD (557198-K)

www.exim.com.my



MEXIM's President and CEO Norzilah Mohammed with Zoo Negara's Deputy President Rosly Lana at the launch of the Bank's Corporate Social Responsibility programme with Zoo Negara Malaysia.

The 'Green' package involved staff assisting zoo keepers in providing daily care for the animals, including cleaning, feeding and food preparation. It created awareness of wildlife needs and the importance of keeping animals active by stimulating their senses.

The 'Grow' package involved helping in horticultural and landscaping activities, which included planting new species of trees to help enhance biodiversity within the Zoo environs and preserve endangered tree species.

The 'Glow' package saw staff carrying out special projects which included modifications, refurbishments and upgrading of old facilities. These helped create a more attractive and refreshed ambience for the zoo attractions.

The event attracted a fair number of visitors to the zoo and the Macaws have since proven to be popular performers.

ENVIRONMENTAL INITIATIVES WITHIN EXIM

Within the bank, we have made several concerted efforts to reduce waste by recycling paper for printing, organising jumble sales and in 2016, as an employee engagement initiative, MEXIM staff were encouraged to participate in a Recyclable Art campaign.



MEXIM's CEO Norzilah Mohammed getting to know one of the South African Macaws sponsored by the Bank.

The campaign was organised as an inter-department competition which challenged staff to pit their wits in creating works of beauty out of junk. The Save Electricity campaigns are also held annually and this has seen the Bank's 2016 energy bills lowering by 9% from RM110,000 in 2015. We continue to inculcate a cost savings mindset within our staff to reduce electricity consumption. Last but not least, MEXIM makes an annual commitment to go green by ensuring its annual report is printed on environmentally-friendly FSC paper.



Departments competed to produce the best work of art as part of the Recyclable Art Campaign.

A CONCERTED DRIVE TO IMPROVE

In advancing our investment in sustainability, we see beneficial synergy between our evolving sustainability reporting and stakeholder engagement processes. Comments, suggestions and critiques on our sustainability practices and reporting are welcome. Please send us a message via email to communications@exim.com.my.

EVENT HIGHLIGHTS



MEDIA LAUNCH OF MEXIM'S EDITION OF THE EXPORTING AND INTERNATIONAL TRADE BOOK

19 January 2016

MATRADE Main Hall, Kuala Lumpur

In conjunction with Hari Eksport 2016, MEXIM launched the Bank's sponsored edition of "Exporting and International Trade" book by Mr. AB Teoh. This is a guide for exporters and those who want to go into international trade. The limited edition book, available in English, Bahasa Melayu and Mandarin, had been redesigned to be consistent with the Bank's image. Initially self-published and printed in 2008, the MEXIM edition is updated with current information and serves as a tool to build export awareness among SMEs and entrepreneurs of all races. The book will be distributed during business education events by MATRADE, TERAJU, MARA and SMECorp.



ZAKAT DISTRIBUTION 2016

15 February 2016

KRT Lubok Setol, Rantau Panjang, Kelantan

Several zakat presentation events were held throughout the year, with a focus on contribution to Asnaf Fakir dan Miskin. A total of RM273,218 in zakat was distributed to 299 participants in Kelantan, Kuala Lumpur, Selangor, Penang, Perak and Sabah.

SPONSORSHIP FOR MALAM WARTAWAN MALAYSIA 2016

21 April 2016

Hotel Seri Pacific, Kuala Lumpur

MEXIM was once again a sponsor for this annual event which celebrates and acknowledges the achievements of outstanding work from various journalists in the previous year. We contributed RM20,000 towards this worthwhile cause that provides an opportunity for the Bank to strengthen our relationships and networking with the press.



ENVIRONMENTAL CSR PROGRAMME WITH ZOO NEGARA MALAYSIA

21 May 2016

Zoo Negara Malaysia, Kuala Lumpur

As part of MEXIM's focus on environmental enrichment initiatives, the Bank engaged as a corporate sponsor with Zoo Negara Malaysia in support of wildlife conservation. This involved the sponsorship of a pair of performing South American Macaws to help enhance the zoo's animal show attraction. In addition, MEXIM took up 3 more sponsorship packages: Green, Grow and Glow. 'Green' comprised enrichment activities to enhance awareness regarding the wildlife, 'Grow' involved assisting in landscaping and horticultural activities; while 'Glow' saw MEXIM volunteers painting and refurbishing old zoo facilities.





VISIT TO PT LESTARI BANTEN ENERGI, INDONESIA

8 May 2016

PT Lestari Banten, Jakarta

As part of the 103rd BCC Jakarta-bound Meeting, 32 MEXIM delegates visited the Genting Group's power plant known as PT Lestari Banten Energi (PLBE). This 670-megawatt coal-fired supercritical power plant is the first Indonesian independent power plant (IPP) development. It is also the first IPP in Indonesia to receive global financing. MEXIM is proud of its involvement in this "history-making" project.

MEMORANDUM OF UNDERSTANDING SIGNING BETWEEN MEXIM AND JOINT DEVELOPMENT BANK

25 May 2016

EXIM Bank Malaysia, Kuala Lumpur

The MOU between MEXIM and Joint Development Bank (JDB) sets out the intention of both banks to strengthen cooperation in financing, guaranteeing and other financial mechanisms to support their projects of interest.



CSR MALAYSIA AWARDS 2016

2 June 2016

Sheraton Imperial Hotel, Kuala Lumpur

MEXIM was honoured to receive the Company of the Year Award from CSR Malaysia during CSR Malaysia Awards 2016. This was an acknowledgement of the Bank's efforts in championing corporate social responsibility initiatives.

CSR Malaysia is a quarterly publication by RHA Media Sdn Bhd that shares the unwavering commitment of corporations in Malaysia towards the community at large and their inherent roles as change agents in the socio-economic transformation of Malaysia. This is towards promoting sustainable economies by featuring how corporations in Malaysia are serving the needs of their stakeholders.





MEXIM'S ANNUAL BERBUKA PUASA BERSAMA ANAK-ANAK YATIM 2016 (IFTAR)

21 June 2016

Sheraton Imperial Hotel, Kuala Lumpur

As part of its annual events calendar, MEXIM's Board, Management, staff and the media came together to host 50 orphans and their caretakers from Pertubuhan Kebajikan Baitul Aini, Selangor to an Iftar dinner. This was preceded by a pre buka puasa ceramah by a couple of well-known speakers, Dato' Ustazah Siti Nor Bahyah Mahmood and Ustaz Wan Akashah Wan Abdul Hamid. Cheques and goodies were presented to the orphans and prayer halls were prepared for Maghrib, Isha' and Tarawikh.



SPONSORSHIP FOR "PROGRAM SAHABAT KORPORAT TABUNG HAJI 1437H"

26 July 2016

Lembaga Tabung Haji, Kuala Lumpur

Since 2014, MEXIM has been a sponsor of this corporate programme to contribute vital items needed by over 20,000 Tabung Haji pilgrims as they proceed on their Haj journey. For 2016, MEXIM was approached to sponsor the printing of two books – 'Buku Fiqh Ibadat Haji dan Umrah Wanita' and 'Risalah Ziarah Madinah Al-Munawarah' which came up to a total contribution of RM215,900.

HARI RAYA OPEN HOUSE**26 July 2016****Sheraton Imperial Hotel, Kuala Lumpur**

MEXIM's annual Hari Raya Open House was held with great fanfare throughout the day as all customers, partners, suppliers and industry colleagues streamed in to share in the festivity and reconnect over a funfilled and sumptuous spread. Guests were even treated to an impromptu performance by Dato' Siti Nurhaliza, who had come as a guest.

**CSR CONTRIBUTION PORGRAMME AT CAMBODIA****24-26 August 2016****Kampung Cham, Cambodia**

In collaboration with EZ Kembara Sdn Bhd, this CSR programme targeted to help poor Muslim communities at Kampung Cham, Cambodia by upgrading village facilities and enhancing their quality of life. A total of nine wells, three solar panels and other facilities were built for the community upon receiving the donation from MEXIM.





MOCA AND FACILITY AGREEMENT CEREMONY BETWEEN MEXIM, MTN AND ECSB

6 October 2016
Mandarin Oriental, Kuala Lumpur

In conjunction with International Greentech & Eco Products Exhibition & Conference Malaysia, MEXIM entered into two new dynamic agreements. MEXIM and Might Technology Nurturing Sdn Bhd (MTN) signed a Memorandum of Collaborative Agreement (MOCA) to facilitate the sharing of information in order to assist industry players' entry into the export market. Pursuant to the MOCA, MEXIM had signed an Islamic Facility Agreement amounting to USD10 million with Evergreen Corporate Sdn Bhd (ECSB) for the development of ASEAN's first Thermal Recovery Unit which will enable eco-friendly conversion of waste into high end value products such as diesel, steel wires and syngas.



SPONSORSHIP FOR ISLAMIC ECONOMICS TEXTBOOK PROJECT BY THE INTERNATIONAL SHARI'AH RESEARCH ACADEMY FOR ISLAMIC FINANCE (ISRA)

4 November 2016
**International Centre for Education in Islamic
Finance (INCEIF), Kuala Lumpur**

Through pioneering research and rigorous intellectual dialogue, ISRA has dynamically pushed the boundaries of Islamic finance and have to date, published 41 academic books. MEXIM contributed RM1 million to publish the textbook of Islamic Economics which ISRA produced in joint initiative with the Centre of Islamic Economics, IIUM. The book caters to academicians, practitioners and policy makers and is accepted as a complement to the current Islamic finance textbook used in over 80 universities nationwide.



33RD ASIAN EXIM BANKS FORUM (AEBF) TRAINING PROGRAMME

24 - 27 October 2016

The Ritz Carlton, Kuala Lumpur

In 2016, MEXIM organised the 33rd AEBF Training programme in Kuala Lumpur. Focused on Loan Restructuring and Recovery Management, the programme brought together 42 participants from 17 institutions within the Asian region, including India, Indonesia, Japan, Malaysia, the Philippines, Thailand, Vietnam, China, South Korea and Turkey. Established with the purpose of creating an institutional mechanism for regional cooperation, AEBF improves access to trade and investment for the Asian economy through credit enhancement and risk mitigation measures.



THE 22ND ANNUAL MEETING OF ASIAN EXIM BANKS FORUM

10 November 2016

**The Mulia Resort Hotel, Nusa Dua,
Bali, Indonesia**

The 22nd Annual Meeting of Asian EXIM Banks (AEBF) was hosted by Indonesia EXIM Bank during the year, and was fully attended by delegations from 10 countries. An international seminar themed “Improving Performance of National and Regional Trade, Through EXIM Banks/ECAs Cooperation” organised during the event, brought together expert speakers and panelists. The event conveyed the importance of increasing the role of EXIM Bank/ECA AEBF member cooperation in improving the performance of national and regional trade, and exploring the challenges and opportunities of trade among member countries in Asia and Australia region.



SPONSORSHIP FOR MAJLIS MAKAN MALAM PERDANA ADFIM

19 November 2016

Sime Darby Convention Centre, Kuala Lumpur

This inaugural dinner with YB Datuk Johari Abdul Ghani, Finance Minister II event was organised by the Association of Development Finance Institutions of Malaysia (ADFIM), of which MEXIM is a member. The event sought to inculcate cooperation and networking among ADFIM members with other government and private agencies. Around 800 guests from the top echelons of the government and private agencies as well as other Development Financial Institutions turned up for the event. We sponsored three tables for a sum of RM30,000.

OUR ADVERTISEMENTS

TAKE YOUR BUSINESS AS FAR AS YOUR MIND CAN TRAVEL



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

BUYER CREDIT FACILITY

GET READY TO GO PLACES



- Financing for foreign customers (min 30% Malaysian shareholding)
- Competitive interest rates
- Financing margin of up to 75% of project value

* Terms and conditions apply



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

EXIM Bank's Buyer Credit facility makes it easier for Malaysian businesses to connect with foreign buyers and importers. Export goods and services with greater ease across borders with us by your side.

Let our experts take you places, contact us now at 03-2601 2000 or email communications@exim.com.my



www.exim.com.my

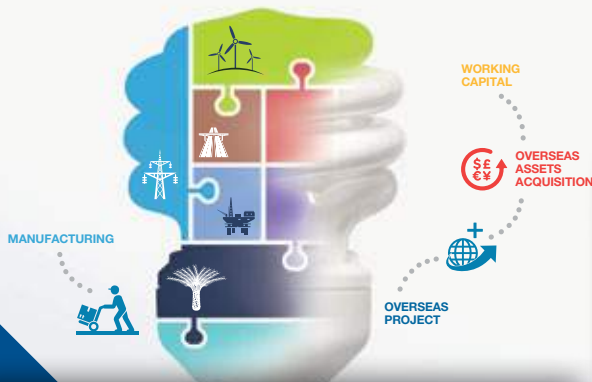


www.exim.com.my

your mind can travel. EXIM Bank's dynamic portfolio of cross-border trade services in international markets. With our extensive knowledge and expertise, we're the border trade solutions to help expand your business across the globe.

contact us now at 03-2601 2000 or email communications@exim.com.my

OVERSEAS PROJECT/CONTRACT/INVESTMENT FINANCING

ILLUMINATING
POSSIBILITIES
ACROSS BORDERS

- ▶ Up to 75% financing for overseas project/contract/investment
- ▶ Maximum 10 years maturity
- ▶ Up to 2 years grace period

* Terms and conditions apply

If you're looking for overseas contract/contract/investment financing, let our experts take you places.

20th ANNIVERSARY 1995 - 2015

OVERSEAS INVESTMENT INSURANCE

BY YOUR SIDE
THROUGH THICK
& THIN

- ▶ Mid to long-term policies on non-commercial risks
- ▶ Coverage of up to 90% losses
- ▶ Up to 15 years coverage

* Terms and conditions apply



Foresee the unforeseen. Expand your business in the international arena without worrying about the political uncertainties of foreign countries.

Let our experts take you places, contact us now at 03-2601 2000 or email communications@exim.com.my

20th ANNIVERSARY 1995 - 2015



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SUPPLIER CREDIT FACILITY

LET US LOOK INTO
YOUR TRADE
FINANCING NEEDS

- ▶ Up to 85% financing for export order value
- ▶ Up to 100% financing for pre-shipment

TRADE CREDIT INSURANCE

WE GUARD
YOUR INTERESTS
GLOBALLY

- ▶ Up to 95% coverage for non-commercial risk
- ▶ Up to 90% coverage for commercial risk
- ▶ Short-term policies for shipments, contracts and services
- ▶ Double deduction tax relief

* Terms and conditions apply



Export-Import Bank of Malaysia Berhad (207198-A)

It pays to stay safe. While you focus on expanding your business globally, ensure you have your back covered by EXIM Bank's Export Trade Credit Insurance.

Let our experts take you places, contact us now at 03-2601 2000 or email communications@exim.com.my

20th ANNIVERSARY 1995 - 2015



www.exim.com.my

Exim Bank sponsors Macaw birds at Zoo Negara

EXPORT-IMPORT Bank of Malaysia (Exim Bank) is sponsoring a pair of Macaw birds originating from South America to be placed in the care of Zoo Negara.

The EXIMBANK sponsorship was presented by Exim Bank's president, CEO Norzilah Mohamed to the Malaysian Zoological Society recently.

It is part of Exim Bank's environmental corporate social responsibility (CSR) programme to instill the importance of environmental awareness among the community and to contribute to biodiversity and wildlife conservation.

Macaw birds are known for their intelligence and persistent body



Exim Bank's CSR programme part of its staff and that family members the opportunity to contribute towards environmental preservation and conservation efforts.



Be at Zoo Negara
this Saturday to find out!
21 May 2016, 9am to 1pm

**WHAT'S RED AND
BLUE AND ABLE
TO CROSS BORDERS
WITH EASE?**

This Saturday, Zoo Negara and EXIM Bank are welcoming 2 new South American Macaws to their new Malaysian home. Come join us for this exciting event and witness the opening of their new enclosure.

Firma kita dipelawa maju bandar satelit di Uganda



Exim Bank bantu teroka pasaran TPPA



Setengah juta, kita ada 400 pelanggan yang telah mendalami International Trade and Export-Import Bank of Malaysia (EXIMBANK) adalah penghubung.

EXIMBANK membantu perusahaan-perusahaan untuk mencari peluang perdagangan internasional. EXIMBANK juga membantu perusahaan-perusahaan untuk mencari peluang perdagangan internasional.

IMPARTING EXIM KNOWLEDGE



CSR Malaysia Awards 2016



EVERSENDI SECURES US\$120M LOAN FACILITY

PETALING JAYA: Eversendai Corp Bhd has accepted a five-year syndicated term loan facility of US\$120 million (RM502 million) from National Bank of Abu Dhabi PJSC (Labuan Branch), Export-Import Bank of Malaysia Bhd and Commercial Bank International PSC. It told Bursa Malaysia that

GROWING WITH EXIM BANK



EXIM Bank salur pinjaman bernilai RM10 bilion



Program Sahabat Korporat Tabung Haji 26 Julai 2016



Norzilah Presiden, CEO baharu EXIM Bank

Orh KADIZIA ZAINAL
Managing Director

KUALA LUMPUR 12 May - Export-Import Bank of Malaysia Berhad (EXIM Bank) telah mengangkat Norzilah Mohamed sebagai Presiden dan Ketua Pegawai Eksekutifnya yang baharu berkuatkuasa 12 May 2016.

Norzilah adalah bekas Ketua Pegawai Eksekutif EXIM Bank dari Januari 2015 hingga Januari 2016. Beliau telah bekerja di EXIM Bank selama lebih dari 10 tahun.

Norzilah adalah bekas Ketua Pegawai Eksekutif EXIM Bank dari Januari 2015 hingga Januari 2016. Beliau telah bekerja di EXIM Bank selama lebih dari 10 tahun.

EXIM BANK SPONSORS ISLAMIC ECONOMIC TEXTBOOK



Exim Bank is sponsoring the Islamic Economic Textbook. The book is a comprehensive guide to Islamic economics and finance.

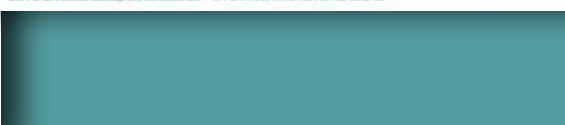


Exim Bank bantu usahawan teroka pasaran negara TPPA



TERIMA DUIT RAYA

PENGERUSI Export-Import Bank of Malaysia Berhad (Exim Bank), Datuk Mat Noor Nawi (belakang kiri) menerima Ketua Pegawai Eksekutif Exim Bank, Norzilah Mohamed (belakang, lina dari kanan) mesra dengan anak-anak yatim Pertubuhan Kobajikan Baitul Aini dalam program iftar Tahunan 2016 di Kuala Lumpur, kelmarin. - UTUSAN/WAHIDAH ZAINAL



HIGHLIGHTS

bisnes teknologi hijau

perolehan bagi pembayaran sektor swasta kepada PKK

Exim Bank surpasses
2016 target

"This really has been a very good achievement in terms of what we expected to achieve and what we have achieved. It is a testament to the hard work of our staff and the support of our customers." - Mat Noor, Chairman of Exim Bank.

Majlis Penyerahan Zakat EXIM BANK
di Lubok Setul, Rantau PanjangExim Bank successfully
prices senior notes

"The notes were offered under the Regulation S framework under the US Securities Act 1933, as amended, and are expected to be issued by Exim Bank's Investment Services and Finance Department." - Exim Bank.

Mat Noor appointed
chairman of Exim Bank

"Mat Noor has been appointed Chairman of Exim Bank Malaysia. He has extensive experience in the financial services industry and has been a key figure in the development of Exim Bank." - Exim Bank.



Haznidan, Zamri juara golf amal MAKNA

"The tournament was a great success and we were pleased to see the participation of so many golfers. Haznidan and Zamri were the winners of the tournament." - Exim Bank.

Exim Bank signs RM41m
deal with Evergreen Corp

"The agreement is said to facilitate the growth of Malaysia's green technology industry." - Exim Bank.

THE 33RD ASIAN EXIM BANKS FORUM TRAINING PROGRAMME
24-27 OCTOBER 2016
KUALA LUMPUR, MALAYSIACIC provides link for Malaysian
halal products to enter China

Chinese Islamic Centre (CIC) provides link for Malaysian halal products to enter China.

Rumah Terbuka Aidilfitri
EXIM Bank 26 Julai 2016EXIM Bank CSR Cambodia Programme on Waqaf
Well Project at Kg Cham on 25 August 2016Exim Bank launches special edition book on
exporting and international trade

EXIM BANK HOSTS 33RD AEBF TRAINING PROGRAMME

Recently Export-Import Bank of Malaysia (EXIM Bank) organised the 33rd Asian Exim Banks Forum Training Programme (AEBF) in Kuala Lumpur, Malaysia. The event is co-located by EXIM Bank of Malaysia's main president/CEO, Ibrahim Mahomed.

The programme involved a four-day training and discussion session for 42 participants from 12 countries under the Asian region including India, Indonesia, Japan, Malaysia, the Philippines, Thailand, Vietnam, China, South Korea and Turkey.

AEBF was inaugurated during the Export Credit Committee (ECC) meeting in Kuala Lumpur with the purpose of creating an institutional mechanism for regional cooperation and large projects for serving its member institutions within the Asian region.

In addition, the meeting also provided an opportunity for the Asian region's EECs to discuss and coordinate their efforts in promoting trade and investment between their respective countries.

The event was attended by Exim Bank of Malaysia's main president/CEO, Ibrahim Mahomed, and other senior executives of the bank. The programme was also attended by representatives from other Asian Exim Banks.

ESTABLISHING A GLOBAL REACH

The Asian Exim Banks Forum Training Programme (AEBF) is a biennial event that brings together senior executives from Asian Exim Banks to discuss and coordinate their efforts in promoting trade and investment between their respective countries.

The programme is co-located by EXIM Bank of Malaysia's main president/CEO, Ibrahim Mahomed, and other senior executives of the bank. The programme was also attended by representatives from other Asian Exim Banks.



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**DIRECTORS'
REPORT**129
Annual Report
2016

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 2016.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	Group RM'000	Bank RM'000
Loss for the year	(227,279)	(227,307)

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 0.33 sen per ordinary share totalling RM8,806,810 in respect of the year ended 31 December 2015 on 23 June 2016.

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

DIRECTORS

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

Datuk Mat Noor bin Nawi - Chairman (appointed on 16.08.2016)

Norzilah binti Mohammed (appointed on 08.03.2016)

Dato' Rosli bin Mohamed Nor

Dato' Sri 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

Encik Mohammad Fadzlan bin Abdul Samad

Datuk Syed Ahmad Helmy bin Syed Ahmad

DIRECTORS (CONT'D.)

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

Malaysian Export Credit Insurance Berhad

Norzilah binti Mohammed

Norlela binti Sulaiman

EXIM Sukuk Malaysia Berhad

Loke Chee Kien

(appointed on 07.10.2016)

Norhayati binti Azit

(appointed on 28.04.2017)

Abdul Jamil bin Sulaiman

(appointed on 07.10.2016, resigned on 28.04.2017)

Mohammed Izad bin Ariffin

(resigned on 07.10.2016)

Lim Lee Kuan

(resigned on 07.10.2016)

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Bank as shown in Note 28 to the financial statements) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

ISSUE OF SHARES AND DEBENTURES

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

There were no issuance of debentures during the year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

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 in 2016 as follows:

Rating agencies	Date	Ratings
Moody's Investors Service	21 July 2016	Long-term Foreign Currency Issuer: A3 Senior Unsecured Rating: A3 Stand-alone Credit Profile: ba3 Long-term Ratings (Exim Sukuk Malaysia Berhad): A3 Outlook: Stable
Fitch Ratings	18 August 2016	Long-term Foreign Currency Issuer Default Rating: A- Support Rating: 1 Support Rating Floor: A- Senior Unsecured Notes: A- Outlook: Stable
RAM Ratings	23 August 2016	National Ratings (Long-term): AAA, (Short-term): P1 ASEAN Ratings (Long-term): seaAAAA, (Short-term): seaP1 Global Ratings (Long-term): gA2, (Short-term): gP1 Long-term Global Scale Rating (Exim Sukuk Malaysia Berhad): gA2(s) Outlook: Stable

AUDITORS AND AUDITORS' REMUNERATION

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

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 18 May 2017.



Datuk Mat Noor bin Nawi



Norzilah binti Mohammed

SHARIAH COMMITTEE'S REPORT

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Annual Report
2016

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

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

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

In carrying out the roles and responsibilities as EXIM Bank's Shariah Committee ("the Committee") as prescribed in the Bank's Shariah Governance Framework as well as the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia. As members of the Committee, we hereby submit the following report in respect of Shariah compliant business activities of EXIM Bank for the financial year ended 31 December 2016:

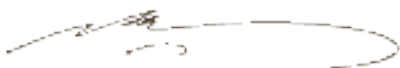
1. The Committee had conducted nine (9) meetings during the financial year to review and approve various new and enhancement to the Bank's Islamic banking and takaful products as well as guidelines and manuals relating to Shariah compliant transactions and internal processes. We confirmed that we have reviewed the applicability and appropriateness of Shariah principles and the Shariah contracts adopted relating to the new and enhancement products, transactions and operational processes of Islamic banking and takaful activities of EXIM Bank for the period from 1 January 2016 until 31 December 2016.
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. The report has been presented and deliberated in the Committee meeting, which the findings shall be the basis for the Committee to form an opinion on its compliance to Shariah rules and principles, Shariah guidelines and rulings issued by the Shariah Advisory Council of Bank Negara Malaysia as well as Shariah decisions and resolutions made by the Committee.
4. Moneys derived from the late payment charges on Islamic financing activities is channelled to charity fund and distributed progressively to the eligible beneficiaries.
5. During the financial year, the relevant staff has attended Shariah related training aimed at building strong understanding on Shariah application in the banking and takaful business activities.
6. The Bank has fulfilled its obligation to pay zakat on its Islamic banking business to state zakat authority. The Bank paid zakat based on working capital method to the Pusat Pungutan Zakat Wilayah Persekutuan. A portion of the amount paid was returned by Pusat Pungutan Zakat for the Bank's self distribution to the *asnaf fakir*, *miskin* and *fisabilillah* as approved by the Management and concurred by the Committee.
7. The Committee has reviewed the financial statements of the Bank, including the calculation of Zakat and confirmed that the financial statements prepared are in compliance to the Shariah rules and principles as well as the minimum disclosure requirements as stipulated by Bank Negara Malaysia.
8. The committee has played a pivotal role in supporting the implementation of the Bank's new strategic plan in embarking to a full-fledged Islamic financial institution.

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

Hence to the best of our knowledge based on the information provided to us and decisions made during the Shariah Committee meeting, we are of the opinion that the Islamic banking and takaful business operations of EXIM Bank for the financial year ended 31 December 2016 have been conducted in conformity with the Shariah rules and principles.

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

Signed on behalf of the Committee,



Dr. Zaharuddin Abd Rahman

Chairman



Assoc. Prof. Dr. Suhaimi Ab Rahman

Member

Kuala Lumpur, Malaysia

18 May 2017

STATEMENT BY DIRECTORS

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

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Annual Report
2016

We, Datuk Mat Noor bin Nawawi and Norzilah Mohammed, being two of the Directors of Export-Import Bank of Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 141 to 267 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 2016 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 18 May 2017.



Datuk Mat Noor bin Nawawi



Norzilah binti Mohammed

STATUTORY DECLARATION

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

We, Datuk Mat Noor bin Nawawi and Norzilah Mohammed, being the Directors primarily responsible for the financial management of Export-Import Bank of Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 141 to 267 are in our opinion correct, and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
above named Datuk Mat Noor bin Nawawi and
Norzilah binti Mohammed at Kuala Lumpur
in the Federal Territory on 18 May 2017

Before me,




Datuk Mat Noor bin Nawawi



Norzilah binti Mohammed

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Export-Import Bank of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 141 to 267.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965, in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key Audit Matters

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

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

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

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

Due to the significance of loans, advances and financing (representing 78% of total assets of the Group and of the Bank as at 31 December 2016) and the corresponding uncertainty inherent in such an estimate, we considered this as a key audit matter.

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

Valuation of credit insurance and Takaful contract liabilities

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

Estimates of claims liabilities have to be made for both the expected ultimate cost of claims reported at the reporting date, and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date. The estimation of credit insurance and Takaful contract liabilities are sensitive to various factors and uncertainties. Significant management judgement is applied in setting these assumptions. In deriving the claims and premium liabilities, the Board of Directors and management have commissioned a third-party independent professional actuary to perform a valuation of such liabilities as at 31 December 2016 based on requirements of MFRS 4 Insurance Contracts.

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

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

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

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

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

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

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AUDITORS' REPORTTO THE MEMBERS OF EXPORT-IMPORT BANK OF MALAYSIA BERHAD
(INCORPORATED IN MALAYSIA)

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

OTHER MATTERS

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

**Ernst & Young**

AF: 0039

Chartered Accountants

**Dato' Megat Iskandar Shah Bin Mohamad Nor**

No. 3083/07/17(J)

Chartered Accountants

Kuala Lumpur, Malaysia

18 May 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

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	Note	Group		Bank	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Assets					
Cash and bank balances	4	126,224	56,832	126,224	56,832
Deposits and placements with banks and other financial institutions	5	2,312,815	2,155,220	2,312,815	2,155,220
Investment securities	6	120,988	200,338	120,988	200,338
Amount due from Export Credit Refinancing (“ECR”) debtors	7	497,081	322,512	497,081	322,512
Loans, advances and financing	8	12,464,564	11,655,030	12,464,564	11,655,030
Insurance receivables	9	4,679	1,272	4,679	1,272
Derivative financial instruments	10	119,952	79,301	119,952	79,301
Other assets	11	110,651	107,983	110,651	107,983
Deferred tax assets	12	53,598	39,880	55,913	42,195
Investment in subsidiaries	13(a)	-	-	64,132	64,140
Investment in jointly controlled entity	13(b)	**	**	**	**
Investment properties	14	961	455	961	455
Intangible assets	15	9,794	1	9,794	1
Property and equipment	16	82,035	100,308	82,035	100,308
Total assets		15,903,342	14,719,132	15,969,789	14,785,587
Liabilities					
Borrowings	17	12,647,503	11,243,835	12,647,503	11,243,835
Other payables and accruals	18	339,057	412,560	339,057	412,560
Derivative financial instruments	10	100,374	22,926	100,374	22,926
Deferred income	19	38,068	28,662	38,068	28,662
Provision for guarantee and claims	20	19,758	11,023	19,758	11,023
Amount due to subsidiaries	35	-	-	64,137	64,117
Amount due to joint venture		**	**	**	**
Total liabilities		13,144,760	11,719,006	13,208,897	11,783,123

** amount is less than RM1,000

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

STATEMENTS OF
FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financed by:					
Share capital	21	2,708,665	2,708,665	2,708,665	2,708,665
Fair value adjustment reserve		831	168	831	168
Retained profits		55,941	292,027	58,251	294,365
Shareholders' funds		2,765,437	3,000,860	2,767,747	3,003,198
Takaful participants fund	38	(6,855)	(734)	(6,855)	(734)
Total liabilities, shareholders' fund and Takaful funds		15,903,342	14,719,132	15,969,789	14,785,587
Commitments and contingencies	34	4,670,633	3,968,816	4,670,633	3,968,816

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

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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	Note	Group		Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating revenue	22	492,236	472,543	492,236	472,543
Interest income	23	363,228	371,255	363,228	371,255
Interest expense	24	(175,938)	(147,422)	(175,938)	(147,422)
Net interest income		187,290	223,833	187,290	223,833
Underwriting results	25	3,299	8,397	3,299	8,397
Income from Islamic business	38	114,938	124,308	114,938	124,308
Other income	26	32,429	39,428	32,429	39,428
Net income		337,956	395,966	337,956	395,966
Overhead expenses	27	(101,894)	(78,544)	(101,887)	(78,537)
Operating profit		236,062	317,422	236,069	317,429
Allowance for diminution in value of investment in a subsidiary		-	-	(7)	(7)
Allowances for losses on loans, advances and financing	30	(380,718)	(271,409)	(380,718)	(271,409)
Allowances on investment securities		(100,000)	-	(100,000)	-
(Loss)/profit before taxation		(244,656)	46,013	(244,656)	46,013
Taxation	31	19,772	(17,342)	19,772	(17,342)
Zakat		(2,395)	(3,508)	(2,423)	(3,508)
Net (loss)/profit for the year		(227,279)	25,163	(227,307)	25,163
(Loss)/earnings per share (sen)	32	(8.39)	0.93	(8.39)	0.93

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net (loss)/profit for the year	(227,279)	25,163	(227,307)	25,163
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Fair value changes on available-for-sale investments securities	663	286	663	286
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	663	286	663	286
Total comprehensive income for the year, net of tax	(226,616)	25,449	(226,644)	25,449

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

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	Share capital RM'000	Distributable retained profits RM'000	Non- distributable fair value adjustment reserve RM'000	Total RM'000
Group				
At 1 January 2015	2,708,665	273,541	(118)	2,982,088
Total comprehensive income	-	25,163	286	25,449
Dividend paid (Note 33)	-	(6,677)	-	(6,677)
At 31 December 2015	2,708,665	292,027	168	3,000,860
Total comprehensive income	-	(227,279)	663	(226,616)
Dividend paid (Note 33)	-	(8,807)	-	(8,807)
At 31 December 2016	2,708,665	55,941	831	2,765,437
Bank				
At 1 January 2015	2,708,665	275,879	(118)	2,984,426
Total comprehensive income	-	25,163	286	25,449
Dividend paid (Note 33)	-	(6,677)	-	(6,677)
At 31 December 2015	2,708,665	294,365	168	3,003,198
Total comprehensive income	-	(227,307)	663	(226,644)
Dividend paid (Note 33)	-	(8,807)	-	(8,807)
At 31 December 2016	2,708,665	58,251	831	2,767,747

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
(Loss)/profit before taxation	(244,656)	46,013	(244,656)	46,013
Adjustments for:				
Individual allowance				
- Charged for the year	323,728	222,675	323,728	222,675
- Written back during the year	(25,471)	(18,553)	(25,471)	(18,553)
Collective allowance				
- Charged for the year	168,130	67,287	168,130	67,287
- Written back during the year	(85,669)	-	(85,669)	-
Allowance on investment securities	100,000	-	100,000	-
Claim and guarantee				
- Charged for the year	13,122	5,553	13,122	5,553
- Written back during the year	(2,676)	(4,592)	(2,676)	(4,592)
Depreciation				
- Property and equipment	6,092	4,927	6,092	4,927
- Investment properties	24	18	24	18
Amortisation of intangible assets	4,887	-	4,887	-
Allowance for diminution in value of investment in a subsidiary	-	-	7	7
Gain on disposal of equipment	(2)	(7)	(2)	(7)
Impairment loss on investment properties	(530)	-	(530)	-
Unrealised foreign exchange loss	57,839	53,649	57,839	53,649
Unrealised loss/(gain) on derivatives	43,767	(55,104)	43,767	(55,104)
Unrealised (gain)/loss on MTN/Sukuk	(98,108)	42,092	(98,108)	42,092
Allowance for doubtful debts	-	(141)	-	(141)
Amortisation of premium less accretion of discount	23	117	23	117
Premium liabilities	(984)	(2,147)	(984)	(2,147)
Operating profit before changes in working capital	259,516	361,787	259,523	361,794

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

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
Changes in working capital:				
Deposits and placements with banks and other financial institutions	(202,868)	(166,212)	(202,868)	(166,212)
Amount due from ECR debtors	(174,569)	88,135	(174,569)	88,135
Loans, advances and financing	(1,190,251)	(3,992,575)	(1,190,251)	(3,992,575)
Insurance receivables	(2,423)	(570)	(2,423)	(570)
Other assets	(8,817)	52,436	(8,817)	52,436
Derivative financial instruments	(6,970)	(1,877)	(6,970)	(1,877)
Other payables and accruals	(46,334)	142,221	(46,334)	142,221
Deferred income	9,406	12,919	9,406	12,919
Net claims paid for bank guarantee and insurance claims	(1,711)	(18,659)	(1,711)	(18,659)
Takaful participants fund	(6,121)	531	(6,121)	531
Amount due to subsidiaries	-	-	(7)	(7)
Cash used in operations	(1,371,142)	(3,521,864)	(1,371,142)	(3,521,864)
Income tax paid	(13,875)	(17,805)	(13,875)	(17,805)
Zakat paid	(3,508)	(729)	(3,508)	(729)
Net cash used in operating activities	(1,388,525)	(3,540,398)	(1,388,525)	(3,540,398)
Cash flows from investing activities				
Proceeds from disposals of property and equipment	23	7	23	7
Purchases of property and equipment	(2,498)	(3,659)	(2,498)	(3,659)
Purchases of investments	(20,010)	(79,177)	(20,010)	(79,177)
Net cash used in investing activities	(22,485)	(82,829)	(22,485)	(82,829)

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

STATEMENTS OF
CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Net drawdown of borrowings	1,443,936	3,687,507	1,443,936	3,687,507
Dividend paid	(8,807)	(6,677)	(8,807)	(6,677)
Net cash generated from financing activities	1,435,129	3,680,830	1,435,129	3,680,830
Net increase in cash and cash equivalents	24,119	57,603	24,119	57,603
Cash and cash equivalents at beginning of the year	1,715,538	1,657,935	1,715,538	1,657,935
Cash and cash equivalents at end of the year	1,739,657	1,715,538	1,739,657	1,715,538
Cash and cash equivalents comprise the following balances:				
Cash and bank balances	126,224	56,832	126,224	56,832
Deposits and placements with banks and other financial institutions	2,312,815	2,155,220	2,312,815	2,155,220
Less : Deposits and placements on behalf of customers and government	(181,232)	(376,514)	(181,232)	(376,514)
Less : Deposits and placements more than three months	(518,150)	(120,000)	(518,150)	(120,000)
Cash and cash equivalents	1,739,657	1,715,538	1,739,657	1,715,538

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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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 18 May 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

2.2 Changes in accounting policies

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

On 1 January 2016, 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 2016.

Description	Effective for annual periods beginning on or after
• Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
• Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
• Amendments to MFRS 11: Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
• MFRS 14: Regulatory Deferral Accounts	1 January 2016
• Amendments to MFRS 101: Disclosure Initiatives	1 January 2016

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Changes in accounting policies (cont'd.)**

The accounting policies adopted are consistent with those of the previous financial year except as follows (cont'd.):

Description	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> Amendments to MFRS 116 and MFRS 138: Clarification of Methods of Depreciation and Amortisation 	1 January 2016
<ul style="list-style-type: none"> Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants 	1 January 2016
<ul style="list-style-type: none"> Amendments to MFRS 127: Equity Method in Separate Financial Statements 	1 January 2016

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112) 	1 January 2017
<ul style="list-style-type: none"> MFRS 107: Disclosure Initiatives (Amendments to MFRS 107) 	1 January 2017
<ul style="list-style-type: none"> MFRS 12: Disclosure of Interests in Other Entities (Amendments to MFRS 12) 	1 January 2017
<ul style="list-style-type: none"> MFRS 9: Financial Instruments 	1 January 2018
<ul style="list-style-type: none"> MFRS 15: Revenue from Contracts with Customers and Clarifications to MFRS 15 	1 January 2018
<ul style="list-style-type: none"> MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2) 	1 January 2018
<ul style="list-style-type: none"> MFRS 16: Leases 	1 January 2019
<ul style="list-style-type: none"> Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures 	Deferred

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

MFRS 9 Financial Instruments

In November 2014, MASB issued the final revision of MFRS 9 Financial Instruments which reflects all phase of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.3 Standards issued but not yet effective (cont'd.)****MFRS 9 Financial Instruments (cont'd.)**

The Group and the Bank plans to adopt the new standard on the required effective date. The Group and the Bank is assessing the impact for MFRS 9 and is not yet able to reasonably estimate the impact on its financial statements.

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

Instead of the incurred loss model under MFRS 139, MFRS 9 requires the Group to record expected credit losses on all of its debt securities/sukuk, loans/financing and trade receivables, either on a 12-month or lifetime basis. The Group and the Bank are still in the midst of designing the expected credit loss methodology, and expect a moderately material impact to retained earnings upon adoption.

MFRS 9 aligns hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model. The Group and the Bank believe that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under MFRS 9. As MFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group and the Bank do not expect a significant impact as a result of applying MFRS 9. The Group and the Bank will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

2.4 Summary of significant accounting policies**(a) Subsidiaries and basis of consolidation****(i) Subsidiaries**

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

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

(ii) Basis of consolidation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(a) Subsidiaries and basis of consolidation (cont'd.)****(ii) Basis of consolidation (cont'd.)**

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

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

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

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

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

(iii) Consolidation of EXIM Sukuk Malaysia Berhad

EXIM Sukuk Malaysia Berhad is a Special Purpose Vehicle ("SPV") entity established by the Bank as part of its Multicurrency Sukuk Issuance Programme. The entire issued share capital of the SPV is held by TMF Trustees Malaysia Berhad. The SPV shall act as issuer, trustee and purchaser/seller of tangible/non-tangible assets. Management had concluded that control over EXIM Sukuk existed in line with the revised definition of control introduced by MFRS 10, hence, EXIM Sukuk is deemed to be a subsidiary.

(b) Property and equipment

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

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

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

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

Building	50 - 99 years
Renovation and improvement	10 years
Furniture, electrical fittings and equipment	10 years
Motor vehicles	5 years
Office equipment	5 years
Computers	3 years

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

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

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

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

(c) Intangible assets: Computer software

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(d) Investment properties**

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

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

Depreciation is charged to the income statements on a straight-line basis over the estimated useful lives of fifty to ninety nine (50 - 99) years for building. Freehold land is not depreciated.

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

(e) Impairment of non-financial assets

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

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

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

(f) Financial assets

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

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

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

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

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

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

(ii) Financing and receivables

Financing and receivables consist of Murabahah, 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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(f) Financial assets (cont'd.)****(iii) Held-to-maturity investments**

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

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

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

(iv) Available-for-sale investments

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(f) Financial assets (cont'd.)****(v) Derivative instruments and hedge accounting****(a) Derivative instruments**

The Group and the Bank trade derivatives such as interest/profit rate swaps, cross currency interest/profit rate swaps and forward contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statements.

(b) Hedge accounting

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

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

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

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

Fair value hedge

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(f) Financial assets (cont'd.)****(v) Derivative instruments and hedge accounting (cont'd.)****(b) Hedge accounting (cont'd.)****Fair value hedge (cont'd.)**

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

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

(g) Impairment of financial assets

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

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

(i) Loans, advances, financing and receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(g) Impairment of financial assets (cont'd.)****(i) Loans, advances, financing and receivables (cont'd.)**

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

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

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

(ii) Held-to-maturity investments

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

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

(iii) Available-for-sale investments

The Group and the Bank assess at each reporting date 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 income statements, is removed from equity and recognised in the income statements. Impairment losses on equity investments are not reversed through income statements; increase in their fair value after impairment are recognised directly in equity.

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 held-to-maturity investments. Where impairment losses have been previously recognised in the income statements, if there is a subsequent increase in the fair value of the debt instruments that can be objectively related to a credit event occurring after the impairment losses was recognised in the income statements, the impairment loss is reversed through income statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(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 income statements.

(i) Cash and cash equivalents

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

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

(j) Provisions

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(k) Financial guarantee contracts**

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

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

(l) Employee benefits

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

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

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

(m) Insurance/Takaful contract liabilities

These liabilities comprise premium/contribution liabilities and claims liabilities.

(i) Premium/Contribution liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(m) Insurance/Takaful contract liabilities (cont'd.)****(i) Premium/Contribution liabilities (cont'd.)****Unearned premium/contribution reserves**

UPR/UCR represents the portion of the net premium/contribution of insurance/Takaful policies written that relate to the unexpired periods of policies at the end of the financial year.

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

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

Unexpired risk reserves

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

(ii) Claims liabilities

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

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

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

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

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

The Bank received in return, a management fee of 1.5% of total placement amount. The fee income is recognised in the income 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 losses on loans and financing borne by the Bank is recognised in the income statement in accordance with Note 2.4(g)(i).

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

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

(i) Interest/profit and similar income and expense

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

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

(ii) Dividend income

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

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

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

(iv) Premium income

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

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

(v) Islamic income recognition

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

Murabahah, Tawarruq and Istisna'

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

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

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

Bai' Al Dayn

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

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

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

Takaful income

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

(p) Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(q) Zakat**

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

(i) Method applied

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

(ii) Beneficiaries of zakat fund

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

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

(r) Foreign currencies

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Foreclosed properties

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

(t) Goods and Service Tax

The Bank charges Goods and Service Tax ("GST") output tax on its taxable supply of goods and services made to customers. The Bank also claims any GST incurred on its purchases, i.e. input tax which are tax claimable by the Bank, subject to Fixed Input Tax Rate ("FITR"), currently at 78%.

2.5 Changes to Companies Act

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 in Malaysia and the New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, is 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 are:

- (a) Removal of the authorised share capital; and
- (b) Shares of the Company will cease to have par or nominal value.

The adoption of the New Act is not expected to have any financial impact on the Group and of the Bank for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Bank for the financial year ending 31 December 2017.

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.

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

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

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

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

(i) Individual impairment allowance

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

(ii) Collective impairment allowance

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

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

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

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

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

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.)**

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	
	2016	2015
	RM'000	RM'000
Cash and bank balances	126,224	56,832

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2016	2015
	RM'000	RM'000
Deposits and placements with:		
Licensed banks	999,761	1,295,123
Other financial institutions	1,313,054	860,097
	2,312,815	2,155,220
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	2,131,583	1,778,706
On behalf of customers and government **	181,232	376,514
	2,312,815	2,155,220

** Included in deposits and placements with licensed banks and other financial institutions are placements of the unutilised fund from the Government of Malaysia under MKFF Scheme amounting to RM21,129,274 (2015: RM185,623,170). The accounting policy in respect of MKFF Scheme is disclosed in Note 2.4(n).

6. INVESTMENT SECURITIES

	Group and Bank	
	2016	2015
	RM'000	RM'000
Available-for-sale investments:		
Unquoted debt securities	220,988	190,338
Less: Impairment losses	(100,000)	-
	120,988	190,338
Held-to-maturity investments:		
Unquoted debt securities	-	10,000
	-	10,000
Total investment securities	120,988	200,338

Included in investment securities are amount that have been pledged for Sukuk Issuance amounting to RM21,284,577 (2015: RM76,186,728).

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Amount due from participating licensed banks under ECR Scheme	497,081	322,512
The maturity structure of the ECR debtors are as follows:		
Maturity within one year	497,081	322,512

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

8. LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2016	2015
	RM'000	RM'000
At amortised cost		
Loans, advances and financing	13,097,508	12,200,296
Loans under MKFF scheme	15,621	15,571
Staff loans	1,424	1,816
Gross loans, advances and financing	13,114,553	12,217,683
Less: Allowance for impaired loans, advances and financing:		
- Individual allowance	(364,480)	(359,605)
- Collective allowance	(285,509)	(203,048)
Net loans, advances and financing	12,464,564	11,655,030

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

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Buyer Credit	539,700	738,837
Overseas Contract Financing	133,125	242,532
Overseas Project Financing	6,749,962	5,816,800
Supplier Credit	476,250	402,256
Export Finance	8,103	6,006
Supplier Financing- <i>i</i>	1,597,061	1,222,495
Term Financing- <i>i</i>	2,993,241	3,301,505
Overseas Contract Financing- <i>i</i>	63,424	68,674
Overseas Project Financing- <i>i</i>	536,642	401,191
Malaysian Kitchen Financing Facility ("MKFF")	11,965	12,172
Malaysian Kitchen Financing Facility- <i>i</i> ("MKFF- <i>i</i> ")	3,656	3,399
Staff loans and advances	1,424	1,816
	13,114,553	12,217,683

Included in Term Financing-*i* are amount that have been pledged for Sukuk Issuance amounting to RM372,586,224 (2015 : RM631,382,072).

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Within one year	3,547,743	3,693,682
One year to three years	1,541,789	1,993,212
Three years to five years	3,484,057	3,060,772
Over five years	4,540,964	3,470,017
	13,114,553	12,217,683

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

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Conventional		
Fixed rate	184,260	190,407
Variable rate	7,736,268	7,030,010
Islamic		
Fixed rate	686,455	731,594
Variable rate	4,507,570	4,265,672
	13,114,553	12,217,683

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
At 1 January	946,206	726,711
Impaired during the year	1,140,340	376,397
Reclassified as non-impaired	(157)	(1,085)
Recoveries	(101,393)	(332,028)
Amount written off	(307,624)	(62,150)
Exchange differences	55,787	238,361
At 31 December	1,733,159	946,206
Gross impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	12.73%	7.55%
- without ECR debtors	13.22%	7.74%
Net impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	10.06%	4.68%
- without ECR debtors	10.44%	4.80%

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

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
<u>Individual allowance</u>		
At 1 January	359,605	192,796
Allowance made during the year *(Note 30)	323,728	222,675
Amount written back (Note 30)	(25,471)	(18,553)
Net charge to income statement	298,257	204,122
Amount written off	(307,624)	(62,150)
Allowance recoverable from the Government of Malaysia for MKFF scheme	(947)	1,913
Exchange differences	15,189	22,924
At 31 December	364,480	359,605

* The impairment allowance estimate as at 31 December 2016 includes an individual allowance provided for one borrower based on a significant judgment of full sale of collaterals that is expected to be completed with a third party buyer, of which if the sale is subsequently rescinded or cancelled, the impairment allowance estimate would increase by up to RM117.29 million.

	Group and Bank	
	2016	2015
	RM'000	RM'000
<u>Collective allowance</u>		
At 1 January	203,048	135,761
Allowance made during the year (Note 30)	168,130	102,251
Amount written back (Note 30)	(85,669)	(34,964)
At 31 December	285,509	203,048
Breakdown of collective allowance :		
From impaired loans, advance and financing	19,969	19,997
From non-impaired loans, advance and financing	265,540	183,051
	285,509	203,048
As % of net loans, advances and financing	2.24%	1.71%

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

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Malaysia	940,267	123,364
East Asia	179,281	304,361
South Asia	42,324	131,292
Central Asia	339,457	325,007
Middle East	22,579	21,807
Africa	129,045	-
Europe	3,966	5,742
America	4,694	6,919
Oceania	71,546	27,714
	1,733,159	946,206

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Primary agriculture	-	20,675
Manufacturing	72,070	120,000
Transport, storage and communication	911,714	94,421
Construction	108,347	187,232
Wholesale and retail trade, and restaurants and hotels	68,187	94,720
Others	572,841	429,158
	1,733,159	946,206

9. INSURANCE RECEIVABLES

	Group and Bank	
	2016	2015
	RM'000	RM'000
Amount due from agents, brokers and co-insurers	5,276	1,869
Less: Allowance for doubtful debts	(597)	(597)
	4,679	1,272

10. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Group and Bank					
	2016			2015		
	Fair Value		Notional Amount RM'000	Fair Value		Notional Amount RM'000
	Assets RM'000	Liability RM'000		Assets RM'000	Liability RM'000	
<u>Derivative used as fair value hedges</u>						
Interest/profit rate swaps	30,925	75,349	7,178,946	41,093	3,264	4,563,991
Cross currency interest/profit rate swap	53,503	24,264	1,629,526	38,208	19,662	1,515,107
<u>Derivative held for trading</u>						
Forward foreign exchange contract	35,524	761	794,071	-	-	-
Total	119,952	100,374	9,602,543	79,301	22,926	6,079,098

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

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

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

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over-time based on specified notional amounts, in relation to movements in a specified underlying index such as 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.

Fair values

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

Fair value hedge

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

As at 31 December 2016, the Bank has entered into the following derivative financial instruments:

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

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

Full details of hedging as follows:

2016

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

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10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

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

2016 (cont'd.)

Notional amount	Hedging instrument: Interest Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD50 million	Floating rate of 3 months Libor + 1.01% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.85% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.00% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.66% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% p.a (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
USD37.3 million	Floating rate of 3 months Libor + 1.70% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.01% per annum (payable annually)	Fair value hedge	Profit rate
USD150 million	Floating rate of 3 months Libor + 1.16% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.21% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.214% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.165% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% 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.):

2016 (cont'd.)

Notional amount	Hedging instrument: Cross Currency Interest Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
HKD402 million	USD51.82 million at floating rate of 3 months USD Libor + 0.88% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.6% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD300 million	SGD47.88 million at floating rate of 6 months SGD SOR + 1.00% p.a (receive fixed HKD annually/pay float SGD semi-annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
JPY3 billion	USD29.34 million at floating rate of 3 months Libor + 0.94% p.a (receive fixed JPY semi-annually/pay float USD quarterly)	Fixed 0.65% per annum (payable semi-annually)	Fair value hedge	Interest rate & foreign currency
HKD610 million	USD 78.68 million at floating rate of 3 months USD Libor + 0.51% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.43% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
USD40 million	GBP 25.99 million at fixed rate of 2.43% (receive fixed GBP semi-annually/pay USD semi-annually)	Fixed 2.45% per annum (payable semi-annually)	Fair value hedge	Profit rate & foreign currency
HKD400 million	USD 51.57 million at floating rate of 3 months USD Libor + 1.18% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.10% per annum (payable annually)	Fair value hedge	Profit rate & foreign currency

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

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

2015

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

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

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

2015 (cont'd.)

Notional amount	Hedging instrument: Interest Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD50 million	Floating rate of 3 months Libor + 1.00% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.66% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% p.a (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
Notional amount	Hedging instrument: Cross Currency Interest Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
HKD402 million	USD51.82 million at floating rate of 3 months USD Libor + 0.88% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.6% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD300 million	SGD47.88 million at floating rate of 6 months SGD SOR + 1.00% p.a (receive fixed HKD annually/pay float SGD semi-annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
JPY3 billion	USD29.34 million at floating rate of 3 months Libor + 0.94% p.a (receive fixed JPY semi-annually/pay float USD quarterly)	Fixed 0.65% per annum (payable semi-annually)	Fair value hedge	Interest rate & foreign currency
HKD610 million	USD 78.68 million at floating rate of 3 months USD Libor + 0.51% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.43% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
USD40 million	GBP 25.99 million at fixed rate of 2.43% (receive fixed GBP semi-annually/pay USD semi-annually)	Fixed 2.45% per annum (payable semi-annually)	Fair value hedge	Profit rate & foreign currency

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

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
(Loss)/gain arising from fair value hedges:		
Hedging instruments	(79,279)	55,758
Hedged items	98,108	(42,092)
	18,829	13,666

11. OTHER ASSETS

	Group and Bank	
	2016	2015
	RM'000	RM'000
Interest/profit receivables (excluding interest/profit on loans, advances and financing)	80,022	63,287
Other receivables, deposits and prepayments	14,689	22,614
Tax prepayment	15,940	22,082
	110,651	107,983

12. DEFERRED TAX ASSETS

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	39,880	29,410	42,195	31,725
Recognised in profit or loss (Note 31)	13,718	10,470	13,718	10,470
At 31 December	53,598	39,880	55,913	42,195

12. DEFERRED TAX ASSETS (CONT'D.)**Deferred tax assets**

	Allowance for diminution in value of investment in a subsidiary RM'000	Provision for expenses RM'000	Unrealised foreign exchange RM'000	Total deductable temporary differences RM'000
Group				
At 1 January 2015	-	21,319	14,741	36,060
Recognised in income statement	-	11,229	(1,865)	9,364
At 31 December 2015	-	32,548	12,876	45,424
Recognised in income statement	-	(28,772)	43,580	14,808
At 31 December 2016	-	3,776	56,456	60,232

Bank

At 1 January 2015	2,318	21,316	14,741	38,375
Recognised in income statement	(91)	11,320	(1,865)	9,364
At 31 December 2015	2,227	32,636	12,876	47,739
Recognised in income statement	1	(28,773)	43,580	14,808
At 31 December 2016	2,228	3,863	56,456	62,547

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12. DEFERRED TAX ASSETS (CONT'D.)**Deferred tax liabilities**

**Accelerated capital
allowance on property
and equipment
RM'000**

Group

At 1 January 2015	(6,650)
Recognised in income statement	1,106
At 31 December 2015	(5,544)
Recognised in income statement	(1,090)
At 31 December 2016	(6,634)

Bank

At 1 January 2015	(6,650)
Recognised in income statement	1,106
At 31 December 2015	(5,544)
Recognised in income statement	(1,090)
At 31 December 2016	(6,634)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	60,232	45,424	62,547	47,739
Deferred tax liabilities	(6,634)	(5,544)	(6,634)	(5,544)
	53,598	39,880	55,913	42,195

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.

12. DEFERRED TAX ASSETS (CONT'D.)

No deferred tax has been recognised for the following items:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses				
- Bank	167,780	-	167,780	-
- Subsidiary	67,289	67,289	-	-
Unabsorbed capital allowances				
- Bank	3,460	-	3,460	-
	238,529	67,289	171,240	-
Tax rate	24%	25%	24%	25%
	57,247	16,822	41,098	-

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is no substantial change in shareholders, the unutilised tax losses carried-forwards is amounting to RM235,069,439 (2015: RM67,289,439).

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

	Bank	
	2016	2015
	RM'000	RM'000
Unquoted shares - at cost	73,419	73,419
Less: Allowance for diminution in value	(9,287)	(9,279)
	64,132	64,140

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

The subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest (%)	
			2016	2015
Malaysian Export Credit Insurance Berhad	Dormant	Malaysia	100	100
Pengkalan Megaria Sdn Bhd *	Dormant	Malaysia	-	100
Morning Glory Company Limited **	Dormant	Laos	100	100
EXIM Sukuk Malaysia Berhad	Special Purpose Vehicle for Sukuk issuance	Malaysia	100	100

* Not required to be audited in 2015 and 2016

** Not audited by Ernst & Young, Malaysia

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

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

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

(b) Investment in jointly controlled entity

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

14. INVESTMENT PROPERTIES

	Group and Bank	
	2016	2015
	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	405	387
Accumulated impairment losses	530	530
	935	917
Reversal of impairment loss (Note 26)	(530)	-
Charged for the year (Note 27)	24	18
At 31 December	429	935
Carrying amount	961	455
Included in the carrying amount of investment properties are:		
Freehold land	400	400
Buildings	504	1
Long term leasehold building with unexpired lease period of more than 50 years	57	54
	961	455
Fair value of investment properties	1,239	1,210

The investment properties are mainly valued by Raine & Horne International Zaki & Partners Sdn. Bhd., an independent professional valuer, on 22 December 2016. The fair value is determined by reference to open market values based on an existing use basis.

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

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 2016.

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15. INTANGIBLE ASSETS

	Group and Bank	
	2016	2015
	RM'000	RM'000
Computer software		
Cost		
At 1 January	3,717	3,717
Transfer from property and equipment	14,680	-
At 31 December	18,397	3,717
Accumulated depreciation		
At 1 January	3,716	3,716
Charged for the year (Note 27)	4,887	-
At 31 December	8,603	3,716
Carrying amount	9,794	1

16. PROPERTY AND EQUIPMENT

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

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16. PROPERTY AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Building RM'000	Office equipment RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture, electrical, fittings and equipment RM'000	Computer RM'000	Work-in- progress RM'000	Total RM'000
Group and Bank									
Cost									
At 1 January 2015	30,000	33,000	1,374	21,731	843	4,993	9,679	24,805	126,425
Additions	-	-	96	19	-	93	1,051	2,400	3,659
Reclassifications	-	-	-	-	-	-	494	(494)	-
Disposals	-	-	(24)	-	(92)	(1)	(21)	-	(138)
At 31 December 2015	30,000	33,000	1,446	21,750	751	5,085	11,203	26,711	129,946
Accumulated depreciation									
At 1 January 2015	-	3,630	932	8,359	593	3,415	7,902	-	24,831
Charged for the year	-	660	187	2,174	92	526	1,288	-	4,927
Disposal	-	-	(10)	-	(92)	(1)	(17)	-	(120)
At 31 December 2015	-	4,290	1,109	10,533	593	3,940	9,173	-	29,638
Carrying amount									
At 31 December 2015	30,000	28,710	337	11,217	158	1,145	2,030	26,711	100,308

17. BORROWINGS

		Group and Bank	
		2016	2015
		RM'000	RM'000
(i)	<u>Term loans/Revolving credits - unsecured</u>		
	Repayable within one year	2,266,841	3,007,300
	One year to three years	22,430	638,409
	Three years to five years	22,430	21,468
	Over five years	41,536	196,934
		2,353,237	3,864,111
(ii)	<u>Medium Term Notes/Sukuk</u>		
	Repayable within one year	2,225,813	-
	One year to three years	4,159,614	3,132,428
	Three years to five years	2,562,844	2,924,137
	Over five years	1,345,995	1,323,159
		10,294,266	7,379,724
		12,647,503	11,243,835

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

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

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17. BORROWINGS (CONT'D.)

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

	Carrying amount RM'000	Within 1 year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2015					
- USD	8,605,817	2,234,287	2,876,504	2,650,587	844,439
- RM	170,100	-	-	-	170,100
- EUR	450,221	262,629	187,592	-	-
- GBP	359,553	359,553	-	-	-
- SGD	216,784	34,650	-	182,134	-
- AUD	257,380	116,181	141,199	-	-
- HKD	1,071,096	-	565,542	-	505,554
- JPY	112,884	-	-	112,884	-
	11,243,835	3,007,300	3,770,837	2,945,605	1,520,093

Term loans/Revolving credits

- (a) Revolving multi-currency loan of one (1) year up to an aggregate of USD60,000,000 (approximately RM269,160,000) (2015: USD60,000,000 (approximately RM257,610,000)) 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% (2015: 0.80%) per annum above the cost of fund ("COF").

- (b) Term loan of USD35,000,000 (approximately RM157,010,000) (2015: USD35,000,000 (approximately RM150,273,000)). The loan is repayable semi-annually within twenty eight (28) semi-annual instalments from 12 August 2008 and ending on 12 February 2022.

The loan was obtained on 25 April 2006. Interest on the loan is charged at 0.395% (2015: 0.395%) per annum above LIBOR.

- (c) Revolving multi-currency loan of six (6) months up to an aggregate of USD150,000,000 (approximately RM672,900,000) (2015: USD150,000,000 (approximately RM644,025,000)).

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% (2015: 0.80%) per annum above LIBOR.

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

- (d) Commodity Murabahah Revolving Credit-i up to an aggregate of USD100,000,000 (approximately RM448,600,000 (2015: USD40,000,000 (approximately RM429,350,000)) renewable after one (1) year.

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

- (e) Revolving Euro loan of one (1) year up to an aggregate of EUR30,000,000 (approximately RM141,612,000) (2015: EUR30,000,000 (approximately RM140,694,000)) 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% (2015: 0.80%) per annum above Euro Interbank Offer Rate ("EURIBOR").

- (f) Structured Commodity Financing-i of one (1) year up to an aggregate of USD35,000,000 (approximately RM157,010,000) (2015: USD35,000,000 (approximately RM150,273,000)).

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% (2015: 1.30%) per annum above LIBOR.

- (g) Term loan of EUR40,000,000 (approximately RM188,816,000) (2015: EUR40,000,000 (approximately RM187,592,000)) 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% (2015: 0.80%) per annum above EURIBOR.

- (h) Multi-Currency Commodity Murabahah Revolving Credit-i up to an aggregate of USD85,000,000 (approximately RM381,310,000) (2015: USD85,000,000 (approximately RM364,948,000)) renewable after one (1) year.

The financing was obtained on 14 June 2013 for USD25,000,000. The limit was revised to USD85,000,000 on 12 August 2013 and profit rate was reduced to 0.80% per annum on 4 August 2014. Profit rate on the financing is charged at the rate of 0.80% (2015: 0.85%) per annum above the Islamic Cost of Fund.

- (i) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM112,150,000) (2015: USD25,000,000 (approximately RM107,338,000)) renewable after one (1) year.

The financing was obtained on 13 May 2013. Profit rate on the financing is charged at the rate of 0.50% (2015: 0.50%) per annum above the Islamic Cost of Fund.

- (j) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM179,440,000) (2015: USD40,000,000 (approximately RM171,740,000)) 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% (2015: 0.75%) per annum above the Islamic Cost of Fund.

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

- (k) Multi-Currency Murabahah Revolving Credit-i up to an aggregate of EUR120,000,000 (approximately RM566,448,000) (2015: EUR120,000,000 (approximately RM562,776,000)) 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% (2015: 0.80%) per annum above EURIBOR.

- (l) Revolving US Dollar loan up to an aggregate of USD150,000,000 (approximately RM672,900,000) (2015: USD150,000,000 (approximately RM644,025,000)).

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

- (m) Revolving multi currency loan up to an aggregate of USD50,000,000 (approximately RM224,300,000) (2015: USD50,000,000 (approximately RM214,675,000)).

The loan was obtained on 17 February 2014 and renewable yearly. Interest on loan is charged at the rate of 0.80% (2015: 0.80%) above LIBOR per annum.

- (n) Term loan of USD100,000,000 (approximately RM448,600,000) (2015: USD100,000,000 (approximately RM429,350,000)) repayable within the period of 3 years.

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

- (o) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM179,440,000) (2015: USD40,000,000 (approximately RM171,740,000)).

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

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

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

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

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

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

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

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

17. BORROWINGS (CONT'D.)***Medium Term Notes***

In June 2012, the Bank established multicurrency Medium Term Notes (MTN) programme. The maximum principal of notes that may be issued under the programme was USD1,500,000,000, which was subsequently upsized to USD3,000,000,000 in October 2016. Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating of interest.

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
14 June 2012	USD500 mil	5.5 years	2.875%	Fixed
11 July 2012	USD63 mil	10 years	3.509%	Fixed
8 March 2013	HKD402 mil	5 years	1.600%	Fixed
12 March 2013	HKD896 mil	10 years	2.950%	Fixed
19 March 2013	AUD45 mil	5 years	BBSW + 1.20%	Floating
13 March 2014	USD25 mil	5 years	Libor + 1.00%	Floating
14 March 2014	SGD60 mil	5 years	SOR + 0.90%	Floating
3 April 2014	USD20 mil	5 years	Libor + 1.00%	Floating
11 April 2014	USD50 mil	5 years	2.850%	Fixed
17 April 2014	USD50 mil	5 years	2.660%	Fixed
8 May 2014	JPY3 bil	5 years	0.650%	Fixed
28 May 2014	USD25 mil	5 years	Libor + 0.95%	Floating
29 May 2014	USD50 mil	5 years	Libor + 0.80%	Floating
6 June 2014	USD100 mil	15 years	4.250%	Fixed
9 February 2015	HKD610 mil	3 years	1.430%	Fixed
20 October 2016	USD500 mil	5 years	2.480%	Fixed

Multicurrency Sukuk Programme

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

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

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

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
19 February 2014	USD300 mil	5 years	2.874%	Fixed
6 May 2015	USD20 mil	10 years	3.350%	Fixed
8 June 2015	USD40 mil	4 years	2.450%	Fixed
8 June 2015	USD50 mil	5 years	2.700%	Fixed
22 June 2015	USD40 mil	3 years	1.950%	Fixed
10 December 2015	USD30 mil	3 years	Libor + 1.20%	Floating
28 January 2016	USD37.3 mil	5 years	3.010%	Fixed
28 July 2016	USD17 mil	3 years	1.940%	Fixed
5 August 2016	HKD400 mil	3 years	2.100%	Fixed

18. OTHER PAYABLES AND ACCRUALS

	Group and Bank	
	2016	2015
	RM'000	RM'000
Sinking fund and debt services reserve accounts	167,340	190,565
Interest payable	113,507	80,240
Amount due (from)/to the Government of Malaysia for MKFF scheme	(1,717)	24,825
Provision for zakat	2,423	3,508
Provision for taxation	-	26,071
Others	57,504	87,351
	339,057	412,560

19. DEFERRED INCOME

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

19. DEFERRED INCOME (CONT'D.)

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

20. PROVISION FOR GUARANTEE AND CLAIMS

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

20. PROVISION FOR GUARANTEE AND CLAIMS (CONT'D.)

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

21. SHARE CAPITAL

	Group and Bank			
	2016		2015	
	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, 2016, require the Bank to redeem the Special Share at par at any time by serving written notice upon the Bank and delivering the relevant share certificate.

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

22. OPERATING REVENUE

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

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23. INTEREST INCOME

	Group and Bank	
	2016	2015
	RM'000	RM'000
Loans, advances and financing		
- Interest income from non-impaired loans	259,705	213,239
- Recoveries from impaired loans	12,107	53,045
Money at call and deposit placements with banks and other financial institutions	63,596	62,238
Investment securities	350	1,613
Amortisation of premium, net	(23)	(117)
Net interest on derivatives	27,493	41,237
	363,228	371,255

24. INTEREST EXPENSE

	Group and Bank	
	2016	2015
	RM'000	RM'000
Borrowings :		
Term loans/Revolving credits	23,685	17,875
Medium Term Notes	152,253	129,547
	175,938	147,422

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	Group and Bank	
	2016	2015
	RM'000	RM'000
Gross premium	11,589	10,040
Reinsurance	(3,253)	(3,336)
Net premium	8,336	6,704
(Increase)/decrease in premium liabilities reserves	984	2,147
Net earned premium (Note 25(i))	9,320	8,851
Other fee income	1,516	503
Write-back of allowance for doubtful debts	-	141
	10,836	9,495
Net claims incurred (Note 25 (ii))	(7,537)	(1,098)
Underwriting results	3,299	8,397
(i) Net earned premium		
Gross premium	11,589	10,040
Change in premium liabilities reserves	984	2,147
	12,573	12,187
Net premium ceded	(3,253)	(3,336)
Net earned premium	9,320	8,851
(ii) Net claims incurred		
Gross claims paid less salvage (Note 20)	(1,710)	(17,338)
Recoveries	131	21
Bad debt written off	(96)	-
Net claims paid	(1,675)	(17,317)
Change to insurance claims (Note 20)	(5,862)	16,219
Net claims incurred	(7,537)	(1,098)

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26. OTHER INCOME

	Group and Bank	
	2016 RM'000	2015 RM'000
Fee income	27,729	31,599
Foreign exchange gain/(loss)		
- unrealised	(57,839)	(53,649)
- realised	7,485	48,212
Gain on disposal of equipment	2	7
Assets written off	-	(1)
Rental income	19	31
Unrealised (loss)/gain on derivatives	(43,767)	55,104
Unrealised gain/(loss) on MTN/Sukuk	98,108	(42,092)
Reversal of impairment loss (Note 14)	530	-
Others	162	217
	32,429	39,428

27. OVERHEAD EXPENSES

	Note	Group		Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Personnel costs	(i)	50,513	45,420	50,513	45,420
Establishment related expenses	(ii)	15,680	10,147	15,680	10,147
Promotion and marketing expenses	(iii)	3,965	3,507	3,965	3,507
General administrative expenses	(iv)	31,736	19,470	31,729	19,463
		101,894	78,544	101,887	78,537

	Group and Bank	
	2016 RM'000	2015 RM'000
(i) Personnel costs		
Salaries, allowances and bonuses	40,104	35,838
Defined contribution plan	5,090	4,479
Other staff related expenses	5,319	5,103
	50,513	45,420

27. OVERHEAD EXPENSES (CONT'D.)

		Group and Bank	
		2016	2015
		RM'000	RM'000
(ii) Establishment related expenses			
Depreciation:			
- Property and equipment (Note 16)		6,092	4,927
- Investment properties (Note 14)		24	18
Amortisation of intangible assets (Note 15)		4,887	-
Rental of leasehold land and premises		355	339
Repairs and maintenance of property and equipment		4,322	4,863
		15,680	10,147
(iii) Promotion and marketing expenses			
Advertisement and publicity		3,965	3,507
(iv) General administrative expenses			
	Group	Bank	
	2016	2015	2016
	RM'000	RM'000	RM'000
	2015	2016	2015
	RM'000	RM'000	RM'000
Administrative expenses	2,981	3,036	2,981
Auditors' remuneration			
- statutory audit	356	327	346
- regulatory related services	3	3	3
General expenses	8,257	7,623	8,257
Non-Executive Directors remuneration	2,399	1,350	2,399
Professional fees	3,963	6,795	3,958
Sundry debtors written off	-	27	-
Brokerage fees	13,206	11	13,206
Others	571	298	579
	31,736	19,470	31,729
			19,463

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28. DIRECTORS' FEES AND REMUNERATION

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

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

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	
	2016	2015
	RM'000	RM'000
Short-term employee benefits (excluding benefit in-kind)	952	1,340
Included in the total key management personnel is:		
Executive Director's remuneration (Note 28)	952	848

30. ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2016	2015
	RM'000	RM'000
Individual allowance		
- Charged for the year	323,728	222,675
- Written back during the year	(25,471)	(18,553)
Collective allowance		
- Charged for the year	168,130	102,251
- Written back during the year	(85,669)	(34,964)
	380,718	271,409

31. TAXATION

The major components of taxation for the years ended 31 December 2016 and 2015 are:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
- Current year	-	26,071	-	26,071
- (Over)/Underprovision in prior years	(6,054)	1,741	(6,054)	1,741
Deferred tax expense:				
- Origination and reversal of temporary differences	(14,667)	(14,278)	(14,667)	(14,278)
- Underprovision in prior year	949	2,050	949	2,050
- Effect on deferred tax opening due to reduction in Malaysian income tax rate	-	1,758	-	1,758
	(19,772)	17,342	(19,772)	17,342

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before taxation	(244,656)	46,013	(244,656)	46,013
Income tax using Malaysian statutory tax rate of 24% (2015: 25%)	(58,717)	11,503	(58,717)	11,503
Non-deductible expenses	2,952	2,031	2,952	2,031
Effect on deferred tax opening due to reduction in Malaysian income tax rate	-	1,758	-	1,758
Deferred tax assets not recognised on unutilised business losses and unabsorbed capital allowances	41,098	-	41,098	-
Underprovision in prior years deferred tax	949	2,050	949	2,050
Overprovision of income tax expense in prior years	(6,054)	-	(6,054)	-
	(19,772)	17,342	(19,772)	17,342

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32. (LOSS)/EARNINGS PER SHARE

	Group		Bank	
	2016	2015	2016	2015
Issued ordinary shares as at 31 December ('000)	2,708,665	2,708,665	2,708,665	2,708,665
(Loss)/profit after taxation (RM'000)	(227,279)	25,163	(227,307)	25,163
Basic (loss)/earnings per share (sen)	(8.39)	0.93	(8.39)	0.93

The basic (loss)/earnings per ordinary share has been calculated based on the (loss)/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 0.33 sen per ordinary share totalling RM8,806,810 in respect of the year ended 31 December 2015 on 23 June 2016 (2015: 0.25 sen per ordinary share totalling RM6,677,301 in respect of the year ending 31 December 2014 on 18 June 2015).

34. COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2016	2015
	RM'000	RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	668,229	579,801
Letter of credit	61,214	46,121
Undrawn loans and financing	2,618,860	2,153,312
	3,348,303	2,779,234
<u>Insurance operation commitments</u>		
Contracted but not provided for:		
Within one year	747,524	751,611
One year or later and no later than five years	561,963	425,723
	1,309,487	1,177,334

34. COMMITMENTS AND CONTINGENCIES (CONT'D.)

	Group and Bank	
	2016	2015
	RM'000	RM'000
<u>Operational commitments</u>		
Approved but not contracted for:		
Within one year	12,843	12,248
Total commitments and contingencies	4,670,633	3,968,816

35. SIGNIFICANT RELATED PARTIES TRANSACTION AND BALANCES

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

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

(a) Compensation of key management personnel

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

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

	Bank	
	2016	2015
	RM'000	RM'000
Amount due to subsidiaries	64,137	64,117

(c) Government related parties

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Transaction during the year		
Other income: Management fee	540	2,552
Bad debt written off	3,009	3,135

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

(c) Government related parties (cont'd.)

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	
	2016	2015
	RM'000	RM'000
Fund under MKFF Scheme	170,100	170,100
Less:		
Loan repayment	(134,172)	-
	35,928	170,100
Less:		
Loans and financing	(15,621)	(15,566)
Allowance for losses on loans and financing	(5,280)	(7,072)
Bad debt written off	(3,009)	(8,525)
Add:		
Interest earned from financing	363	460
Interest income on investment	4,060	40,552
Net repayable	16,441	179,949

(d) Licensed banks and other financial institutions

	Group and Bank	
	2016	2015
	RM'000	RM'000
Deposits and placements	21,129	185,623

36. FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

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

a. Capital management

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

b. Market risk

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

c. Asset liability management risk

Asset Liability Management ("ALM") risk comprises:

(i) Interest rate risks

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

(ii) Liquidity risks

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

d. Credit risk

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

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Oversight and organisation**

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

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

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

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

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

Capital managementCapital 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%.

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Capital management (cont'd.)**Regulatory capital

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

	2016 RM'000	2015 RM'000
Ordinary share capital	2,708,665	2,708,665
Retained profit	285,558	269,202
Current year (loss)/profit	(227,307)	25,163
Eligible Tier 1 capital	2,766,916	3,003,030
Collective allowance on loans, advances and financing*	265,540	183,051
Provision for guarantee and claims	9,573	3,991
Eligible Tier 2 capital	275,113	187,042
Investment in subsidiaries	(64,132)	(64,140)
Total capital base	2,977,897	3,125,932
Risk weighted assets	15,194,659	14,035,518
Capital Ratio		
- With proposed dividend		
Core capital ratio	18.21%	21.33%
RWCR	19.60%	22.21%
- Without proposed dividend		
Core capital ratio	18.21%	21.40%
RWCR	19.60%	22.27%

* 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.

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Capital monitoring**

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

Market risk managementApproach and risk strategy

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

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

Risk identification

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

Measurement

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

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

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

	Changes in foreign exchange rates (+/-) %	Effect on profit/loss		Effect on equity	
		Increase in FX rate RM'000	Decrease in FX rate RM'000	Increase in FX rate RM'000	Decrease in FX rate RM'000
2016					
AED	-	-	-	-	-
EUR	5	9,869	(9,869)	9,869	(9,869)
GBP	5	4,629	(4,629)	4,629	(4,629)
JPY	5	(1)	1	(1)	1
SGD	5	9,443	(9,443)	9,443	(9,443)
USD	10	29,028	(29,028)	29,028	(29,028)
AUD	10	2,262	(2,262)	2,262	(2,262)
HKD	5	(65,873)	65,873	(65,873)	65,873
		(10,643)	10,643	(10,643)	10,643
2015					
AED	10	6	(6)	6	(6)
EUR	5	(2,972)	2,972	(2,972)	2,972
GBP	5	(847)	847	(847)	847
JPY	10	-	-	-	-
SGD	5	(8,525)	8,525	(8,525)	8,525
USD	10	(76,717)	76,717	(76,717)	76,717
AUD	10	3,018	(3,018)	3,018	(3,018)
HKD	5	53,554	(53,554)	53,554	(53,554)
		(32,483)	32,483	(32,483)	32,483

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Asset liability management**Approach and risk strategy

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

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

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

Risk identification

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

Measurement

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

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.

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

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

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

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

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

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

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

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

Group	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2015						
Assets						
Cash and bank balances	-	-	-	-	56,832	56,832
Deposits and placement with banks and other financial institutions	2,035,220	120,000	-	-	-	2,155,220
Investment securities	10,017	185,313	5,008	-	-	200,338
Amount due from ECR debtors	279,889	42,623	-	-	-	322,512
Loans, advances and financing	8,818,919	1,315,100	597,651	923,360	-	11,655,030
Derivative financial instruments	-	1,527	16,709	61,065	-	79,301
Other assets	-	-	-	-	249,899	249,899
Total assets	11,144,045	1,664,563	619,368	984,425	306,731	14,719,132
Liabilities and equity						
Borrowings	2,992,982	14,318	6,716,442	1,520,093	-	11,243,835
Derivative financial instruments	-	2,181	2,348	18,397	-	22,926
Other liabilities	-	-	-	-	451,511	451,511
Shareholders' and Takaful participants fund	-	-	-	-	3,000,860	3,000,860
Total liabilities and equity	2,992,982	16,499	6,718,790	1,538,490	3,452,371	14,719,132
Period gap	8,151,063	1,648,064	(6,099,422)	(554,065)	(3,145,640)	-
Cumulative gap	8,151,063	9,799,127	3,699,705	3,145,640	-	-

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

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

Bank	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2015						
Assets						
Cash and bank balances	-	-	-	-	56,832	56,832
Deposits and placement with banks and other financial institutions	2,035,220	120,000	-	-	-	2,155,220
Investment securities	10,017	185,313	5,008	-	-	200,338
Amount due from ECR debtors	279,889	42,623	-	-	-	322,512
Loans, advances and financing	8,818,919	1,315,100	597,651	923,360	-	11,655,030
Derivative financial instruments	-	1,527	16,709	61,065	-	79,301
Other assets	-	-	-	-	316,354	316,354
Total assets	11,144,045	1,664,563	619,368	984,425	373,186	14,785,587
Liabilities and equity						
Borrowings	2,992,982	14,318	6,716,442	1,520,093	-	11,243,835
Derivative financial instruments	-	2,181	2,348	18,397	-	22,926
Other liabilities	-	-	-	-	515,628	515,628
Shareholders' and Takaful participants fund	-	-	-	-	3,003,198	3,003,198
Total liabilities and equity	2,992,982	16,499	6,718,790	1,538,490	3,518,826	14,785,587
Period gap	8,151,063	1,648,064	(6,099,422)	(554,065)	(3,145,640)	-
Cumulative gap	8,151,063	9,799,127	3,699,705	3,145,640	-	-

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:

	2016		2015	
	Impact on profit RM'000	Impact on equity RM'000	Impact on profit RM'000	Impact on equity RM'000
Interest rate - parallel shift				
+ 50 basis points	9,542	9,542	12,701	12,701
- 50 basis points	(13,347)	(13,347)	(13,459)	(13,459)

Liquidity risk managementApproach and risk strategy

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

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

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

Risk identification

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

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

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

Group	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2016						
Assets						
Cash and bank balances	126,224	-	-	-	-	126,224
Deposits and placements with banks and other financial institutions	960,855	833,810	518,150	-	-	2,312,815
Investment securities	-	5,041	-	115,947	-	120,988
Amount due from ECR debtors	19,188	437,912	39,981	-	-	497,081
Loans, advances and financing	192,140	1,338,440	2,369,636	4,960,002	3,604,346	12,464,564
Derivative financial instruments	-	-	72,001	47,951	-	119,952
Other assets	261,718	-	-	-	-	261,718
Total assets	1,560,125	2,615,203	2,999,768	5,123,900	3,604,346	15,903,342
Liabilities						
Borrowings	1,087,432	1,113,811	2,188,921	6,724,171	1,533,168	12,647,503
Derivative financial instruments	-	-	76,109	24,265	-	100,374
Other liabilities	396,883	-	-	-	-	396,883
Total liabilities	1,484,315	1,113,811	2,265,030	6,748,436	1,533,168	13,144,760
Net maturity mismatch	75,810	1,501,392	734,738	(1,624,536)	2,071,178	2,758,582

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

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

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

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

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

Group	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2015						
Assets						
Cash and bank balances	56,832	-	-	-	-	56,832
Deposits and placements with banks and other financial institutions	-	2,035,220	120,000	-	-	2,155,220
Investment securities	10,017	-	185,313	5,008	-	200,338
Amount due from ECR debtors	-	279,889	42,623	-	-	322,512
Loans, advances and financing	-	1,418,767	2,372,681	4,582,983	3,280,599	11,655,030
Derivative financial instruments	-	-	1,527	16,709	61,065	79,301
Other assets	249,899	-	-	-	-	249,899
Total assets	316,748	3,733,876	2,722,144	4,604,700	3,341,664	14,719,132
Liabilities						
Borrowings	-	2,992,982	14,318	6,716,442	1,520,093	11,243,835
Derivative financial instruments	-	-	2,181	2,348	18,397	22,926
Other liabilities	452,245	-	-	-	-	452,245
Total liabilities	452,245	2,992,982	16,499	6,718,790	1,538,490	11,719,006
Net maturity mismatch	(135,497)	740,894	2,705,645	(2,114,090)	1,803,174	3,000,126

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

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

Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2015						
Assets						
Cash and bank balances	56,832	-	-	-	-	56,832
Deposits and placements with banks and other financial institutions	-	2,035,220	120,000	-	-	2,155,220
Investment securities	10,017	-	185,313	5,008	-	200,338
Amount due from ECR debtors	-	279,889	42,623	-	-	322,512
Loans, advances and financing	-	1,418,767	2,372,681	4,582,983	3,280,599	11,655,030
Derivative financial instruments	-	-	1,527	16,709	61,065	79,301
Other assets	316,354	-	-	-	-	316,354
Total assets	383,203	3,733,876	2,722,144	4,604,700	3,341,664	14,785,587
Liabilities						
Borrowings	-	2,992,982	14,318	6,716,442	1,520,093	11,243,835
Derivative financial instruments	-	-	2,181	2,348	18,397	22,926
Other liabilities	516,362	-	-	-	-	516,362
Total liabilities	516,362	2,992,982	16,499	6,718,790	1,538,490	11,783,123
Net maturity mismatch	(133,159)	740,894	2,705,645	(2,114,090)	1,803,174	3,002,464

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

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

Group and Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2016						
Non-derivative financial liabilities						
Borrowings	-	2,339,665	2,415,372	7,391,535	1,777,499	13,924,071
Other liabilities	339,937	-	-	-	-	339,937
Total financial liabilities	339,937	2,339,665	2,415,372	7,391,535	1,777,499	14,264,008
Commitments and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	668,229	-	-	-	-	668,229
Letter of credit	61,214	-	-	-	-	61,214
Undrawn loans and financing	-	-	594,349	1,438,124	586,387	2,618,860
	729,443	-	594,349	1,438,124	586,387	3,348,303
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	747,524	-	-	747,524
One year or later and no later than five years	-	-	-	132,816	429,147	561,963
	-	-	747,524	132,816	429,147	1,309,487
Total commitments and contingencies	729,443	-	1,341,873	1,570,940	1,015,534	4,657,790

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

Group and Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
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2015**Non-derivative financial
liabilities**

Borrowings	-	3,686,866	142,035	6,412,490	1,766,972	12,008,363
Other liabilities	513,175	-	-	-	-	513,175
Total financial liabilities	513,175	3,686,866	142,035	6,412,490	1,766,972	12,521,538

**Commitments and
contingencies**Banking operation commitments

Contracted but not provided for:

Guarantee facility	579,801	-	-	-	-	579,801
Letter of credit	46,121	-	-	-	-	46,121
Undrawn loans and financing	-	-	322,071	716,362	1,114,879	2,153,312
	625,922	-	322,071	716,362	1,114,879	2,779,234

Insurance operation
commitments

Contracted but not provided for:

Within one year	-	-	751,611	-	-	751,611
One year or later and no later than five years	-	-	-	164,639	261,084	425,723
	-	-	751,611	164,639	261,084	1,177,334

Total commitments and contingencies	625,922	-	1,073,682	881,001	1,375,963	3,956,568
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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk management**Approach and risk strategy

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

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

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

Risk identification

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

As a development financial institution, the Group and the Bank are expected primarily to fill the gaps in the supply of financial services that are not normally provided by other banking institutions.

Therefore, the Group and the Bank are exposed to credit risk mainly from credit facilities to finance and support exports and imports of goods, services and overseas projects with emphasis on non-traditional markets, provision of export credit insurance services, export financing insurance, overseas investment insurance and guarantee facilities.

The Group and the Bank are also exposed to credit risk from investment in securities and other financial market transactions.

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

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

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

Impairment of financial assets

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

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

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure**

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

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
2016			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	126,224	-	126,224
Deposits and placements with banks and other financial institutions	2,312,815	-	2,312,815
Investment securities:			
Available-for-sale	120,988	-	120,988
Amount due from ECR debtors	497,081	-	497,081
Loans, advances and financing	12,464,564	19,144,949	6,346,236
Insurance receivables	4,679	-	4,679
Derivative financial assets	119,952	-	119,952
Other assets	94,711	-	94,711
	15,741,014	19,144,949	9,622,686
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	3,348,303	-	3,348,303
Insurance operations commitments:			
Short term	747,524	-	747,524
Medium/Long term	561,963	-	561,963
	4,657,790	-	4,657,790
	20,398,804	19,144,949	14,280,476

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
2015			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	56,832	-	56,832
Deposits and placements with banks and other financial institutions	2,155,220	-	2,155,220
Investment securities:			
Available-for-sale	190,338	-	190,338
Held-to-maturity	10,000	-	10,000
Amount due from ECR debtors	322,512	-	322,512
Loans, advances and financing	11,655,030	12,457,729	7,377,338
Insurance receivables	1,272	-	1,272
Derivative financial assets	79,301	-	79,301
Other assets	85,901	-	85,901
	14,556,406	12,457,729	10,278,714
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	2,779,234	-	2,779,234
Insurance operations commitments:			
Short term	751,611	-	751,611
Medium/Long term	425,723	-	425,723
	3,956,568	-	3,956,568
	18,512,974	12,457,729	14,235,282

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Collateral and credit enhancement

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

The Group and the Bank shall consider accepting the collateral based on its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The collateral types and amounts held by the Group and the Bank are as follows:

	2016 RM'000	2015 RM'000
<u>Collateral type</u>		
Secured by cash	1,479,028	654,328
Secured by property	10,313,194	7,548,942
Secured by machinery	7,352,727	4,254,459
	19,144,949	12,457,729

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Geographical analysis

Exposures to credit risk by geographical region are as follows:

On-balance sheet exposure

Group and Bank	Cash and bank balances RM'000	Deposit and placement with banks and other financial institutions RM'000	Investment securities RM'000	Amount due to ECR debtors RM'000	Loans, advances and financing RM'000	Insurance receivables RM'000	Derivatives financial instruments RM'000	Other assets RM'000	Total RM'000
2016									
Malaysia	126,224	2,312,815	120,988	497,081	6,389,354	4,679	119,952	94,711	9,665,804
East Asia	-	-	-	-	3,551,297	-	-	-	3,551,297
South Asia	-	-	-	-	445,949	-	-	-	445,949
Central Asia	-	-	-	-	339,457	-	-	-	339,457
Middle East	-	-	-	-	770,105	-	-	-	770,105
Africa	-	-	-	-	249,990	-	-	-	249,990
Europe	-	-	-	-	969,289	-	-	-	969,289
America	-	-	-	-	72,623	-	-	-	72,623
Oceania	-	-	-	-	326,489	-	-	-	326,489
	126,224	2,312,815	120,988	497,081	13,114,553	4,679	119,952	94,711	16,391,003
2015									
Malaysia	56,832	2,155,220	200,338	322,512	6,471,651	1,272	79,301	85,901	9,373,027
East Asia	-	-	-	-	3,052,625	-	-	-	3,052,625
South Asia	-	-	-	-	458,322	-	-	-	458,322
Central Asia	-	-	-	-	321,841	-	-	-	321,841
Middle East	-	-	-	-	585,731	-	-	-	585,731
Africa	-	-	-	-	226,583	-	-	-	226,583
Europe	-	-	-	-	720,623	-	-	-	720,623
America	-	-	-	-	72,576	-	-	-	72,576
Oceania	-	-	-	-	307,731	-	-	-	307,731
	56,832	2,155,220	200,338	322,512	12,217,683	1,272	79,301	85,901	15,119,059

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Geographical analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
2016				
Malaysia	2,021,624	193,679	-	2,215,303
East Asia	706,259	170,661	451,689	1,328,609
South Asia	56,575	35,603	22,457	114,635
Middle East	70,461	75,290	20,058	165,809
Africa	76,657	33,504	67,759	177,920
Europe	59,899	113,035	-	172,934
America	49,395	79,214	-	128,609
Oceania	307,433	46,538	-	353,971
	3,348,303	747,524	561,963	4,657,790
2015				
Malaysia	1,095,653	65,753	-	1,161,406
East Asia	680,054	154,645	311,040	1,145,739
South Asia	87,319	30,711	-	118,030
Middle East	94,533	68,841	47,060	210,434
Africa	175,581	86,196	67,623	329,400
Europe	396,178	212,287	-	608,465
America	9,756	86,734	-	96,490
Oceania	240,160	46,444	-	286,604
	2,779,234	751,611	425,723	3,956,568

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Industrial analysis

Exposures to credit risk by industry are as follows:

On-balance sheet exposure

Group and Bank	Cash and bank balances RM'000	Deposit and placement with banks and other financial institutions RM'000	Investment securities RM'000	Amount due to ECR debtors RM'000	Loans, advances and financing RM'000	Insurance receivables RM'000	Derivatives financial instruments RM'000	Other assets RM'000	Total RM'000
2016									
Primary agriculture	-	-	105,410	-	323,007	-	-	-	428,417
Mining and quarrying	-	-	-	-	386,223	-	-	-	386,223
Manufacturing	-	-	-	-	2,661,511	-	-	-	2,661,511
Transport, storage and communication	-	-	-	-	4,136,390	-	-	-	4,136,390
Construction	-	-	-	-	174,894	-	-	-	174,894
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	1,633,014	-	-	-	1,633,014
Finance, insurance, real estate and business activities	126,224	2,312,815	-	497,081	665,659	-	119,952	-	3,721,731
Electricity, gas and water	-	-	15,578	-	1,883,283	-	-	-	1,898,861
Education, health & others	-	-	-	-	52,973	-	-	-	52,973
Property development	-	-	-	-	789,513	-	-	-	789,513
Government	-	-	-	-	406,662	-	-	-	406,662
Others	-	-	-	-	1,424	4,679	-	94,711	100,814
	126,224	2,312,815	120,988	497,081	13,114,553	4,679	119,952	94,711	16,391,003

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Industrial analysis (cont'd.)

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

On-balance sheet exposure (cont'd.)

Group and Bank	Cash and bank balances RM'000	Deposit and placement with banks and other financial institutions RM'000	Investment securities RM'000	Amount due to ECR debtors RM'000	Loans, advances and financing RM'000	Insurance receivables RM'000	Derivatives financial instruments RM'000	Other assets RM'000	Total RM'000
2015									
Primary agriculture	-	-	20,022	-	147,666	-	-	-	167,688
Mining and quarrying	-	-	-	-	1,184,185	-	-	-	1,184,185
Manufacturing	-	-	-	-	2,285,212	-	-	-	2,285,212
Transport, storage and communication	-	-	10,000	-	3,025,912	-	-	-	3,035,912
Construction	-	-	-	-	230,462	-	-	-	230,462
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	886,334	-	-	-	886,334
Finance, insurance, real estate and business activities	56,832	2,155,220	170,316	322,512	773,242	-	79,301	-	3,557,423
Electricity, gas and water	-	-	-	-	2,153,630	-	-	-	2,153,630
Education, health & others	-	-	-	-	58,149	-	-	-	58,149
Property development	-	-	-	-	971,196	-	-	-	971,196
Government	-	-	-	-	488,846	-	-	-	488,846
Others	-	-	-	-	12,849	1,272	-	85,901	100,022
	56,832	2,155,220	200,338	322,512	12,217,683	1,272	79,301	85,901	15,119,059

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Industrial analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
2016				
Manufacturing	793,894	583,697	110,274	1,487,865
Transport, storage and communication	251,092	-	35,831	286,923
Construction	155,026	-	75,751	230,777
Electricity, gas and water supply	239,796	-	130,190	369,986
Finance, insurance, real estate and business activities	136,772	-	180,692	317,464
Wholesale and retail trade, and restaurants and hotels	703,039	30,623	-	733,662
Government	-	-	-	-
Mining and quarrying	265,926	-	29,225	295,151
Primary agriculture	548,648	-	-	548,648
Education, health and others	21,629	-	-	21,629
Property development	232,481	-	-	232,481
Others	-	133,204	-	133,204
	3,348,303	747,524	561,963	4,657,790

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Industrial analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
2015				
Manufacturing	695,547	698,297	88,016	1,481,860
Transport, storage and communication	500,911	-	29,373	530,284
Construction	138,183	-	93,512	231,695
Electricity, gas and water supply	308,048	-	181,019	489,067
Finance, insurance, real estate and business activities	364,696	-	-	364,696
Wholesale and retail trade, and restaurants and hotels	118,485	26,402	-	144,887
Government	-	-	-	-
Mining and quarrying	255,629	-	29,166	284,795
Primary agriculture	25,080	-	-	25,080
Education, health and others	20,294	-	4,637	24,931
Property development	352,361	-	-	352,361
Others	-	26,912	-	26,912
	2,779,234	751,611	425,723	3,956,568

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit quality by class of financial assets**Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposure by the current counterparties' rating:

Group and Bank	2016 RM'000	2015 RM'000
Available-for-sale investment securities:		
AAA	-	10,062
AA	120,988	180,276
D	100,000	-
	220,988	190,338
Held-to-maturity investments securities:		
Long-term		
AAA	-	10,000
Derivative financial assets:		
Financial institutions		
AAA	54,204	-
A	28,074	-
A +	-	2,570
A -	-	31,660
AA-	4,980	6,685
AA2	32,694	5,632
BBB+	-	32,754
	119,952	79,301

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit quality by class of financial assets (cont'd.)**Credit quality by loans, advances and financing

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

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2016				
Commercial customer				
Risk Rating 1	-	-	-	-
Risk Rating 2	1,454,110	-	-	1,454,110
Risk Rating 3	2,565,437	8,996	-	2,574,433
Risk Rating 4	3,190,877	255	-	3,191,132
Risk Rating 5	1,713,096	8,167	-	1,721,263
Risk Rating 6	1,968,141	62,609	-	2,030,750
Risk Rating 7	75,989	681	-	76,670
Risk Rating 8	1,805	-	-	1,805
Risk Rating 9	10,415	-	-	10,415
Impaired	-	-	1,604,115	1,604,115
	10,979,870	80,708	1,604,115	12,664,693
Sovereign				
Risk Rating b+	204,233	-	-	204,233
Risk Rating bb	71,891	-	-	71,891
Risk Rating bb-	13,401	-	-	13,401
Risk Rating ccc+	31,291	-	-	31,291
Risk Rating b-	-	-	129,044	129,044
	320,816	-	129,044	449,860
	11,300,686	80,708	1,733,159	13,114,553

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit quality by class of financial assets (cont'd.)**Credit quality by loans, advances and financing (cont'd.)

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2015				
Commercial customer				
Risk Rating 1	140,478	-	-	140,478
Risk Rating 2	900,902	-	-	900,902
Risk Rating 3	1,553,067	388	-	1,553,455
Risk Rating 4	4,905,636	9,341	-	4,914,977
Risk Rating 5	1,844,736	66,860	-	1,911,596
Risk Rating 6	1,275,835	40,000	-	1,315,835
Risk Rating 7	-	-	-	-
Risk Rating 8	11,067	-	-	11,067
Risk Rating 9	10,725	-	-	10,725
Impaired	-	-	946,206	946,206
	10,642,446	116,589	946,206	11,705,241
Sovereign				
Risk Rating A	-	-	-	-
Risk Rating B	-	-	-	-
Risk Rating C	24,023	-	-	24,023
Risk Rating D	289,835	-	-	289,835
Risk Rating E	196,717	1,867	-	198,584
	510,575	1,867	-	512,442
	11,153,021	118,456	946,206	12,217,683

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:

	2016 RM'000	2015 RM'000
1 month overdue	72,271	111,640
2 months overdue	3,203	6,816
3 months overdue	5,234	-
4 months overdue	-	-
5 months overdue	-	-
	80,708	118,456

Collateral and other credit enhancements

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

Restructured items

Restructured loans refer to the financial assets that would otherwise be past due or impaired where there is fundamental revision in the principal terms and conditions of the facility. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. The total restructured loans held by the Group and the Bank stood at RM105.08 million (2015: RM1.88 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.

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Fair values (cont'd.)****(i) Determination of fair values (cont'd.)**Securities available-for-sale ("AFS") and securities held-to-maturity ("HTM")

The fair value of quoted securities is derived from market bid prices as at the reporting date. For unquoted securities, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method.

Where discounted cash flows method is used, the estimated future cash flow shall include projections from liquidation, realisation of collateral assets or estimates of future operating cash flow. The present value of the estimated future cash flow (excluding future expected credit losses that have not yet been incurred) is discounted at the securities' original effective interest rate or at the current market rate of return for a similar financial asset.

As for investment in unquoted equity instruments that do not have a quoted market price in an active market, it is impracticable to estimate the fair value due to the lack of comparable quoted market prices and inability to estimate the fair value without incurring excessive costs.

Derivative financial assets/liabilities

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

Loans, advances and financing

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

Borrowings (Non-hedged items)

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

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

Borrowings (Hedged items)

The fair value is based on marked to model valuation.

(ii) Fair value hierarchy

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

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

Level 2 - Valuation method for which all significant inputs are, or are based on, observable market data.

Level 3 - Valuation method for which significant inputs are not based on observable data.

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

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

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

Group and Bank	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
2016			
Financial assets			
AFS securities:			
Unquoted debt securities	120,988	120,988	-
HTM securities:			
Unquoted debt securities	-	-	-
Derivative financial instruments	119,952	119,952	-
Loans, advances and financing	12,464,564	12,464,564	-
	12,705,504	12,705,504	-
Financial liabilities			
Borrowings - Medium Term Notes/Sukuk (Hedged items)	8,722,296	8,722,296	-
Derivative financial instruments	100,374	100,374	-
	8,822,670	8,822,670	-
Assets for which fair values are disclosed:			
Investment properties	961	-	1,239

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**(ii) Fair value hierarchy (cont'd.)**

Group and Bank	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
2015			
Financial assets			
AFS securities:			
Unquoted debt securities	190,338	190,338	-
HTM securities:			
Unquoted debt securities	10,000	10,000	-
Derivative financial instruments	79,301	79,301	-
Loans, advances and financing	11,655,030	11,655,030	-
	11,934,669	11,934,669	-
Financial liabilities			
Borrowings - Medium Term Notes/Sukuk (Hedged items)	5,942,864	5,942,864	-
Derivative financial instruments	22,926	22,926	-
	5,965,790	5,965,790	-
Assets for which fair values are disclosed:			
Investment properties	455	-	1,210

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

For financial instruments classified as Level 1, the valuations are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions at arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

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

37. INSURANCE RISKS

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

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

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

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

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

Key assumptions

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

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

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

Sensitivity analysis

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

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

37. INSURANCE RISKS (CONT'D.)**Claim liability sensitivity analysis**

	2016	2015
	Net	Net
	RM'000	RM'000
Estimated claim liabilities	19,758	11,023

a. Change in claim costs

Assumed an average claim cost of RM365,000 (2015: RM350,000) 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:

	2016		2015	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High	Low	High	Low
	+10%	-10%	+10%	-10%
Estimated claim liabilities	20,329	19,187	11,250	10,796

b. Change in average number of claims

Assumed 9% (2015: 6%) of Comprehensive Policy Shipments policies as IBNR claims for Comprehensive Policy Shipments. Changing this by 10% gives the following results:

	2016		2015	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High	Low	High	Low
	+10%	-10%	+10%	-10%
Estimated claim liabilities	20,629	18,887	11,321	10,725

37. INSURANCE RISKS (CONT'D.)

Claim liability sensitivity analysis (cont'd.)

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

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

	2016		2015	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High	Low	High	Low
	+10%	-10%	+10%	-10%
Estimated claim liabilities	19,928	19,588	11,116	10,929

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:

	2016		2015	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High	Low	High	Low
	+10%	-10%	+10%	-10%
Estimated claim liabilities	20,016	19,500	11,167	10,879

Premium/contribution liability sensitivity analysis

	2016	2015
	Net	Net
	RM'000	RM'000
Estimated premium/contribution liabilities	16,915	9,571

37. INSURANCE RISKS (CONT'D.)**Premium/contribution liability sensitivity analysis (cont'd.)****a. Change in probability of default**

We have assumed 1-year probability of default of ranging from 1% to 5% for short-term contracts, depending on the type of contract. For the MLT policies all 1-year probabilities were assumed have a BB rating which equated to a 0.76% 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:

	2016		2015	
	Net		Net	
	High B rating points	Low BBB rating points	High B rating points	Low BBB rating points
Estimated premium/contribution liabilities	31,836	11,089	20,553	6,788

b. Change in recovery rates

On the premium liability front, some of the MLT policies have reinsurance cover. For the "High" Scenario, we reduce all of these by 10%. For the "Low" Scenario, we add 10% reinsurance coverage to all short-term and MLT policies.

	2016		2015	
	Net		Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	19,563	14,268	10,593	8,548

c. Change in Maintenance Expenses ("ME")

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

	2016		2015	
	Net		Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	16,940	16,890	9,607	9,534

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37. INSURANCE RISKS (CONT'D.)

Premium/contribution liability sensitivity analysis (cont'd.)

d. Change in PRAD %

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

	2016		2015	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High +10%	Low -10%	High +10%	Low -10%
Estimated premium liabilities	17,247	16,583	9,890	9,252

38. ISLAMIC BUSINESS FUNDS

Statement of financial position as at 31 December 2016

		Group and Bank					
		2016			2015		
		Islamic business fund	Takaful fund	Total	Islamic business fund	Takaful fund	Total
Note		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and bank balances	(a)	1,066	57	1,123	9,180	126	9,306
Deposits and placements with banks and other financial institutions	(b)	167,806	5,645	173,451	264,829	3,805	268,634
Investment securities	(c)	120,988	-	120,988	180,276	-	180,276
Amount due from ECR-i debtors	(d)	-	-	-	148	-	148
Islamic financing	(e)	4,915,286	-	4,915,286	4,901,505	-	4,901,505
Derivative financial instruments	(f)	30,974	-	30,974	9,338	-	9,338
Contribution receivable		-	4,024	4,024	-	611	611
Other receivables		28,227	7,128	28,500	17,356	859	18,215
Total assets		5,264,347	16,854	5,274,346	5,382,632	5,401	5,388,033

38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of financial position as at 31 December 2016 (cont'd.)

		Group and Bank					
		2016			2015		
		Islamic business fund	Takaful fund	Total	Islamic business fund	Takaful fund	Total
Note		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities							
Financing payable	(g)	4,004,348	-	4,004,348	4,000,280	-	4,000,280
Deferred income		11,088	11,580	22,668	14,211	3,137	17,348
Derivative financial instruments	(f)	8,607	-	8,607	-	-	-
Provision for claim		-	3,238	3,238	-	589	589
Provision for expenses liability		275	-	275	51	-	51
Other liabilities		697,355	2,036	699,391	669,677	1,675	671,352
Total liabilities		4,721,673	16,854	4,738,527	4,684,219	5,401	4,689,620
Financed by:							
Islamic banking fund		500,000	-	500,000	500,000	-	500,000
Reserves		831	-	831	128	-	128
Retained profits		41,843	-	41,843	198,285	-	198,285
Takaful participants fund	(k)	-	-	(6,855)	-	-	(734)
Total Islamic business fund and Takaful fund		542,674	-	535,819	698,413	-	697,679
Total liabilities, Islamic business fund, and Takaful participants fund		5,264,347	16,854	5,274,346	5,382,632	5,401	5,388,033
Commitments and contingencies	(l)	1,912,844	504,918	2,417,762	1,212,785	208,601	1,421,386

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38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Income Statements for the year ended 31 December 2016

	Group			Bank		
	2016			2015		
	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Income derived from Islamic banking fund	200,998	-	200,998	186,517	-	186,517
Financing cost	(86,847)	-	(86,847)	(63,209)	-	(63,209)
Net income from Islamic banking fund	114,151	-	114,151	123,308	-	123,308
Gross contribution	-	13,855	13,855	-	2,094	2,094
Income from recoveries	-	48	48	-	-	-
Wakalah fee	914	(914)	-	819	(819)	-
Reinsurance outward	-	(7,976)	(7,976)	-	-	-
(Increase)/Decrease in contribution liability	-	(8,432)	(8,432)	-	(646)	(646)
(Increase)/Decrease in claim liability	-	(2,649)	(2,649)	-	52	52
(Increase)/Decrease in expenses liability	(224)	-	(224)	105	-	105
Takaful fees	97	7	104	76	(18)	58
Allowance on doubtful debt	-	(60)	(60)	-	(132)	(132)
Income from Takaful activities	787	(6,121)	(5,334)	1,000	531	1,531
Islamic banking fund and Takaful fund results	114,938	(6,121)	108,817	124,308	531	124,839
Other income/(expenses)	6,788	-	6,788	(7,683)	-	(7,683)
Net Income from Islamic business	121,726	(6,121)	115,605	116,625	531	117,156
Administrative expenses	(712)	-	(712)	(512)	-	(512)
Allowances for losses on financing	(175,767)	-	(175,767)	(39,897)	-	(39,897)
Allowance on investment securities	(100,000)	-	(100,000)	-	-	-
(Loss)/profit for the year before zakat	(154,753)	(6,121)	(160,874)	76,216	531	76,747
Zakat	(2,423)	-	(2,423)	(3,508)	-	(3,508)
Net (loss)/profit for the year	(157,176)	(6,121)	(163,297)	72,708	531	73,239

38. ISLAMIC BUSINESS FUNDS (CONT'D.)**Statement of Comprehensive Income for the year ended 31 December 2016**

	Group and Bank					
	2016			2015		
	Islamic	Takaful	Total	Islamic	Takaful	Total
	business fund RM'000	fund RM'000		business fund RM'000	fund RM'000	
Net (loss)/profit for the year (cont'd.)	(157,176)	(6,121)	(163,297)	72,708	531	73,239
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Fair value changes on available-for-sale investments securities	703	-	703	324	-	324
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	703	-	703	324	-	324
Total comprehensive (loss)/income for the year	(156,473)	(6,121)	(162,594)	73,032	531	73,563

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38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of changes in Islamic business fund and Takaful fund for the year ended 31 December 2016

	Islamic Banking Fund RM'000	Retained profits RM'000	Fair value adjustment reserve RM'000	Total RM'000
Group and Bank				
At 1 January 2015	100,000	125,046	(196)	224,850
Additional capital injected	400,000	-	-	400,000
Net profit for the year	-	73,239	-	73,239
Other comprehensive income	-	-	324	324
At 31 December 2015	500,000	198,285	128	698,413
Net profit for the year	-	(163,297)	-	(163,297)
Other comprehensive income	-	-	703	703
At 31 December 2016	500,000	34,988	831	535,819

Statement of cash flows for Islamic business fund for the year ended 31 December 2016

	Group and Bank	
	2016 RM'000	2015 RM'000
Cash flows from operating activities		
(Loss)/profit before zakat	(154,753)	76,216
Adjustments for:		
Individual allowance		
- Charged for the year	146,716	1,219
- Written back during the year	(49)	-
Collective allowance		
- Charged for the year	87,574	38,678
- Written back during the year	(58,474)	-
Allowance on investment securities	100,000	-
Claim and guarantee		
- Charged for the year	224	-
- Written back during the year	-	-
Unrealised foreign exchange (gain)/loss	(73,849)	36,408
Unrealised loss on derivatives	8,117	6,054
Unrealised gain on Sukuk	(12,623)	(7,094)
Amortisation of premium less accretion of discount	(174)	-
Operating profit before working capital changes	42,709	151,481

38. ISLAMIC BUSINESS FUNDS (CONT'D.)**Statement of cash flows for Islamic business fund for the year ended 31 December 2016 (cont'd.)**

	Group and Bank	
	2016	2015
	RM'000	RM'000
Changes in working capital:		
Deposits and placements with banks and other financial institutions	528	(64,859)
Islamic financing	(189,547)	(2,344,532)
Other assets	(10,140)	(3,863)
Derivative financial instruments	(406)	-
Other liabilities	28,763	688,224
Deferred income	(3,124)	-
Zakat paid	(3,508)	(729)
Net cash used in operating activities	(134,725)	(1,574,278)
Cash flow from investing activities		
Purchase of investments	(39,836)	(108,815)
Net cash used in investing activities	(39,836)	(108,815)
Cash flows from financing activities		
Net drawdown of financing payable	69,804	1,869,784
Amount due from ECR-i debtors	148	171
Net cash generated from financing activities	69,952	1,869,955
Net (decrease)/increase in cash and cash equivalents	(104,609)	186,862
Cash and cash equivalents at beginning of year excluding on behalf of customer	193,015	6,153
Cash and cash equivalents at end of year	88,406	193,015
Cash and cash equivalents comprise:		
Cash and bank balances	1,066	9,180
Deposits and placements with financial institutions	167,806	264,829
Less: Deposits and placements on behalf of customers	(80,466)	(80,994)
	88,406	193,015

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38. ISLAMIC BUSINESS FUNDS (CONT'D.)**Notes to the financial statements for Islamic business fund and Takaful fund for the year ended 31 December 2016****(a) Cash and bank balances**

	Group and Bank	
	2016	2015
	RM'000	RM'000
Cash and bank balances	1,123	9,306

(b) Deposits and placements with banks and other financial institutions

	Group and Bank	
	2016	2015
	RM'000	RM'000
Deposits and placements with:		
Licensed banks	147,806	168,359
Other financial institutions	25,645	100,275
	173,451	268,634
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	92,985	183,835
On behalf of customers and government	80,466	84,799
	173,451	268,634

(c) Investment securities

	Group and Bank	
	2016	2015
	RM'000	RM'000
Available-for-sale investments:		
Unquoted debt securities	220,988	180,276
	220,988	180,276
Less: Impairment losses	(100,000)	-
	120,988	180,276

Included in investment securities are amount that have been pledged for Sukuk Issuance amounting to RM21,284,577 (2015: RM76,186,728).

38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the year ended 31 December 2016 (cont'd.)

(d) Amount due from ECR-i debtors

	Group and Bank	
	2016	2015
	RM'000	RM'000
Amount due from participating licensed banks under ECR-i scheme	-	148
The maturity structure of the ECR-i debtors are as follows:		
Maturity within one year	-	148

(e) Islamic financing

	Group and Bank	
	2016	2015
	RM'000	RM'000
(i) Murabahah	338,891	342,601
Istisna'	375,279	413,936
Bai' Dayn	127,404	33,530
Tawarruq	4,443,555	4,507,351
Ijarah **	841,151	760,461
Unearned income	(932,255)	(1,060,613)
	5,194,025	4,997,266
Allowances for losses on advances and financing:		
- Individual allowance	(160,572)	(6,694)
- Collective allowance	(118,167)	(89,067)
Net advances and financing	4,915,286	4,901,505
** RM372,568,224 (2015: RM631,382,072) is in respect of Sukuk Issuance.		
(ii) The maturity structure of the advances and financing are as follows:		
Within one year	2,018,531	1,938,242
One year to three years	558,913	926,352
Three years to five years	872,279	941,385
Over five years	1,744,302	1,191,287
	5,194,025	4,997,266

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38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the year ended 31 December 2016 (cont'd.)

(e) Islamic financing (cont'd)

	Group and Bank	
	2016	2015
	RM'000	RM'000
(iii) Islamic gross financing analysed by profit rate sensitivity are as follows:		
Fixed rate	686,455	731,594
Variable rate	4,507,570	4,265,672
	5,194,025	4,997,266
(iv) Islamic gross financing analysed by geography are as follows:		
Malaysia	3,823,701	3,998,311
East Asia	640,253	412,938
Middle East	22,579	86,579
South Asia	62,853	-
Europe	528,928	363,759
Oceania	115,711	135,679
	5,194,025	4,997,266
(v) Islamic gross financing analysed by industry are as follows:		
Primary agriculture	323,007	127,331
Mining and quarrying	46,765	46,871
Manufacturing	987,497	797,270
Transport, storage and communication	1,728,318	1,593,414
Construction	61,341	1,422
Wholesale and retail trade, and restaurants and hotels	956,424	529,211
Finance, insurance, real estate and business activities	387,716	508,654
Electricity, gas and water	247,701	917,445
Others	455,256	475,648
	5,194,025	4,997,266

38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the year ended 31 December 2016 (cont'd.)

(e) Islamic financing (cont'd)

	Group and Bank	
	2016 RM'000	2015 RM'000
(vi) Movements in impaired financing are as follows:		
At 1 January	38,390	6,709
Impaired during the year	994,520	33,605
Recoveries	(35,640)	(1,954)
Amount written off	(4,788)	-
Exchange differences	27,047	30
At 31 December	1,019,529	38,390
(vii) Movements in the allowance for impaired financing are as follows:		
<u>Individual allowance</u>		
Balance at 1 January	6,694	4,837
Allowance made during the year	146,716	1,219
Reversal during the year	(49)	-
Bad debts written off	(4,787)	-
Exchange differences	11,998	638
Balance at 31 December	160,572	6,694
<u>Collective allowance</u>		
Balance at 1 January	89,067	50,389
Allowance made during the year	87,574	44,931
Reversal during the year	(58,474)	(6,253)
Balance at 31 December	118,167	89,067
Breakdown of collective allowance:		
From impaired financing	-	545
From non-impaired financing	118,167	88,522
	118,167	89,067

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38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the year ended 31 December 2016 (cont'd.)

(f) Derivatives financial instrument

	Group and Bank					
	2016			2015		
	Fair Value		Notional Amount	Fair Value		Notional Amount
	Assets RM'000	Liability RM'000		Assets RM'000	Liability RM'000	
<u>Derivatives used as fair value hedges</u>						
Profit rate swaps	-	4,437	1,513,128	3,706	-	1,288,050
Cross currency profit rate swaps	30,974	4,170	410,835	5,632	-	171,740
Total	30,974	8,607	1,923,963	9,338	-	1,459,790

(g) Financing Payable

	Group and Bank	
	2016 RM'000	2015 RM'000
(i) <u>Revolving credit facility - unsecured</u>		
Repayable within one year	1,389,848	1,930,933
	1,389,848	1,930,933
(ii) <u>Sukuk</u>		
One year to three years	2,136,343	300,268
Three years to five years	388,655	1,683,443
Over five years	89,502	85,636
	2,614,500	2,069,347
	4,004,348	4,000,280

38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the year ended 31 December 2016 (cont'd.)

(h) Income derived from investment of Islamic banking fund

	Group and Bank	
	2016 RM'000	2015 RM'000
Islamic financing:		
Murabahah	26,918	20,561
Istisna'	11,827	18,509
Bai' Dayn	4,041	2,366
Tawarruq	116,053	90,644
Ijarah	22,098	32,196
ECR-i debtors	3	8
Deposits and placements with banks and other financial institutions	4,538	3,408
Investment securities	6,527	4,680
Net income from profit rate swaps	8,993	14,145
	200,998	186,517

(i) Other income/(expenses)

	Group and Bank	
	2016 RM'000	2015 RM'000
Fee Income	9,269	5,556
Foreign exchange gain/(loss)		
- unrealised	73,849	(36,408)
- realised	(80,836)	22,129
Unrealised gain/(loss) on derivatives	12,623	(6,054)
Unrealised (loss)/gain on Sukuk	(8,117)	7,094
	6,788	(7,683)

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38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the year ended 31 December 2016 (cont'd.)

(j) Allowances for losses on financing

		Group and Bank	
		2016	2015
		RM'000	RM'000
(i)	Individual allowance		
	- Charged for the year	146,716	1,219
	- Written back during the year	(49)	-
(ii)	Collective allowance		
	- Charged for the year	87,574	44,931
	- Written back during the year	(58,474)	(6,253)
		175,767	39,897

(k) Takaful participants fund

		2016	2015
		RM'000	RM'000
<u>Takaful participants fund</u>			
Accumulated deficit	(i)	(6,855)	(734)
Qard	(ii)	6,855	734
		-	-

The deficit in the Takaful participant fund is covered by the Qard from Shareholder's funds. Qard represents a financing to the Takaful participants fund to make good any underwriting deficit experienced during a financial period. The amount is unsecured, not subject to any profit elements and has no fixed terms of repayment. The management expects to recover the balance from future profits of Takaful participants fund.

38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the year ended 31 December 2016 (cont'd.)

(k) Takaful participants fund (cont'd.)

	2016 RM'000	2015 RM'000
(i) <u>Accumulated deficit</u>		
At beginning of the year	(734)	(1,265)
Net (deficit)/surplus of the Takaful fund	(6,121)	531
At end of the year	(6,855)	(734)
(ii) <u>Qard</u>		
At beginning of the year	734	1,265
Increase/(decrease) in Qard	6,121	(531)
At end of the year	6,855	734

(l) Commitments and contingencies

	Group and Bank	
	2016 RM'000	2015 RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	118,946	114,615
Letter of credit	49,359	8,410
Undrawn financing	1,744,539	1,089,760
	1,912,844	1,212,785
<u>Takaful operation commitments</u>		
Contracted but not provided for:		
Within one year	313,680	205,896
One year or later and no later than five years	191,238	2,705
	504,918	208,601
Total commitments and contingencies	2,417,762	1,421,386

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38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the year ended 31 December 2016 (cont'd.)

(m) Regulatory Capital

	Group and Bank	
	2016	2015
	RM'000	RM'000
Ordinary share capital	500,000	500,000
Retained profit	199,019	125,577
Current year (loss)/profit	(157,176)	72,708
Eligible Tier 1 capital	541,843	698,285
Collective allowance on Islamic financing*	118,167	88,522
Provision for guarantee and claim	2,920	589
Eligible Tier 2 capital	121,087	89,111
Total capital base	662,930	787,396
Risk weighted assets	5,650,088	5,382,405
RWCR	11.73%	14.63%

* 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.

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.

39. SEGMENT INFORMATION (CONT'D.)

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

(1) Banking

Banking comprises activities involving conventional and Islamic facilities to finance and support export and import of goods, services and overseas projects as well as financial guarantee facilities with an emphasis on non-traditional markets.

(2) Insurance and Takaful

Insurance and Takaful comprise activities involving providing export, credit and political risks insurance.

(3) Support

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

	Group and Bank							
	2016				2015			
	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	123,367	-	63,923	187,290	160,099	-	63,734	223,833
Underwriting results	-	3,299	-	3,299	-	8,397	-	8,397
Income from Islamic business	114,151	787	-	114,938	123,308	1,000	-	124,308
Other income	27,729	-	4,700	32,429	31,599	-	7,829	39,428
Net income	265,247	4,086	68,623	337,956	315,006	9,397	71,563	395,966
Overhead expenses	(29,379)	(6,234)	(66,281)	(101,894)	(26,078)	(5,057)	(47,409)	(78,544)
Operating profit	235,868	(2,148)	2,342	236,062	288,928	4,340	24,154	317,422
Allowances for losses on loans, advances and financing	(380,718)	-	-	(380,718)	(271,409)	-	-	(271,409)
Allowances on investment securities	-	-	(100,000)	(100,000)	-	-	-	-
	(144,850)	(2,148)	(97,658)	(244,656)	17,519	4,340	24,154	46,013
Taxation				19,772				(17,342)
Zakat for the Bank				(2,423)				(3,508)
Net (loss)/profit for the year - Bank				(227,307)				25,163
Add: Zakat for the Group				28				-
Net (loss)/profit for the year - Group				(227,279)				25,163



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