ANNUAL REPORT **2018**

AN UNWAVERING COMMITMENT

AN UNWAVERING COMMITMENT

Export-Import Bank of Malaysia Berhad (EXIM Bank) continues to fortify its commitment on delivering effective financing and takaful solutions as the leading financial institution for Malaysian cross-border ventures. The theme 'An Unwavering Commitment' encompasses the Bank's constant focus on promoting and facilitating the entry of Malaysian companies to new and non-traditional markets across the globe.

Depicting the vast array of supportive products and services it engages in, this year's annual report design showcases the focus the Bank places on engaging with its stakeholders to uplift its offerings towards delivering real value.

Expanding Frontiers

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

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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ABOUT THIS REPORT

As a Development Financial Institution with a set mandate to promote cross-border trade for Malaysian businesses, Export-Import Bank of Malaysia Berhad (EXIM Bank) is constantly mindful of its role in executing strategies as per the national development agenda. Through global economic challenges and changes in domestic political leadership, we remain focused on supporting Malaysian companies in expanding their business frontiers through cross-border financing and takaful solutions.

EXIM Bank is steadfastly focused on continuously improving performance levels in accordance to global and industry best practices and standards. Through this report, we hope to demonstrate our unwavering commitment to our stakeholders through enhanced operations and reporting. As sustainable growth must include continual effort and investment into areas that are touched by key stakeholder concerns, 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.

Against these challenges and change, EXIM Bank is confident that we will continue to forge ahead with sound leadership, prudent risk appetite, more stringent underwriting and stronger corporate governance, without neglecting our obligations to our stakeholders. This Report clearly demonstrates this stance and shows how we are embracing challenges and facing them head-on with concerted efforts from both within, and outside EXIM Bank. Our integrated reporting continues to shed light into our purpose, business model and performance highlights, and our response to market changes and identified risks, as well as discuss on business performance for the year under review. We also share how these factors impact our Strategy 2025 going forward. Governance, operational and financial matters aside, the Bank's corporate social responsibility journey and other activities embarked during the year also demonstrate EXIM Bank's pledge to be a caring corporate citizen of Malaysia.

EXPANDING FRONTIERS

EXIM Bank 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.

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

CURRENT FACILITIES OFFERED BY EXIM BANK

BANKING/CREDIT FACILITIES

ISLAMIC BANKING

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

Trade Finance
- Supplier Financing-i
- Trust Receipt-i
- Export Credit Refinancing-i
- IDB Co-Financing
- Vendor Financing Scheme-i
- Foreign Bill of Exchange Purchase-i
- Letter of Credit-i

Guarantee
- Bank Guarantee-i
- Forward Foreign Exchange-i

CREDIT TAKAFUL

Short-Term Credit Takaful
- Trade Credit Takaful
- Bankers Trade Credit Takaful

Medium/ Long-Term
- Specific Takaful
- Overseas Investment Takaful

CORPORATE INFORMATION

DIRECTORS

Dato' Feizal Mustapha
Chairman
(appointed w.e.f. 9 April 2019)

Ismail Mahbob

Tunku Afwida Tunku A. Malek

Mohammad Fadzlan Dato' Abdul Samad

Datuk Syed Ahmad Helmy Syed Ahmad

Hijah Arifakh Othman

Dato' Dzulkifli Mahmud

Dato' Dr. Amiruddin Muhamed
(appointed w.e.f. 15 January 2019)

Datuk Mat Noor Nawi
Chairman
(term ended w.e.f. 30 September 2018)

Dato' Rosli Mohamed Nor
(term ended w.e.f. 1 September 2018)

Dato' Agil Natt
(term ended w.e.f. 31 December 2018)

Cik Normah Osman
(resigned w.e.f. 6 July 2018)

Norzilah Mohammed
President/Chief Executive Officer
(term ended w.e.f. 7 March 2019)

SHARIAH COMMITTEE

Dr. Zaharuddin Abd. Rahman
Assoc. Prof. Dr. Zulkifli Hasan
Zainal Abidin Mohd Tahir
Prof. Dr. Rusni Hassan
Dr. Safinar Salleh

PRESIDENT/CHIEF EXECUTIVE OFFICER

Norzilah Mohammed
(Term ended w.e.f. 7 March 2019)

COMPANY SECRETARY

Julina Mohd Salleh
(LS0008055)

AUDITOR

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

REGISTERED OFFICE

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

REPRESENTATIVE OFFICE

PULAU PINANG
No. 2, Ground Floor, Lebuh Tenggiri 2
Pusat Bandar Seberang Jaya
13700 Seberang Jaya, Penang
MALAYSIA

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

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

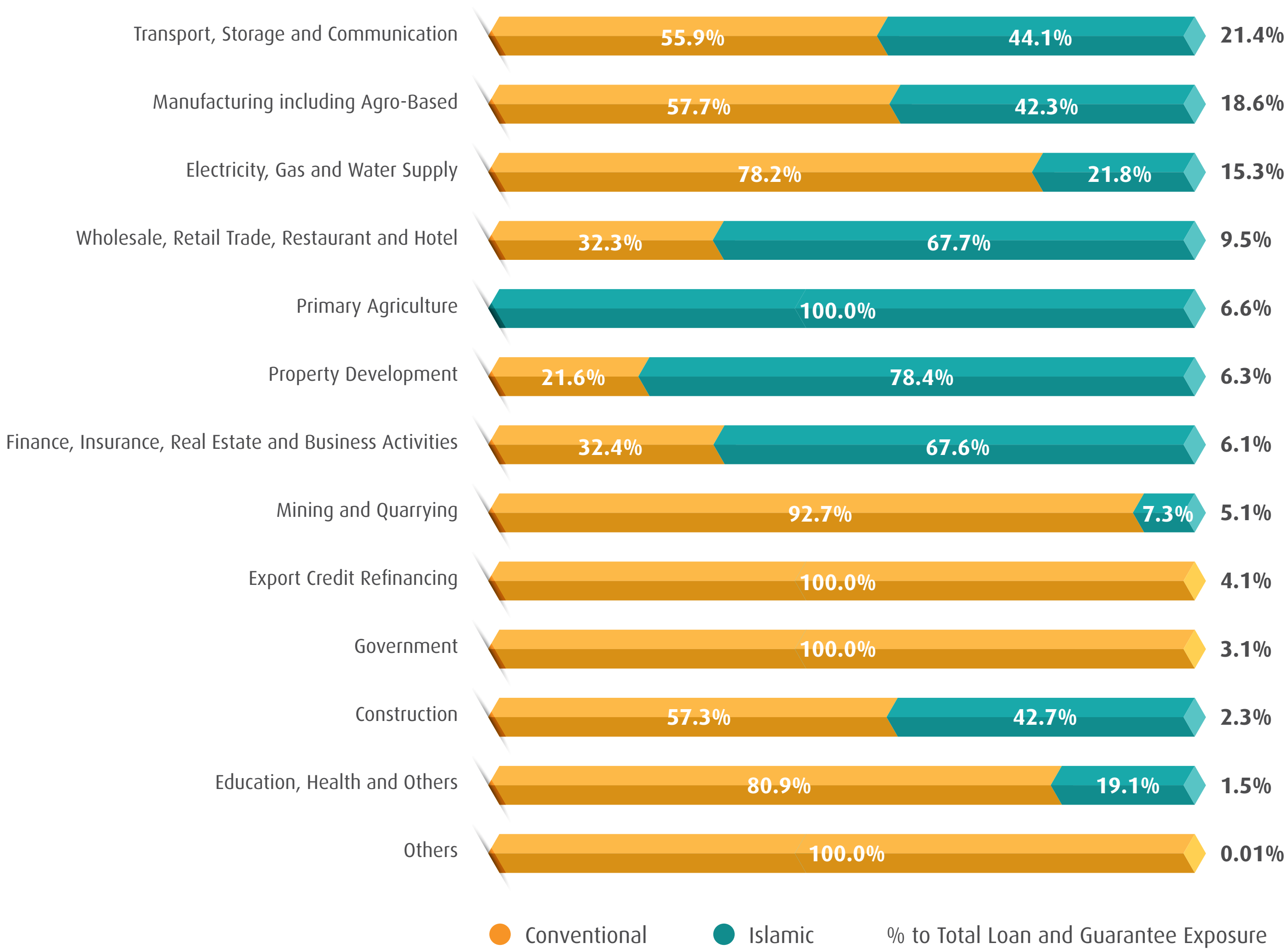
Bridging New Possibilities with Enhanced Support

HOW WE HELP COMPANIES

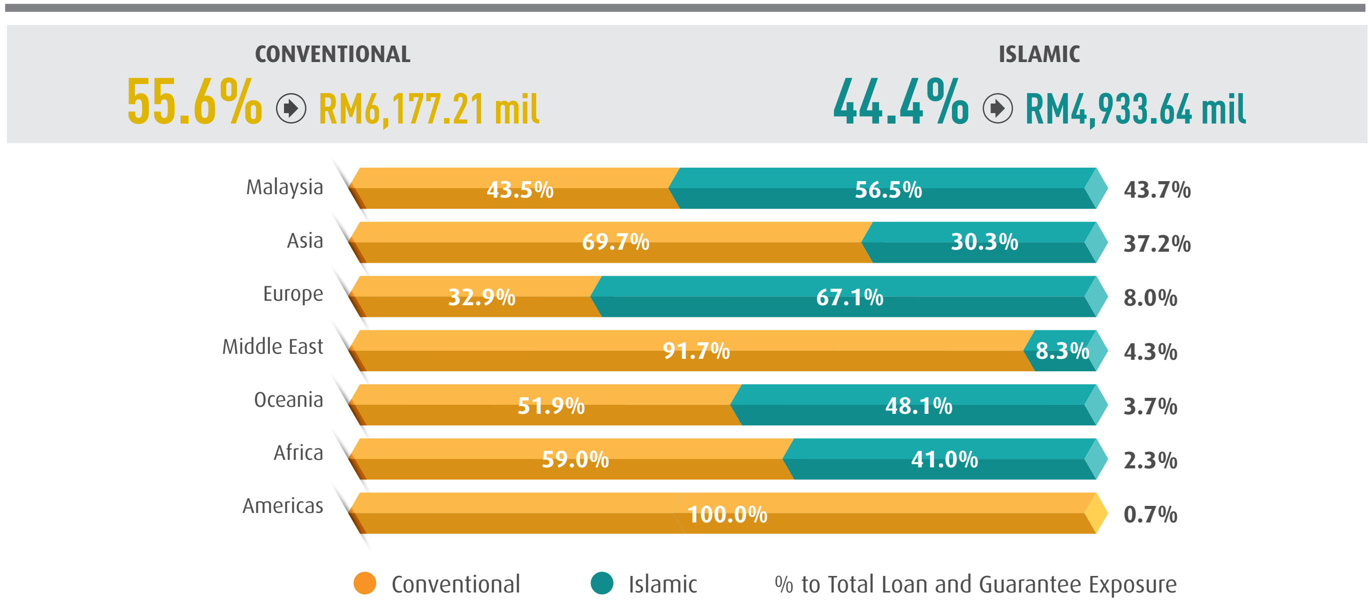
BANKING PORTFOLIO 2018

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

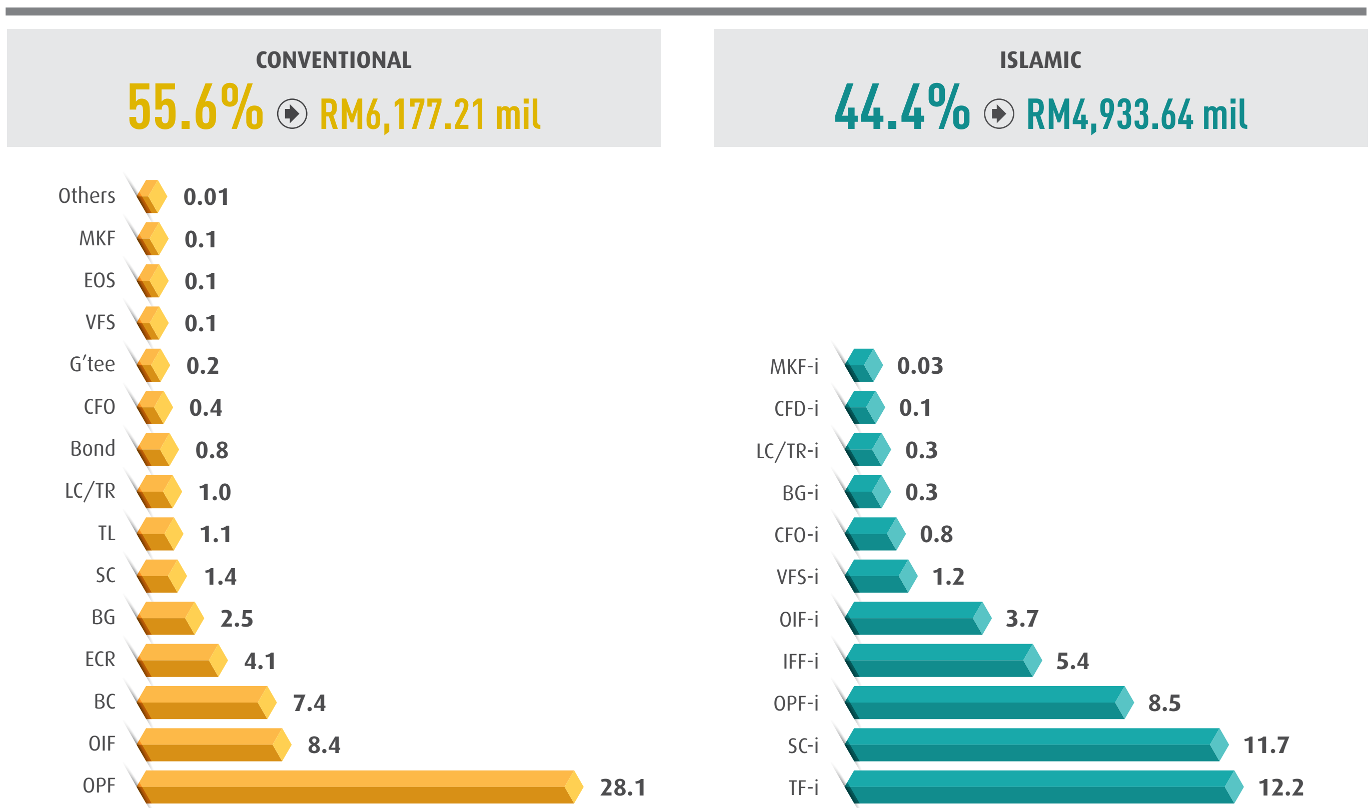
CONVENTIONAL	ISLAMIC
55.6% RM6,177.21 mil	44.4% RM4,933.64 mil



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



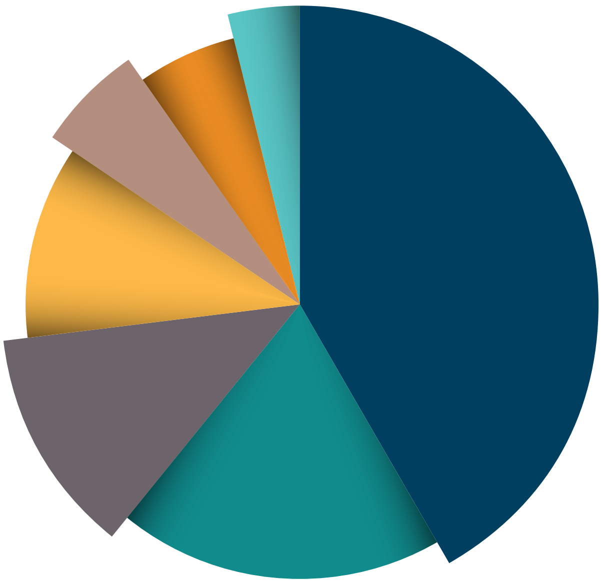
Loan and Guarantee Exposure – Facilities Breakdown
by Conventional and Islamic (%)

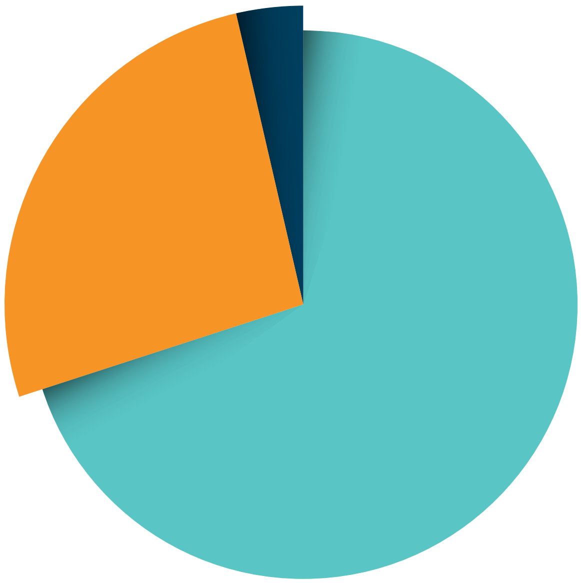


CREDIT INSURANCE AND CREDIT TAKAFUL PORTFOLIO 2018

Credit Insurance and Credit Takaful Portfolio – Short-Term

BY REGION	BY SECTOR
RM727.66 million	RM727.66 million





MALAYSIA
RM304.91 million
41.9%
Insurance : RM133.02 million
Takaful : RM171.89 million

ASIA
RM138.99 million
19.1%
Insurance : RM110.12 million
Takaful : RM28.87 million

AMERICAS
RM89.10 million
12.2%
Insurance : RM21.87 million
Takaful : RM67.23 million

EUROPE
RM82.27 million
11.3%
Insurance : RM31.36 million
Takaful : RM50.91 million

MIDDLE EAST
RM43.16 million
5.9%
Insurance : RM37.54 million
Takaful : RM5.62 million

OCEANIA
RM42.24 million
5.8%
Insurance : RM30.50 million
Takaful : RM11.74 million

AFRICA
RM27.00 million
3.7%
Insurance : RM19.61 million
Takaful : RM7.38 million

MANUFACTURING INCLUDING AGRO-BASED
RM510.53 million
70.2%
Insurance : RM351.81 million
Takaful : RM158.72 million

OTHERS
RM192.54 million
26.5%
Insurance : RM24.90 million
Takaful : RM167.64 million

WHOLESALE, RETAIL TRADE, RESTAURANT AND HOTEL
RM24.59 million
3.4%
Insurance : RM7.31 million
Takaful : RM17.27 million

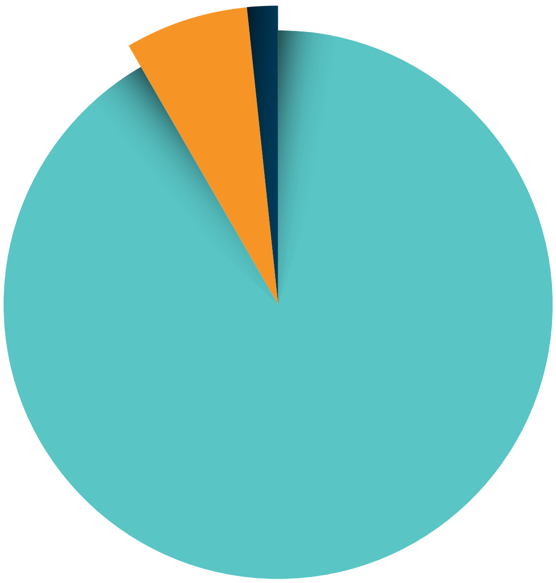
Credit Insurance and Credit Takaful Portfolio – Medium/Long-Term

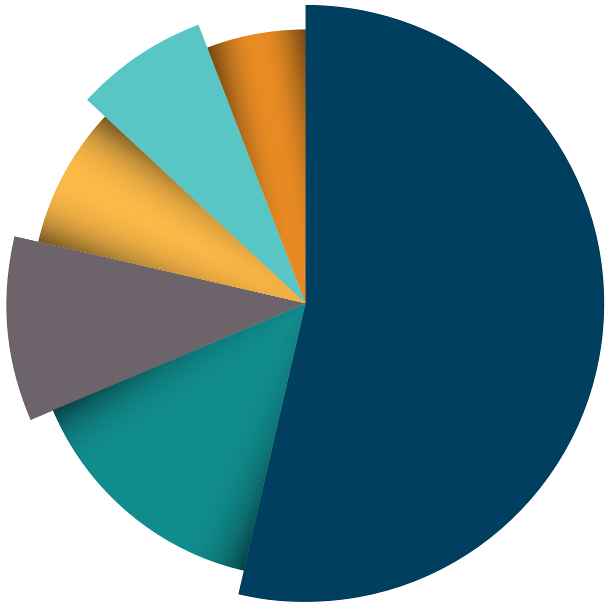
BY REGION

RM1,153.79 million

BY SECTOR

RM1,153.79 million





ASIA
RM1,059.94 million
91.9%
Insurance : RM886.23 million
Takaful : RM173.71 million

AFRICA
RM77.67 million
6.7%
Insurance : RM77.67 million
Takaful : –

MIDDLE EAST
RM16.18 million
1.4%
Insurance : RM16.18 million
Takaful : –

EDUCATION, HEALTH AND OTHERS
RM620.40 million
53.8%
Insurance : RM620.40 million
Takaful : –

FINANCE, INSURANCE, REAL ESTATE AND BUSINESS ACTIVITIES
RM173.71 million
15.1%
Insurance : –
Takaful : RM173.71 million

MANUFACTURING INCLUDING AGRO-BASED
RM115.44 million
10.0%
Insurance : RM115.44 million
Takaful : –

CONSTRUCTION
RM96.15 million
8.3%
Insurance : RM96.15 million
Takaful : –

MINING AND QUARRYING
RM82.72 million
7.2%
Insurance : RM82.72 million
Takaful : –

ELECTRICITY, GAS AND WATER SUPPLY
RM65.37 million
5.7%
Insurance : RM65.37 million
Takaful : –

CREDIT INSURANCE AND CREDIT TAKAFUL BY COUNTRY

NORTH & SOUTH AMERICA 1.3%

1. Argentina
2. Bolivia
3. Brazil
4. Canada
5. Chile
6. Colombia
7. Costa Rica
8. Ecuador
9. Guatemala
10. Honduras Republic
11. Mexico
12. Panama
13. Peru
14. St. Lucia
15. Trinidad & Tobago
16. U.S.A
17. Uruguay

EUROPE 7.5%

1. Belarus
2. Belgium
3. Bosnia-Herzegovina
4. Bulgaria
5. Czech Republic
6. Denmark
7. Finland
8. France
9. Germany
10. Hungary
11. Irish Republic or Ireland
12. Italy
13. Latvia
14. Moldova
15. Netherlands (Holland)
16. Poland
17. Portugal
18. Romania
19. Russia
20. Serbia
21. Spain (including Canary Islands)
22. Sweden
23. Switzerland
24. United Kingdom

AFRICA 2.8%

1. Algeria
2. Ghana
3. Kenya
4. Madagascar
5. Malawi
6. Mauritius
7. Nigeria
8. Niger Republic
9. Seychelles
10. South Africa
11. Sudan
12. Tanzania
13. Zambia

EXIM Bank's total exposure covers 87 countries while its stand alone credit insurance exposure extends over 54 countries.

ASIA
80.7%

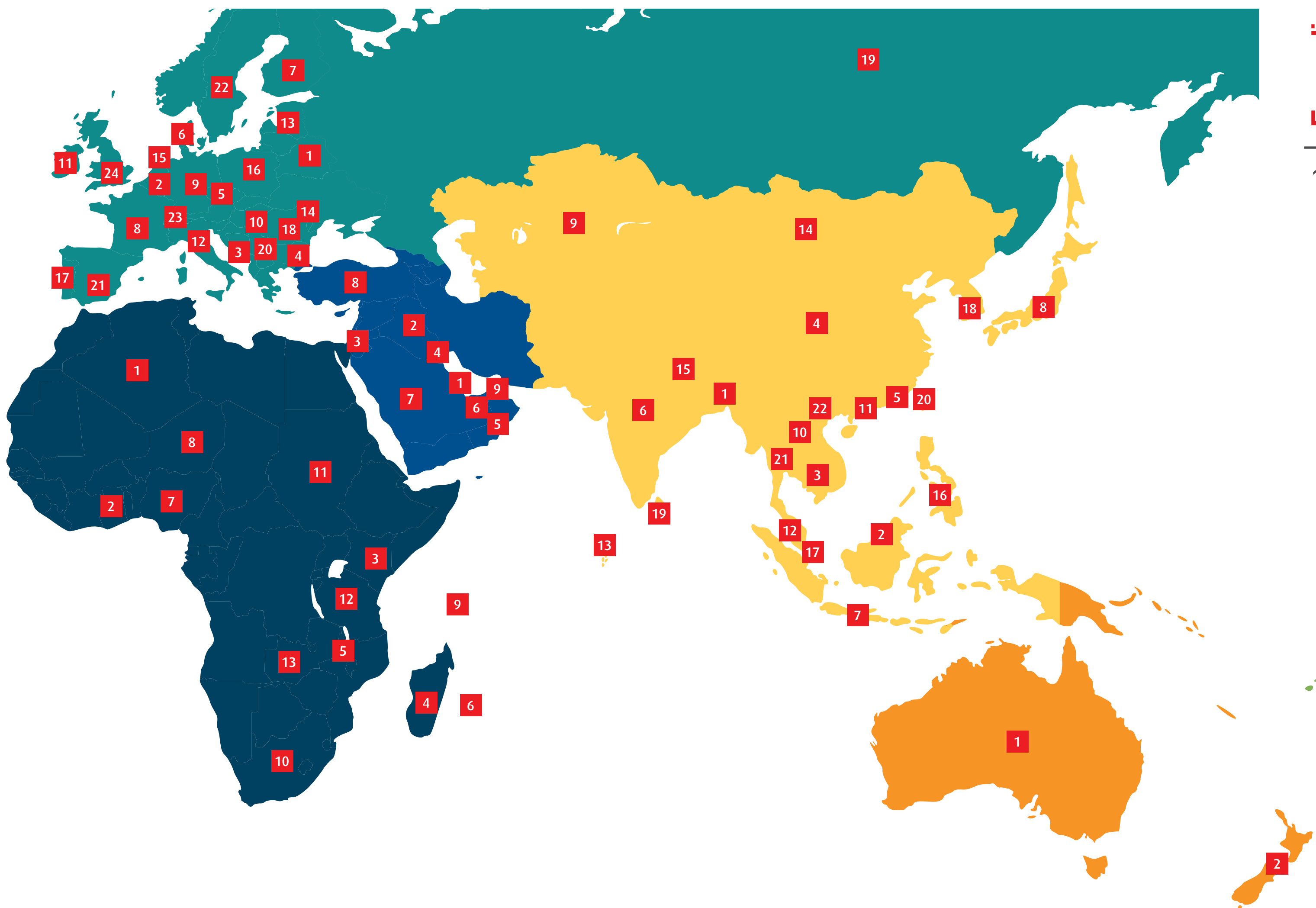
1. Bangladesh
2. Brunei
3. Cambodia
4. China
5. Hong Kong
6. India
7. Indonesia
8. Japan
9. Kazakhstan
10. Laos
11. Macau
12. Malaysia
13. Maldives
14. Mongolia
15. Nepal
16. Philippines
17. Singapore
18. South Korea
19. Sri Lanka
20. Taiwan
21. Thailand
22. Vietnam

MIDDLE EAST
4.2%

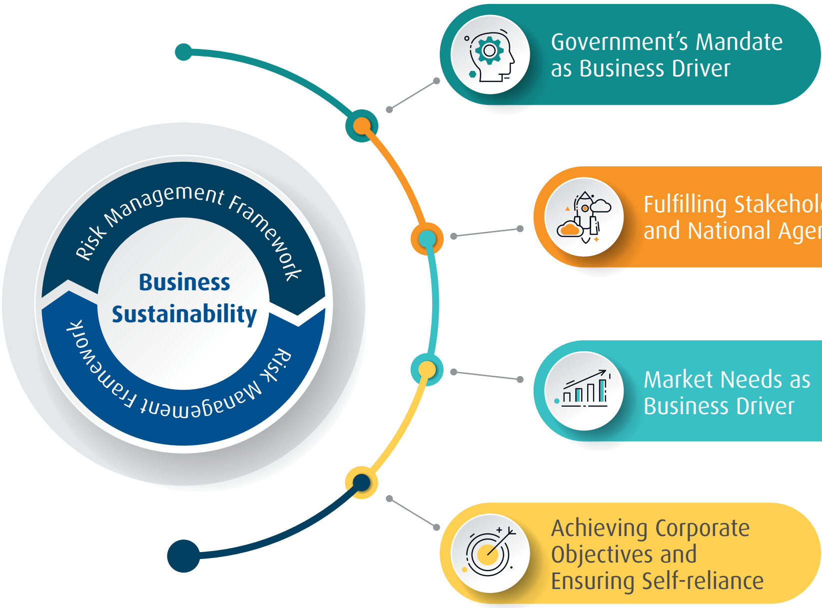
1. Bahrain
2. Iraq
3. Jordan
4. Kuwait
5. Oman
6. Qatar
7. Saudi Arabia
8. Turkey
9. United Arab Emirates

AUSTRALIA & OCEANIA
3.5%

1. Australia
2. New Zealand



BUSINESS MODEL
& STRATEGY



- EXIM Bank's core business is driven by the Government's mandate and market needs.
- Balancing the two drivers with sound risk management practice ensures the business sustainability of EXIM Bank.

Policy Bank

Addresses financing gap to complement market needs

May not be able to extend exposure to certain countries, given limited overseas operations and lack of international experience

Supports foreign multinationals operating in Malaysia

Clientele consists of locally incorporated companies as well as foreign companies and foreign governments

Able to provide financing support on international exposure – EXIM Bank's export credit financing value chain

Role-Based Approach

Invigorates the development of cross-border transactions across all sectors

- Risks and Appetite
- Underserved segments (Traditional vs Non-traditional)
- Prudential Limits (country limits and sectoral limits)
- Contributes higher Trade in Value Added (TiVA) i.e. TiVA vs. Domestic value added

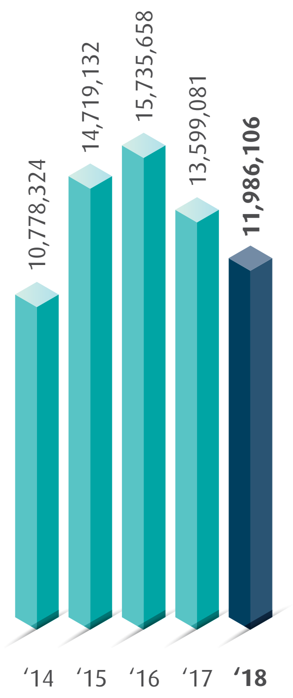
Business Game Plan Overview

- Invigorates export
- Focuses on SMEs
- Ideal mix portfolio:
  Trade vs. Non-trade and SME vs. Non-SME
- Selective on high-yield assets for sustainability
- Manages liquidity diversity

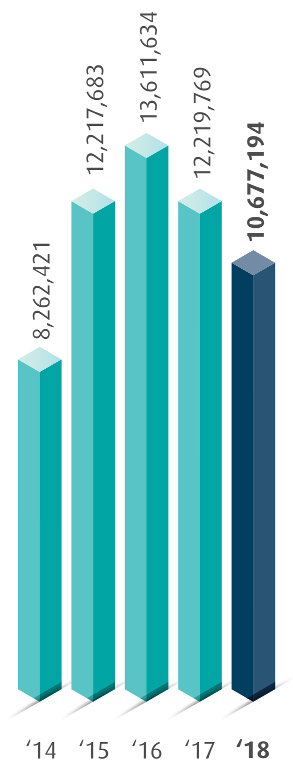
5-YEAR
FINANCIAL HIGHLIGHTS

ITEM	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000) Restated	FY2017 (RM'000) Restated	FY2018 (RM'000)
Total Assets	10,778,324	14,719,132	15,735,658	13,599,081	**11,986,106**
Total Disbursement	6,613,909	9,056,422	10,349,258	10,190,959	**7,381,600**
Operating Revenue	363,642	472,543	492,236	570,178	**554,492**
Total Gross Loans & Financing Assets (with CCR)	8,262,421	12,217,683	13,611,634	12,219,769	**10,677,194**
Net Income	272,598	395,966	337,956	346,093	**270,403**
Net Impaired Loans	6.16%	4.68%	9.15%	4.00%	**10.34%**
Operating Profit	198,385	317,422	236,062	257,031	**180,311**
Profit Before Tax	40,850	46,013	(408,701)	(56,268)	**(263,521)**

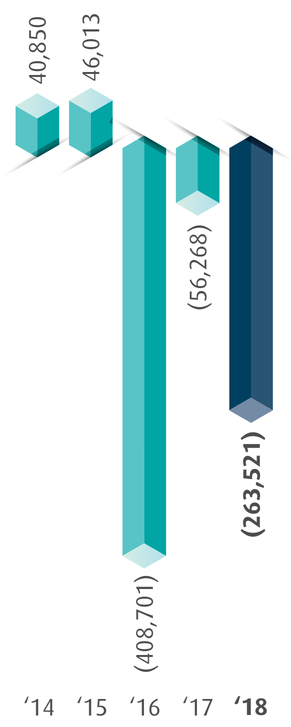
TOTAL ASSETS
(RM'000)



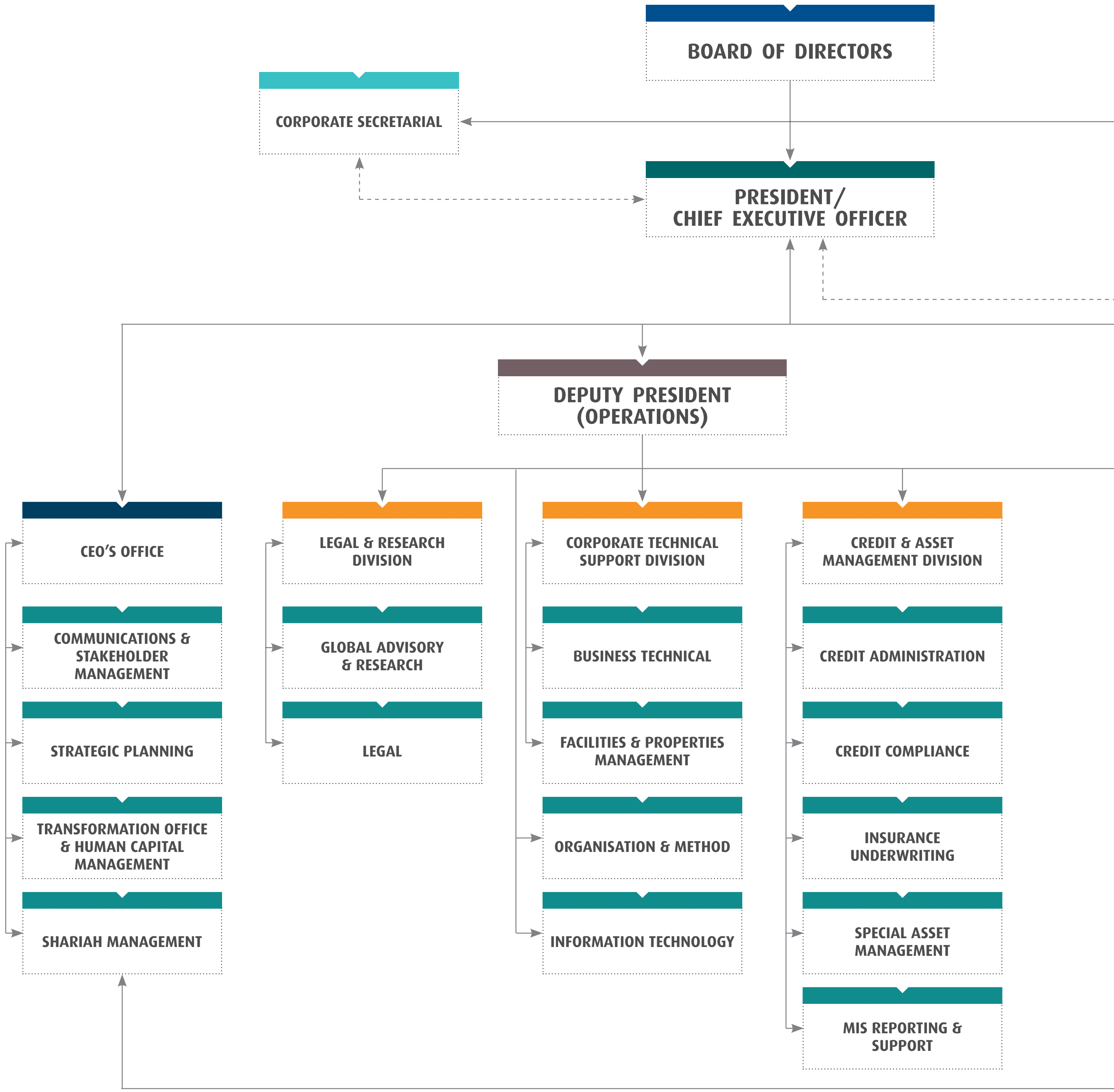
TOTAL GROSS LOANS & FINANCING ASSETS
(RM'000)

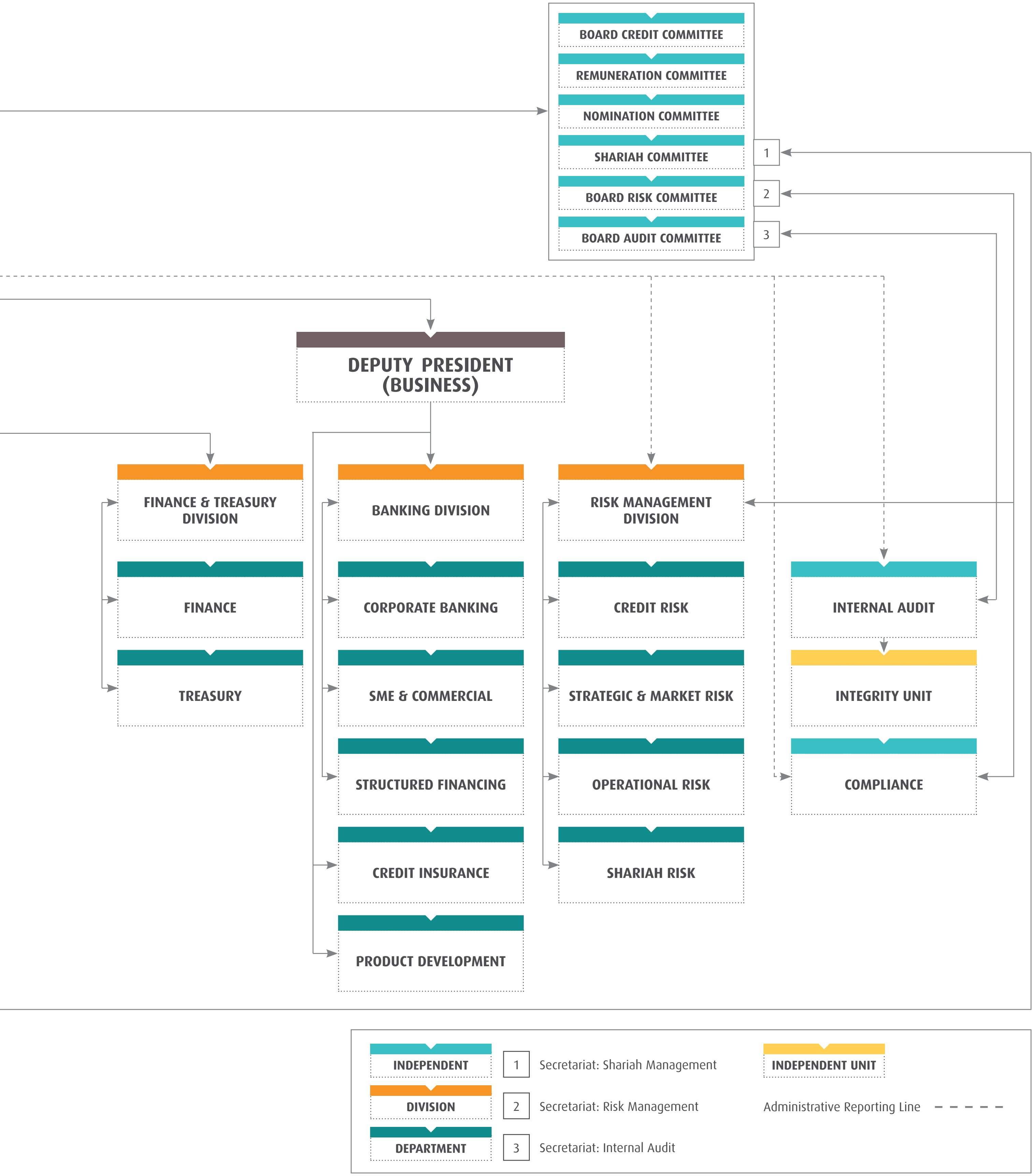


PROFIT BEFORE TAX
(RM'000)



ORGANISATION STRUCTURE





BOARD CREDIT COMMITTEE
REMUNERATION COMMITTEE
NOMINATION COMMITTEE
SHARIAH COMMITTEE
BOARD RISK COMMITTEE
BOARD AUDIT COMMITTEE
1
2
3
DEPUTY PRESIDENT (BUSINESS)
FINANCE & TREASURY DIVISION
FINANCE
TREASURY
BANKING DIVISION
CORPORATE BANKING
SME & COMMERCIAL
STRUCTURED FINANCING
CREDIT INSURANCE
PRODUCT DEVELOPMENT
RISK MANAGEMENT DIVISION
CREDIT RISK
STRATEGIC & MARKET RISK
OPERATIONAL RISK
SHARIAH RISK
INTERNAL AUDIT
INTEGRITY UNIT
COMPLIANCE
INDEPENDENT
DIVISION
DEPARTMENT
1 Secretariat: Shariah Management
2 Secretariat: Risk Management
3 Secretariat: Internal Audit
INDEPENDENT UNIT
Administrative Reporting Line

Growing Strength and Capacity for Sustainable Growth

MESSAGE FROM THE CHAIRMAN

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

As we advance into a borderless economy in this digital age, the Bank's role in supporting drivers of Malaysia's economy is more vital than ever. Export-Import Bank of Malaysia Berhad (EXIM Bank) managed to brace through the year 2018 steadfastly by staying true to our mandated role, especially in providing growth opportunities for Malaysian businesses to propel the economy further, while also delivering value to our stakeholders.

DATO' FEIZAL MUSTAPHA
Chairman

Taking stock of the year in review, uncertain global geo-political situations, namely the on-going trade debacle between the two biggest global economies – US and China- fuelled by Trump's economic policies, in addition to UK's unresolved Brexit situation, have put the global economic under undue duress with far reaching consequences to many countries. Malaysia is no exception, as these countries happen to be its major trading partners, and we have experienced some market softness and the general feeling of uncertainty and caution.

Global challenges aside, 2018 was also a year of change for Malaysia. A new government was elected during the 14th General election, which led to the timely review of government processes and effectiveness, and as a result, a restructuring of reporting lines among several government agencies was initiated. EXIM Bank, whilst still being wholly-owned by the Minister of Finance (Incorporated) or MoF (Inc.) [less a small stake by the Federal Lands Commissioner of Malaysia], has been placed under the purview of the Ministry of International Trade and Industry (MITI).

We welcome this move as it ensures a more synergistic and integrated effort in the country's trade development and we are committed to working hand-in-hand towards making the Government's policies and initiatives a success.

Internally, the Bank has also seen the smooth leadership transition of its former Chairman Datuk Mat Noor Nawi, who retired on 30 September 2018, and former President/Chief Executive Officer Norzilah Mohammed who stepped down from her position on 7 March 2019. These two stalwarts have headed the team through several key milestones, and we record our sincere gratitude to them for their unrelenting effort and commitment to the Bank.

Going forward, I am truly honoured to have been chosen to continue building on the strength of the Bank and staying on track of the Bank's Strategy 2025, as we spearhead and expand further into new frontiers.

ON BEHALF OF THE BOARD OF DIRECTORS, I WOULD LIKE TO PRESENT TO YOU THE ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR 2018.

2018: RIDING THE WAVE

Even in the face of adversity, there is always a silver lining. In 2018, Malaysia's economy continued to expand at a moderate rate of 4.7% (2017: 5.9%), supported by on-going expansion in domestic demands mainly due to moderating inflationary pressure, strengthening private sector expenditure and accommodative economic policies.

In addition, Malaysia also saw the growth of the small and medium-sized enterprises (SMEs) sector – truly living up to its name as the country's engine of growth. In fact, SMEs contributed RM435.1 billion to the economy with higher gross domestic product (GDP) growth of 7.2% in 2017. As a result, the SME's contribution to GDP increased further to 37.1% from 36.6% in the previous year, with total exports at 17.3%.

Arising from the above, as a Development Financial Institution (DFI), EXIM Bank continued to support the SME community in 2018, where we set up a dedicated team; which includes staff engaged in underwriting, marketing, transaction analytics, and stakeholder engagement; to address the needs of this sector.

To date, the Bank has registered about 83% SME borrowers and the remaining ones are from medium to large corporations, such as government-linked companies (GLCs) and private limited companies (PLCs). This shows a commendable performance towards achieving a balanced portfolio.

At the same time, the Bank focused on building up the Islamic finance business as part of its Strategy 2025, which resulted in an 8.8% increase of revenue for Islamic banking to RM204.09 million in 2018, with income from Islamic banking improving by 9.2% from RM154.03 million in 2017.

These achievements are in sync with our ongoing Strategy 2025 that ensures we realign our growth to be slightly above the nation's GDP growth; transform to become an Islamic bank within three to five years; safeguard adequate capital; and fulfil Bank Negara Malaysia's (BNM) new Performance Measurement Framework. We are now in position to deliver sustainable business in 2019 and beyond through our three-pronged approach of capital preservation, asset preservation and optimising returns.

In fact, EXIM Bank will continue to stay committed and reaffirm our commitment on the six pillars laid in the Strategy 2025.

(Details on Strategy 2025 and Strategy 2019 are available on page 44 of this annual report.)

BUSINESS REVIEW 2018

On the business front, the year's macroeconomics situation for trade led to the Bank registering a loss before tax and zakat of RM263.52 million for 2018, due to a 2.75% drop in income to RM554.49 million and the corresponding drop in assets from RM13.60 billion in 2017 to RM11.99 billion in 2018. EXIM Bank had also undertaken an increase in its net impaired loans, from 4.00% in 2017 to 10.34% in 2018. For prudence purposes, the Bank had taken steps in managing its impairment rates.

In response, the Bank is heightening its efforts to preserve asset quality and provide financing to viable ventures, by continuing to woo high- to medium-yield and resilient sectors, such as utilities and manufacturing products. As a whole, over RM7 billion in financing was disbursed for the year under review, with the Transport sector contributing 22% to the total financing portfolio, followed by the Manufacturing (19%) and Utilities sectors (15%). The Bank was also active in extending insurance/takaful coverage of RM3.83 billion extending over 52 countries during the year under review.

(Details of the Bank's 2018 business performance are highlighted in the Management Discussion and Analysis from page 38 to 43 of this annual report)

2019 AND BEYOND: TURNING THE TIDE

The Bank is optimistic that a more opportune climate for trade would arise, as we leverage on the innovative initiatives and plans that MITI has laid out to improve international trade.

MITI has focused on optimising engagement within international platforms, while also seeking and embarking on Free Trade Agreements (FTAs) for better market access opportunities for goods, investments and services from the country. To date, Malaysia has signed and implemented 14 FTAs, and in 2018, about 62.4% of our total trade is with FTA partners.

Furthermore, in response to the Fourth Industrial Revolution (4IR), MITI had also, in late 2018, launched the *Industry4WRD: National Policy on Industry 4.0* to drive digital transformation of the

The construction of this hotel in Perth, Australia is financed by EXIM Bank under its Overseas Project Financing-i

manufacturing and related services sectors in Malaysia by providing professional assessment and strategic enablers to SMEs.

These initiatives empower SMEs and other businesses with more funds and resources, as well as strengthen Malaysia's position in on-going trade negotiations, and opens up greater opportunities going ahead, from which EXIM Bank stands to benefit.

Based on this trade performance, we expect Malaysia's economy to sustain its current pace of expansion in 2019, on the back of a recovery in oil prices, as well as sustained consumption and investment growth in the public and private sector. While rising global protectionism is one of the major risks facing trade-dependent economies, we believe Malaysia's economy will remain relatively resilient, on account of having strong export diversification, both in terms of geography and product.

Furthermore as mandated, EXIM Bank will continue to focus on cross-border trade and assist Malaysian companies to venture abroad, as we support the economic agenda of the Government and emerge as a champion for the business community. The existing trade and project financing we have bodes well with Malaysia's strategy to further strengthen trade and investment penetration into traditional and new markets, as a long-term initiative would support our economic model sustainability.

Towards this end, the Board and management team have set the tone and direction for greater transparency and disclosure, stakeholder engagement and focus on our strategic journey.

AN UNWAVERING COMMITMENT TO ALL

EXIM Bank recognises that people are its greatest asset and high calibre individuals are key to the Bank's success. In this regard, one of the core goals for 2018 was to elevate a Compliance and Virtuous Culture (CVC) by instilling a compliance culture amongst employees through the promotion of virtuous values such as honesty, sincerity and integrity. The Bank carried out both early awareness and ongoing programmes to encourage staff to follow policies, procedures and guidelines and demonstrate good morals and values at the workplace.

EXIM Bank also stepped up engagement with its various stakeholders. Internally, among others, the Bank organised a football carnival, and a Merdeka deco competition to foster a spirit of camaraderie amongst employees;

> The Bank is optimistic that a more opportune climate for trade would arise as we leverage on the innovative initiatives and plans that MITI has laid out to improve international trade.

while externally, it sponsored various outreach activities including recognising the media industry for its contribution; and the distribution of special edition books to universities and colleges. EXIM Bank also hosted the launch of the MITI Inter-Agency Games 2019, as well as kicked off the 12-event games with a dart and carom competition at its premises. The Games is set to continue throughout 2019.

The year also saw the Bank deepening its pledge to the community and environment by supporting several social endeavours in need of cash and in-kind contribution to help ease their operational cost during the year; distributing zakat to the deserving; marking World Autism Awareness Day with meaningful contribution to a group of children with autism; and continuing our support for elephant conservation at Kuala Gandah National Elephant Conservation Centre (NECC).

DESERVING WINS FOR THE TEAM

Not one to rest on its laurels, in 2018, EXIM Bank continued to add awards and accolades, a testament of its achievements of several strategic objectives.

The Bank was proud to be recognised as a recipient of the SME Platinum Business Awards 2018 by the SME Association of Malaysia. This demonstrates EXIM Bank's steadfast support in helping grow global recognition for local companies.

A Bronze Award was also attained during the Malaysia International HR Awards 2018 for the category of HR Best Practices. Organised by the Malaysian Institute of Human Resources Management (MIHRAM), the event served to recognise organisations that champion better work-life balance.

The feather in the cap had to be the prestigious BrandLaureate Special Edition World Awards 2018 for outstanding brand awareness initiatives covering advertising, promotions and corporate social responsibility programmes in Malaysia. The award was presented in Hanoi, Vietnam by the Asia Pacific Brands Foundation.

Looking ahead, we are committed to continue evolving the Bank's branding through CSR activities to build greater awareness and outreach to new groups of stakeholders, in and outside the country.

ACKNOWLEDGEMENTS

Finally, I would like to thank the Board, Shariah Committee, management and staff of EXIM Bank for their loyalty, hard work and dedication in seeing that we continue to diligently discharge the mandate entrusted to us.

I also take this opportunity to record my appreciation and gratitude for the steadfast support EXIM Bank has received from MoF (Inc.), MITI and BNM. We stand strong on your support and look forward to serving the nation better.

On behalf of the Board, I also wish to convey our heartfelt gratitude to the sterling individuals who completed their term of service in 2018, namely, Datuk Mat Noor Nawi, Dato' Sri Dr. Mohd Isa Hussain, Dato' Rosli Mohamed Nor, Dato' Agil Natt, Normah Osman and Norzilah Mohammed. We appreciate their invaluable contribution to the Bank and wish them all the best in their future undertakings and endeavours.

An exciting and challenging new future awaits us as we work in close cooperation with the Government and stakeholders in our journey ahead. I look forward to expanding new frontiers and sharing this journey with you.

Thank You.

Dato' Feizal Mustapha
Chairman
EXIM Bank Malaysia

BOARD OF DIRECTORS

1 **Dato' Feizal Mustapha**
Chairman

2 **Ismail Mahbob**
Director

3 **YM Tunku Afwida Tunku A. Malek**
Director

4 **Mohammad Fadzlan Dato' Abdul Samad**
Director

5 **Datuk Syed Ahmad Helmy Syed Ahmad**
Director

6 **Hijah Arifakh Othman**
Director

7 **Dato' Dzulkifli Mahmud**
Director

8 **Dato' Dr. Amiruddin Muhamed**
Director

DIRECTORS' PROFILES

DATO' FEIZAL MUSTAPHA

Chairman
Malaysian | 52 years old

Date of Appointment	9 April 2019
Board Committee(s)	None
Academic/ Professional Qualification(s)	• Master in Business Administration (Finance), Cardiff Business School, Cardiff University, United Kingdom • Bachelor of Arts (Economics), University of Stirling, United Kingdom • Member of the Listing Committee of Bursa Malaysia Berhad • Member of the Malaysian Institute of Accountants (MIA) • Member of the Insolvency Practitioners Association of Malaysia (IPAM) • Chartered Valuer and Appraiser, Institute of Valuers and Appraisers Singapore (IVAS) • Fellow Member, CPA Australia
Present Directorship(s)	• Director and Senior Adviser of BDO Malaysia • Executive Chairman, Widad Group Berhad • Member of the Board, National Film Development Corporation Malaysian (FINAS)
Present Appointment(s)	None
Past Appointment(s)	• 1993 – Began his career in Securities Issues Department, Securities Commission Malaysia • 2000 – Head, Primary Market Regulation Department, Securities Commission Malaysia • 2004 – Executive Director, Corporate Finance, KPMG Corporate Advisory Malaysia • 2006 – Group Head, Securities Issues Department, Securities Commission Malaysia • 2007 – General Manager/Senior General Manager and Head, Corporate Finance Group, Securities Commission Malaysia • 2011 – Senior General Manager and Head, Market Development Department, Securities Commission Malaysia • 2012 – Executive Director, Advisory, BDO Malaysia • 2015 – Chairman, BDO Malaysia (until February 2019)
Past Directorship(s)	None

ISMAIL MAHBOB

Independent Non-Executive Director

Malaysian | 67 years old

Date of Appointment	10 August 2012
Board Committee(s)	• Nomination and Remuneration Committee (Chairman) • Board Credit Committee • Board Risk Committee
Academic/ Professional Qualification(s)	• Diploma in Marketing, Chartered Institute of Marketing, UK • Member, Chartered Institute of Islamic Finance Professionals, Malaysia (CIIF) • Member, Australian Institute of Company Directors (AICD) • Member, Institute of Corporate Directors Malaysia (ICDM)
Present Directorship(s)	• Saudi Reinsurance Company (Saudi Arabia) • MUFG Bank (Malaysia) Berhad
Present Appointment(s)	None
Past Appointment(s)	• 1977 – Broker at Magnet Insurance Brokers • 1979 – Management positions with Progressive Insurance Sdn Bhd • 1988 – Asset General Manager at The American Malaysian Insurance • 1990 – Head of Non-Energy Section, Malene CSB Insurance Brokers • 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

YM TUNKU AFWIDA TUNKU A. MALEK

Independent Non-Executive Director

Malaysian | 53 years old

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

MOHAMMAD FADZLAN DATO' ABDUL SAMAD

Independent Non-Executive Director
Malaysian | 64 years old

Date of Appointment	29 April 2015
Board Committee(s)	• Board Credit Committee (Chairman) • Board Risk Committee • Nomination and Remuneration Committee
Academic/ Professional Qualification(s)	• Bachelor of Science in Biochemistry & Biology, Universiti Malaya • Certificate in International Management, INSEAD
Present Directorship(s)	• Rekrea Corp Sdn Bhd (Executive Chairman) • Global Foods Integrated Sdn Bhd (Non-Executive Director)
Present Appointment(s)	None
Past Appointment(s)	• 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 • 2009 – Managing Director/Chief Executive Officer of PETRONAS NGV Sdn Bhd
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
Malaysian | 70 years old

Date of Appointment	24 August 2015
Board Committee(s)	• Board Credit Committee • Board Audit Committee • Nomination and Remuneration Committee
Academic/ Professional Qualification(s)	• Bachelor of Law (LL.B) Honours from University of Singapore
Present Directorship(s)	• AEON Malaysia Berhad
Present Appointment(s)	None
Past Appointment(s)	• 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 Comprehensive experience in an advisory capacity to corporations, Government-Linked Companies(GLCs), State Government Agencies and Sports Bodies
Past Directorship(s)	None

HIJAH ARIFAKH OTHMAN

Independent Non-Executive Director
Malaysian | 58 years old

Date of Appointment	3 January 2018
Board Committee(s)	• Board Risk Committee (Chairman) • Board Credit Committee • Board Audit Committee
Academic/ Professional Qualification(s)	• Bachelor of Science Degree in Mathematics and Computer Science, City, University of London
Present Directorship(s)	• KAF Investment Bank Berhad • MNRB Holdings Berhad
Present Appointment(s)	• Member of the Listing Committee of Bursa Malaysia Berhad since July 2016
Past Appointment(s)	• 1984 – Began her career in Bank Negara Malaysia (BNM) • 1989 – Manager/Head of Fixed Income Portfolio Management, Banking and Treasury Department, BNM • 1998 – Assistant General Manager/Head of Treasury of Danamodal, Danamodal Nasional Berhad • 2000 – Director/Head of Asian Fixed Income in Standard Chartered Bank Malaysia • 2006 – Executive Vice President/Head of Group Treasury Business in Malayan Banking Berhad • 2009 – Managing Director/Chief Executive Officer of Hong Leong Islamic Bank
Past Directorship(s)	None

DATO' DZULKIFLI MAHMUD

Independent Non-Executive Director
Malaysian | 63 years old

Date of Appointment	9 March 2018
Board Committee(s)	• Board Credit Committee • Board Risk Committee • Nomination and Remuneration Committee
Academic/ Professional Qualification(s)	• Post Graduate Diploma in Public Management, Institute of Public Administration (INTAN) Malaysia • Bachelor's Degree in Economics, University of Malaya • Diploma in Commercial Policy, GATT/WTO, Geneva • Leadership Program, Harvard Business School, USA
Present Directorship(s)	• Polymer Link Holdings Berhad • Final Target (M) Sdn Bhd • DZM Group Sdn Bhd • DZM Solution Sdn Bhd • DZH Group Sdn Bhd • Asturi Metal Builders Sdn Bhd • WCO Aspire Sdn Bhd.
Present Appointment(s)	None
Past Appointment(s)	• 1981 – Began his career with the Ministry of International Trade and Industry (MITI) • 1988 – Consult and Trade Commissioner, Consulate of Malaysia (Commercial Section), Milan • 1994 – Commercial Counselor/Trade Commissioner, MATRADE, Rotterdam • 2003 – Director, MATRADE • 2009 – Senior Trade Commissioner, MATRADE, Dubai • 2013 – Deputy Chief Executive Officer, MATRADE • 2015 – Chief Executive Officer, MATRADE
Past Directorship(s)	None

DATO' DR. AMIRUDDIN MUHAMED

Non-Independent
Non-Executive Director
Malaysian | 47 years old

Date of Appointment	15 January 2019
Board Committee(s)	• Board Credit Committee • Nomination and Remuneration Committee
Academic/ Professional Qualification(s)	• Phd in Accounting and Finance, Durham University, United Kingdom • Master of Economics (Economics Development), Universiti Kebangsaan Malaysia • Bachelor of Accounting (Hons.), Universiti Kebangsaan Malaysia
Present Directorship(s)	• MRT Corporation Sdn Bhd • SRC International Sdn Bhd • Suria Strategic Energy Resources Sdn Bhd (SSER) • Inno Bio Ventures Sdn Bhd
Present Appointment(s)	• Deputy Under Secretary, Government Investment Companies Division, Ministry of Finance
Past Appointment(s)	• 1996 – Served in Corporate Planning Unit of Business Focus Group Sdn Bhd • 1998 – Assistant Director, Accounting and Management Development, Accountant General Department, Ministry of Finance • 2005 – Investment, MKD (Inc.) and Privatisation Division, Ministry of Finance • 2008 – Senior Principal Assistant Secretary, Investment, MKD (Inc.) and Privatisation Division, Ministry of Finance • 2013 – Strategic Investment Division, Ministry of Finance • 2014 – Chief Executive Officer, Majlis Agama Islam dan Adat Melayu Perak
Past Directorship(s)	None

SHARIAH
COMMITTEE

1 **Dr. Zaharuddin Abd. Rahman**
Chairman

2 **Assoc. Prof. Dr. Zulkifli Hasan**
Committee Member

3 **Zainal Abidin Mohd Tahir**
Committee Member

4 **Prof. Dr. Rusni Hassan**
Committee Member

5 **Dr. Safinar Salleh**
Committee Member

SHARIAH COMMITTEE
PROFILE

DR. ZAHARUDDIN ABD RAHMAN
Chairman

Nationality	Malaysian
Date of Appointment	April 2013 (as member) July 2016 (as Chairman)
Academic/ Professional Qualification(s)	• PhD in Shariah and Islamic Finance from the University of Wales, United Kingdom specialising in Islamic Derivatives and Maqasid al-Shariah • Master in Islamic Law (Hons) from Al-Yarmouk University, Jordan • Bachelor of Arts (Hons) in Usuluddin from University of Malaya • Research Fellow of International Shariah Research Academy (ISRA) • Shariah Scholar, Bursamarketplace, Malaysia • Registered Shariah Advisor, Securities Commission of Malaya
Present Appointment(s)	• Adjunct Professor at Faculty of Business and Accountancy of UNISEL • Shariah Committee Charman, BNP Paribas Malaysia Berhad & PUNB, Onexox Malaysia • Shariah Committee, EPF Malaysia and Sedania Salam Capital Malaysia • Zakat Consultant, Celcom Axiata Berhad, Malaysia • Founding Managing Director of Elzar Group of Companies, Malaysia • Director, University Sultan Zainal Abidin (UNisZA), Malaysia • Trustee, Yayasan Pembangunan Ekonomi Islam Malaysia (YAPIEM) • Member of State Consultative Committee (Syura), Penang, Malaysia • Member, Perlis Fatwa Council, Malaysia
Past Appointment(s)	• Assistant Professor at the Kuliyyah of Economics & Management Sciences, International Islamic University, Malaysia • Shariah Expert & Consultant of Bank Negara Malaysia • Senior Shariah Manager & Product Development, RHB Islamic Bank Ltd, Malaysia • Head of the Shariah Compliance, Asian Finance Bank Ltd, Malaysia • Senior Consultant & Advisor for OSK Investment Bank, Deutsche Bank, Al-Rajhi Bank Malaysia, Standard Chartered Saadiq Bank, ACR ReTakaful Bahrain, BIMB Securities Sdn Bhd, CIMB Islamic Bank
Expertise & Experience	• Strong academic research background and hands-on experience in Islamic finance operations • Written over 21 books and numerous articles on Islamic Jurisprudence and Islamic Banking published in local and international media and Shariah journals. • Featured on local television and radio articulating on various Shariah issued, especially with regard to Islamic commercial transactions • Advises other Islamic Financial Institutions and corporate companies in Malaysia and abroad, such as ACR ReTakaful Berhad (Malaysia), ACR MEA Takaful (Bahrain) and Yasmin Holdings Group Sdn Bhd

ASSOC. PROF. DR. ZULKIFLI HASAN
Member

Nationality	Malaysian
Date of Appointment	7 December 2012
Academic/ Professional Qualification(s)	• PhD in Islamic Finance 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 (USIM) • Academic advisor of Dar al Hikmah College, Selangor
Present Appointment(s)	• Deputy Rector (Student Development and Community Engagement), International Islamic University Malaysia • Shariah panel member for the Institute of Fatwa Management and Research, USIM • Shariah Committee of Zurich Takaful (Malaysia) Berhad, Affin Islamic Bank Berhad, Koperasi Belia Islam, Lembaga Pertubuhan Peladang, ISRA and JAKIM • 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 • Associate Editor for the Journal of Islamic Accounting and Business Research • Legislation editor for the Malaysian Journal of Shari'ah and Law • Committee on Shariah and Legal Education, and Syarie Lawyers, JAKIM • Member of AUKU Technical Committee, and University Arbitration Subcommittee of Inns of Court Malaysia • Board member of Majlis Agama Islam, Negeri Sembilan; and Board director of the Malaysian-American Commission on Educational Exchange (MACEE) • Chairman of Muslim Youth Movement of Malaysia, Negeri Sembilan
Past Appointment(s)	• Dean of Faculty of Shariah and Law, USIM • In-house legal counsel for Bank Muamalat Malaysia Berhad • Member of Rules and Regulations Working Committee for Association of Islamic Banking Institutions Malaysia (AIBIM) • Member of corporate governance working committee for Awqaf South Africa
Expertise & Experience	• Involved in developing corporate governance guidelines towards development of the S&P/Hawkamah Pan Arab ESG Index • Published articles in various academic journals and presented conference papers on corporate and Shariah governance and regulation in Islamic finance • Guest speaker for Judicial and Legal Training Institute, Prime Minister's Department and CIBFM, Brunei Darussalam • Received the prestigious Global Islamic Finance Award as the Upcoming Scholar 2016 • Recipient of a 2014 grant to conduct scholarly research at Fordham University, New York, through the Fulbright US-ASEAN Visiting Scholars Initiative • Represented Malaysia in the prestigious Young Muslim Intellectuals in Southeast Asia Programme in Japan, organised by Japan Foundation in 2013 • Sits on the panel of experts for muamalat and halal regulation, JAKIM; and Malaysian Shariah Index project • His book entitled 'Shari'ah Governance in Islamic Bank' published by the Edinburgh University Press won the MAPIM Best Publication in the category of social science in 2013

SHARIAH COMMITTEE PROFILE

ZAINAL ABIDIN MOHD TAHIR
Member

Nationality	Malaysian
Date of Appointment	2 November 2017
Academic/ Professional Qualification(s)	• MBA in Islamic Banking & Finance from International Islamic University Malaysia • Bachelor of Economics (Hons.) in Analytical Economics from University of Malaya • Diploma (post-graduate) in Islamic Finance from Kolej Dar al Hikmah, Malaysia • Associate Member of the Asian Institute of Chartered Bankers
Present Appointment(s)	• Accredited trainer with Islamic Banking & Finance Institute of Malaysia (IBFIM)
Past Appointment(s)	• Teaching Fellow cum Deputy Dean of School of Professional Studies, INCEIF • Vice President/Head of Entrepreneur Department with Bank Muamalat Malaysia Berhad • Vice President/Head of Credit Risk Department with Bank Muamalat Malaysia Berhad • Member of Bank Muamalat's Shariah Committee • Bank Bumiputra Malaysia Berhad (BBMB)
Expertise & Experience	• Speaker/facilitator for Islamic and conventional commercial banks' training programmes, such as IBFIM's training programmes and IBBM's Financial Sector Talent Enhancement Programme • 26 years of active involvement in Islamic banking and finance, as a practitioner, as well as academician • Attended numerous overseas training, including Moody's Risk Management Services in California • Trainer for various government-funded training programmes for unemployed graduates • Consultant for the government in the areas of Islamic banking operation and education

DR. SAFINAR SALLEH
Member

Nationality	Malaysian
Date of Appointment	1 January 2019
Academic/ Professional Qualification(s)	• Ph.D in Islamic Studies, Glasgow Caledonian University, United Kingdom • Master in Shariah, University of Malaya • Bachelor of Shariah, Al-Azhar University, Cairo
Present Appointment(s)	• Lecturer at the Department of Islamic Law, Ahmad Ibrahim Kulliyyah of Law, International Islamic University Malaysia • Member, Shariah Committee of Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad • Member, Shariah Committee of Swiss Reinsurance Company Ltd. (Swiss Re-Takaful)
Past Appointment(s)	None
Expertise & Experience	• Specialises in Takaful, Retakaful, and Islamic Banking, Islamic law of contracts and Islamic Capital Market • Published numerous Islamic books and articles and actively presented many papers in various local conferences and seminars

PROF. DR. RUSNI HASSAN
Member

Nationality	Malaysian
Date of Appointment	2 January 2018
Academic/ Professional Qualification(s)	• PhD in Law, IIUM • Master of Comparative Laws (MCL), IIUM • LLB (Hons), LLB (Shariah) First Class, IIUM • Registered Shariah Advisor with the Securities Commission Malaysia
Present Appointment(s)	• Professor at the IIUM Institute of Islamic Banking and Finance • Shariah Committee Member, Association of Islamic Banking Institutions Malaysia (AIBIM) • Shariah Committee Member, Housing Development Finance Corporation and Housing Development Corporation, Maldives • Secretary, Association of Shariah Advisors in Islamic Finance Malaysia (ASAS) and the Assistant Secretary, International Council of Islamic Finance Educators (ICIFE)
Past Appointment(s)	• Member of the Shariah Advisory Council, Bank Negara Berhad

Expertise & Experience	• A prolific speaker in seminars, workshops, conferences and trainings on various Islamic Finance issues, her works and contribution to Islamic Finance is internationally renowned
	• Her publications include books on Islamic Banking and Takaful; Islamic Banking under Malaysian Law; Corporate Governance of Islamic Financial Institutions; Islamic Banking Cases and Commentaries; Remedies for Default of Payment in Islamic Banking and more than 100 articles in local and international journals
	• She has received many awards and accolades, including:
	  • Promising Researcher at IIUM in 2012
	  • Listed among the Top 10 Women in Islamic Finance by CPI Financial in 2013
	  • Most Talented Women Professional in Islamic Banking, Asia Islamic Banking Excellence Awards, CMO Asia, 2014
	  • Women of Distinction in her contribution in the field of Islamic Finance and Law by Venus International Women Awards (VIWA 2016)
	  • One of the 50 Most Influential Women in Islamic Finance by ISFIRE in 2017 and Womani 2018 – The Most Powerful Women in Islamic Finance by Cambridge IFA in 2018

MANAGEMENT COMMITTEE

1 **Azhar Awang Kechil**
Acting President/CEO & Deputy President, Business

2 **Marazizi Omar**
Deputy President, Operations

3 **Norlela Sulaiman**
Chief Financial Officer

4 **Thariq Abdullah**
Head, Legal & Research

5 **Jais Basiran**
Head, Corporate Technical Support

6 **Noor Hanim Ahmad Kushairi**
Chief Credit Officer

7 **Hussien Mullar**
Chief Risk Officer

8 **Zaleha Che Mustapha**
Head, Transformation Office & Human Capital Management

Implementing Strategies Towards Realising Our Goals


STRATEGY
2025

2018 ECONOMIC OVERVIEW

Export-Import Bank of Malaysia Berhad (EXIM Bank or the Bank) managed to brace through the year 2018 by staying true to its mandated role to facilitate Malaysian businesses going abroad. Despite several challenges, the Bank has managed to disburse RM7.4 billion and extended insurance/takaful coverage of RM3.83 billion in order to continue the Bank's support and assistance towards Malaysia's cross-border business ventures.

With the current Malaysia economic landscape, EXIM Bank is geared to rise up against new challenges. Becoming an important player in contributing to external balance of export-import of goods and services within the circle of Malaysia's GDP, EXIM Bank endeavours to put its utmost effort to attract potential clientele in promoting the Bank's export-import financing, trade takaful and advisory services. In safeguarding our interest, EXIM Bank will firmly uphold the Risk Appetite Statement in ensuring growth and balance between its mandate and the Bank's sustainability.

Another major turnaround during the year was the announcement of the new Minister of International Trade and Industry, YB Darell Leiking on 13 August 2018 that EXIM Bank will be placed under the purview of the Ministry of International Trade and Industry (MITI), whilst remaining wholly-owned by the Minister of Finance (Incorporated) or MoF (Inc.). EXIM Bank applauded this decision for the Bank's mandate syncs perfectly well with MITI's function to make Malaysia a globally competitive trading nation and promote Malaysian enterprises to the world.

With this recent development, more dynamic and vibrant business activities are expected within EXIM Bank. Nevertheless, the Bank is always prepared to undertake the challenges based on the concrete foundation that has been set and its experience for the past 23 years in doing cross-border businesses.

OVERVIEW OF EXIM'S BUSINESS OPERATIONS

The Bank's legal and commercial name is Export-Import Bank of Malaysia Berhad, 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 DFI, under the Companies Act, 1965 of Malaysia, through it becoming a subsidiary of BITMB. As a DFI, the Bank is governed by the DFIA. The Bank was subsequently spun off as an independent institution in 2005 to function as an independent DFI focused on export credit. On 30 December 2005, the Bank merged with Malaysia Export Credit Insurance Berhad, retaining the name Export-Import Bank of Malaysia Berhad.

As at 31 December 2018, the Bank had an issued and paid-up share capital of RM2,708,665,284 comprising the following:

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

MoF (Inc.), as the holder of the redeemable preference share, has the right to appoint no more than four members out of the maximum 11 members to the Bank's Board of Directors (the Board). As at December 2018, there is one representative from MoF (Inc.) on the Board. Any appointment to the Board and of the Chief Executive Officer of the Bank is subject to the approval by MoF (Inc.). The Bank's Board currently comprises the Chairman (who is also an independent non-executive director), six other independent non-executive directors, two non-independent non-executive directors (one being a representative from MoF (Inc.) and the other being a representative from MITI).

During the financial year in review, the Bank established a new Redeemable Convertible Cumulative Preference shares (RCCPS) of up to Ringgit Two Hundred Fifty Million (RM250,000,000) in nominal value. The objective of capital raising is to enable the issuance of Tier 2 for the purpose of enhancing the Bank's total capital position. The programme, as approved by Bank Negara Malaysia (BNM) is set up in accordance to the requirements spelt out in the Capital Adequacy Framework (Capital Components) issued by BNM.

On 8 March 2018, the Bank had entered into a Subscription Agreement with MoF (Inc.) for the subscription of RCCPS amounting to RM250,000,000. The subscriber shall be entitled to receive preferential cumulative dividends at a fixed rate of 4.70% per annum, payable semi-annually in arrears.

Business of the Bank

The Bank is the only Development Financial Institution (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 owned by MoF (Inc.) and now under the purview of MITI, the Bank's mandated role is to provide credit facilities to finance and support export and import of capital goods, services, infrastructure projects, shipping and value-added manufacturing by facilitating 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 takaful services, overseas investments and guarantee facilities.

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 and its agencies, including MITI, Malaysia External Trade Development Corporation (MATRADE), Malaysian Investment Development Authority (MIDA), Small and Medium Enterprise Corporation Malaysia (SMECorp) and Construction Industry Development Board Malaysia (CIDB Malaysia).

The facilities offered by the Bank fall into two principal categories: banking facilities and credit takaful facilities.

Banking facilities

In its aspiration to become a full-fledged Islamic Bank, EXIM Bank currently only offers a wide range of Islamic banking facilities. The Islamic banking facilities offered by the Bank are as follows:

- **Cross-border term financing**

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

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

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

  As at 31 December 2018, the Bank's total loans outstanding relating to term financing (including both conventional and Islamic banking facilities) amounted to RM8.10 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.

Furthermore, 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 products 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 2018, the Bank's total loans outstanding relating to trade finance (including both conventional and Islamic facilities) amounted to RM2.12 billion.

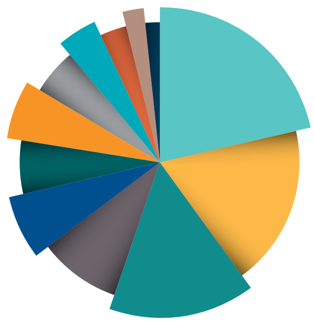
- **Guarantees**

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 that allow customers to hedge against adverse fluctuations in the exchange rate.

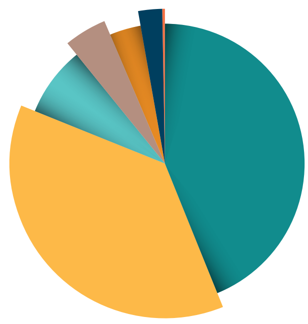
As at 31 December 2018, the Bank's total guarantees outstanding amounted to RM433.70 million.

Loan Exposure based on Sectors as at December 2018



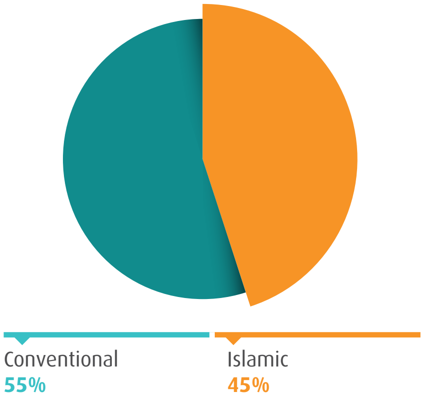
Transport, Storage and Communication 21.4%	Manufacturing Including Agro-Based 18.6%
Electricity, Gas and Water Supply 15.3%	Wholesale, Retail Trade, Restaurant and Hotel 9.5%
Primary Agriculture 6.6%	Property Development 6.3%
Finance, Insurance, Real Estate and Business Activities 6.1%	Mining and Quarrying 5.1%
Export Credit Refinancing 4.1%	Government 3.1%
Construction 2.3%	Education, Health and Others 1.5%

Loan Exposure based on Region as at December 2018



Malaysia 43.7%	Asia 37.2%
Europe 8.0%	Middle East 4.3%
Oceania 3.7%	Africa 2.3%
Americas 0.7%	

Conventional and Islamic Banking Facilities as at December 2018



Trade credit takaful facilities

The Bank offers Islamic takaful facilities for short-term trade credit insurance and medium- to long-term trade credit.

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

  Short-term trade credit 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 financial institutions against the risk of non-payment by exporters arising from the default by their customers overseas.

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

  As at 31 December 2018, the Bank's total exposure under short-term trade credit takaful shipment amounted to RM727.66 million.

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

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

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

  As at 31 December 2018, the Bank's total exposure under medium- to long-term trade credit takaful facilities amounted to RM1.15 billion.

STRATEGIC DIRECTION

In the year 2019, EXIM Bank will continue to uphold its strategic direction known as Strategy 2025 after being further redefined in 2018.

The Strategy 2025 is all about refocusing EXIM Bank to deliver value to its stakeholders. We reaffirm our commitment to being a preferred DFI for Malaysian businesses seeking financing, facilities, insurance cover and advisory services when conducting business abroad.

Anchored on Strategy 2025, the Bank is working towards the following strategic objectives:

(a) Focus on underserved segments as per given mandate.

(b) Strengthen strategic collaboration.

(c) Enhance product towards 100% Islamic product offering.

(d) Enhance area of business (advisory).

(e) Targeted marketing – Country and sectors (med-high yield).

(f) Leverage on trade finance, insurance & guarantee (off B/S) to balance business growth.

RISK APPETITE STATEMENT

The Bank shall undertake a holistic approach to discharging its developmental role and remain sustainable, relevant and able to meet stakeholders' expectations.

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

The Bank's Risk Appetite is reviewed once every two years.

MAIN HIGHLIGHTS & STRATEGY FOR 2019

Based on CPB 2019

- Review the Business Game Plan
- Invigorate Export
- Strengthen SMEs
- Target Market & Sectors

Review the Business Game Plan

- To position EXIM Bank's aspiration in parallel with the realigned 11th Malaysia Plan 2016 – 2020 (RMK 11) on the socio-economic policies and strategies.
- To support one of the pillars under RMK 11 known as Pillar 6 that envisages strengthening economic growth by enhancing productivity and increasing competitiveness of industries.
- Malaysia's business composition is made out of 98.5% SMEs and they are regarded as the pulse of the country's economic growth, therefore EXIM Bank is to provide various platforms for SMEs to boost their productivity and compete globally in order for SMEs to contribute more towards the GDP and nation's export.
- EXIM Bank plays a significant role in supporting the nation's economy. The Bank's portfolio mix up to financial year 2018 composes varying quality assets within the mandate yet are commercially-driven.
- EXIM Bank has shown a commendable performance towards achieving an ideal portfolio. Being mandate-driven, the Bank has registered about 83% SME borrowers and the remaining borrowers are from medium to large corporations such as Government-Linked Companies (GLCs) and Public Limited Companies (PLCs.)
- Reaching the optimum borrowers' value mix is crucial to ensure business sustenance in the market and continuously fulfill national, as well as stakeholders agendas. On the other hand, the financing value for each mix is also crucial to ensure sustainable business without neglecting the entrusted mandate.

Invigorate Export

EXIM Bank lauds the Government's proposed initiatives in Budget 2019 to continue invigorating Malaysia's economy. As the only DFI mandated to support cross-border ventures, EXIM Bank will work hand-in-hand with MITI and embrace the newly launched Industry4WRD policy.

- EXIM Bank foresees further expansion of Malaysian businesses into the ASEAN region, bolstered by the region's sustainable economic growth. ASEAN economies are expected to grow about 5% in 2019.
- The Bank has also identified key sectors that hold much promise and they include:
  - Infrastructure development
  - Technological-related manufacturing
  - Tourism-related activities
  - Engineering-driven business
  - New sectors such as Green Technology (water, solar, biotech & waste) and the Industrial 4.0 focused sectors
- The Asian Market will predominantly be the focus. Apart from that, EXIM Bank will also explore the next best non-traditional Malaysian trade across continents based on:
  - EXIM Bank's country and sectors outlook
  - EXIM Bank's prudential limits and risk profiles
- The Bank will focus on high- to medium-yield and resilient sectors to gain upside advantage over the feasibility and economic viability of the financing purposes.
  - High-Yield Sectors and Medium-Yield Sectors
  - Cautious approach over the Low-Yield Sectors
- The Bank aims to embark on providing domestic project finance, contract finance and trade finance facilities to companies that are classified under export orientation or other elements deemed as strategic export to the country.
  - Provide financing and coverage in efficient and scalable size, tenure and multi-currencies.
  - Provide financing to foreign direct investment (FDI) into countries in collaboration with MIDA.
  - In order to achieve appropriate level of asset securitisation, the above initiatives will result in higher allowance coverage ratio and good quality assets.

Strengthen SMEs

Our domestic economy is anchored on robust contribution by SMEs that make up 98.5% of the nation's business composition.

1) In fulfilling the mandate to develop SMEs, the following strategies have been identified:
   - Leverage on MITI and its related agencies i.e. MATRADE, MIDA etc.
   - Establish SME and commercial banking teams in 2018 to foster the development of SME exporters.
   - Allocate RM2 billion for SMEs through several financing activities for cross-border ventures.
2) Aggressive approach to new programmes for SMEs:
   - Halal to Overseas (H20)
   - Anchor Company Ecosystem (ACE)
   - Three additional programmes to be proposed
3) Leverage on existing ECR clients that may have exhausted their facility with participating banks.
4) Continued execution of previous campaigns (business seminars, exhibitions and sponsored events).

Target Market & Sectors

1) In an effort to preserve asset quality and provide financing to viable ventures, the Bank will consider focusing on high- to medium-yield and resilient sectors such as;
   - Utilities
   - Telecommunication services
   - Food and beverage
   - Healthcare
   - Education
   - Consumer related manufacturing products.
2) A strategic portfolio mix would provide the Bank with avenues to achieve sustainability in financing during volatile times as counter cyclical sectors would act as a natural defence. Downside risk would be minimised as consumption is supported on the back of rising income per capita.

2019 OUTLOOK

On the economic front, Malaysia's economy is expected to sustain its current pace of expansion and record GDP growth of between 4.5% to 4.9% in 2019. This is projected based on recovery in oil prices as well as sustained consumption and investment growth in the public and private sectors. In December 2018, a better than expected trade surplus of RM10.4 billion; and full-year trade surplus of RM120.3 billion was achieved for the first time in seven years.

As an open economy, Malaysia's growth is somewhat exposed to an economic slowdown in China, however, there could be positive effects from the trade war arising from trade diversification and investment relocation to Malaysia. The Bank believes that Malaysia's economy can withstand the risk of rising global protectionism on account of having strong export diversification, both in terms of geography and products.

The Bank's existing trade and project financing bodes well with Malaysia's long-term initiatives to increase ASEAN integration, enhance engagement with world trade bodies, and further strengthen trade and investment penetration into targeted markets.

STRATEGY 2020 TO STRATEGY 2025

THE STRATEGY 2025 (LONG TERM)

EXIM Bank managed to brace through the year 2018 steadfastly by staying true to its mandated role of facilitating Malaysian businesses going abroad. Despite several challenges that came in the Bank's way a couple of years back, the Bank has managed to respond and bounce back in order to achieve its mission of being a leading financial institution for cross-border businesses.

The Strategy 2025 is all about refocusing EXIM Bank to deliver sustainable value to stakeholders. We reaffirm our commitment to being a preferred financial institution for Malaysian businesses seeking financing, facilities, takaful cover and advisory services when conducting business abroad.

In order to achieve the strategy, the six pillars below shall be EXIM Bank's focus in catapulting its position throughout 2025:

Strategy 2025 : Steering towards greater resilience and sustainability

Pillar 1	Pillar 2	Pillar 3	Pillar 4	Pillar 5	Pillar 6
Sustainable Performance	Export Business Ecosystem Catalyst	Best In-Class Business Operation	Highly Competent Talent	Amplifying Islamic Business	High Performance Culture

- **Sustainable Performance** – The Bank envisages transforming its capital and balance sheet by optimally utilising its capital in order to reach out to as many exporters as possible in line with the Bank's business growth. At the same time, the Bank will analytically observe the quality of the assets that constitutes the Bank's balance sheet.
- **Export Business Ecosystem Catalyst** – Becoming the platform for cross-border businesses amongst Malaysians by stressing the importance of delivering sustainable businesses driven by the mandate. This is in accordance with the Bank's vision to become the leading cross-border financial institution in Malaysia.

  Under the stewardship of the Ministry of International Trade and Industry (MITI), the Bank will align its business strategy and outreach with that of MITI's aspiration.
- **Best In-Class Business Operation** – Redesigning the operating and governance model to achieve higher efficiency, reduce complexity, stronger controls and easier resolvability by establishing a Development Programme Framework for core business functions and implementation of core banking, automation and innovation.
- **Highly Competent Talent** – The Bank commits to enhance its talents' competencies and utilise the talent's best traits in order to ensure proficient and effective deliverables are achieved. Continuous training is conducted so as to equip talents with the latest skills and keep them abreast with the latest market condition or trends.
- **Amplifying Islamic Business** – The Bank shall grow with focus on Islamic financing and Takaful in order to become a full-fledged Islamic Bank in line with Malaysia's aspiration to be the leading financial hub for Islamic financing. At the moment, the Bank's total Liquidity Adjustment Facility (LAF) consists of 47% Islamic facilities with a duplicate of all Islamic facilities in place to replace the conventional facilities.
- **High Performance Culture** – Based on existing EXIM Core Values, a cultural reinforcement is required in order to promote a positive working environment amongst the staffs by way of the Compliance and Virtuous Culture campaign, as well as aggressive awareness on upholding integrity.

To begin with, EXIM Bank has embarked on Strategy 2019, the Bank's short/medium-term plan on strategies realigned towards Strategy 2025. The diagram below identifies the Bank's short/medium-term planning:

STRATEGY 2019

DELIVER SUSTAINABLE BUSINESS

Capital Conservation → Asset Preservation → Optimising Returns

1. Capital Adequacy and Balance Sheet Optimisation
2. Enduring Business Growth
3. Operational Excellence
4. Retaining and Upskilling Talent
5. Amplifying Islamic Business
6. Cultural Change
7. Delivering Mandate

MITIGATING RISKS

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

RISK	CONTEXT	MITIGATION	LINK TO KEY GOALS
Tighter Regulations	Regulatory requirements for capital adequacy, leverage, liquidity and funding. The regulatory requirements include: • Higher Capital Buffer • Capital Adequacy • New Liquidity Framework • MFRS 9	• Enhance the Bank's capital management via well-defined risk appetite and Board-approved risk strategies. • Strengthen the Asset Liability Management (ALM) to manage the volume, mix, maturity, rate sensitivity, quality and liquidity of assets and liabilities as a whole. • Implementation of 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.	• To further strengthen the Bank's capital in order to remain resilient, amidst challenging future economic conditions. • The Bank's approach includes minimising undue concentrations of exposure, limiting potential losses from stress events initiatives, focusing particularly on preserving levels of liquidity and capital, and also effectively managing the risk portfolios. • Manage 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	Global uncertainties could impact international financial markets leading to volatility in foreign currency and weakening of Ringgit. Slowdown in external factors will limit arrival of FDI into Malaysia. Impact of economic downturn towards the Bank.	• 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. The Bank conducts regular reviews on the risk policies, processes and controls to ensure its relevance and effectiveness. • Maintain ideal portfolio mix subject to prudential limits and observe high risk portfolio that could possibly cause imminent threat to the Bank's provisions at all time.	• 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. • Maintain and improve Bank's portfolio of good quality assets. • Ensure quality assets with adequate security are being approved and monitored throughout the loan/ financing tenure. • Monthly reporting on trend and movement of the Bank's assets are deliberated at risk management committees. • Establishment of trigger events for significant increase in credit risk to identify potential distressed account to facilitate timely remedial actions. • Thorough monitoring and management of delinquent and problematic asset.

CORPORATE GOVERNANCE
DISCLOSURE REPORT

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 to achieve an optimal governance framework and maximise shareholder value, as well as lay a solid foundation for EXIM Bank to carry out its policy role and even realise sustainable, long-term growth.

BOARD OF DIRECTORS

Board Composition and Balance

Article 94(1) of the Constitution of EXIM Bank provides that there should not be more than 12 members of the Board. As at 30 April 2019, the Board currently has eight (8) members, with seven (7) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director (nominee of Ministry of Finance). The Directors come from diverse backgrounds with expertise and skills in banking, finance, business, accounting, industry, international trade 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 calibre 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 24 to 28 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 President/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 President/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 plays a 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 institution, 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 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 it 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 Constitution 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 and Remuneration Committee (NRC) 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 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 Directors.

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

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

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

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

3. Financial Integrity – the person must manage his debts or financial affairs prudently.

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

Board Meeting and Supply of Information

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year. Special Board meeting may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration. During the financial year ended 31 December 2018, the Board met 17 times.

The Board has full and timely access to information with Board papers distributed in advance 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 reports relevant to the issues of the meetings covering the areas of financial, information technology, operational, current review of the operations of the Bank and annual management plans.

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

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

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

All Directors have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretary, who is responsible for ensuring the procedures for Board meeting are followed and 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 2018 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		NRC Number of Meetings		BAC Number of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Director														
Dato' Feizal Mustapha[1] *(appointed w.e.f. 9 April 2019)*	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ismail Mahbob	17	16	22	21	11	11	3	3	3	3	13	13	–	–
Tunku Afwida Tunku A. Malek	17	16	22	20	11	11	–	–	–	–	–	–	10	10
Mohammad Fadzlan Abdul Samad	17	17	22	22	11	11	3	3	3	3	13	13	–	–
Datuk Syed Ahmad Helmy bin Syed Ahmad	17	17	22	22	–	–	3	3	3	3	13	13	10	10
Hijah Arifakh Othman[2] *(appointed w.e.f. 3 January 2018)*	17	17	22	17	11	10	–	–	–	–	–	–	10	9
Dato' Dzulkifli Mahmud[3] *(appointed w.e.f. 9 March 2018)*	15	15	17	15	9	8	1	1	1	1	13	13	–	–
Dato' Dr. Amiruddin Muhamed[4] *(appointed w.e.f. 15 January 2019)*	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Directors who have ceased/resigned since the last report														
Datuk Mat Noor Nawi *(Chairman)* *(term ended w.e.f. 30 September 2018)*	14	14	17	17	–	–	–	–	–	–	–	–	–	–
Dato' Rosli Mohamed Nor *(term ended w.e.f. 1 September 2018)*	13	13	15	15	8	8	3	3	3	3	7	7	–	–
Dato' Agil Natt *(term ended w.e.f. 31 December 2018)*	17	17	22	22	11	11	–	–	–	–	–	–	–	–

Name of Directors	Board Number of Meetings		BCC Number of Meetings		BRC Number of Meetings		NC* Number of Meetings		RC* Number of Meetings		NRC Number of Meetings		BAC Number of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Normah Osman *(resigned w.e.f. 6 July 2018)*	9	8	11	10	–	–	–	–	–	–	–	–	5	5

Notes:

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

1 *Appointed as Chairman of the Bank with effect from 9 April 2019.*

2 *Appointed as a member of the Board of Directors with effect from 3 January 2018 as well as member of the BCC, BAC and BRC with effect from 29 January 2018.*

3 *Appointed as a member of the Board of Directors with effect from 9 March 2018 as well as member of the BCC, BRC and NRC with effect from 9 March 2018.*

4 *Appointed as a member of the Board of Directors with effect from 15 January 2019 as well as member of the BCC and NRC with effect from 15 January 2019.*

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 Programme organised by Malaysian Directors Academy (MINDA). In addition, the Directors are also required to attend an induction programme coordinated by the Management of the Bank in order to facilitate new Directors with the necessary information and overview to assist them in understanding the operations of the Bank and appreciating the challenges and issues the Bank faces in achieving its objectives. The programme covers subject matters, amongst others, EXIM Bank's 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 2018:

Training Focus	List of Conferences/Seminars and Training Programmes
Corporate Governance	• FIDE Core Programme • Women on Board: Value, Challenges & Managing Process • 5th BNM-FIDE FORUM Annual Dialogue • 1st PIDM-FIDE FORUM Dialogue • AIF International Symposium 2018 – Talent Transformation: Developing Digital Mindsets and Competencies • CIBAFI – World Bank Conference on Corporate Governance of Islamic Financial Institutions: Overcoming Challenges and Implementing Best Practices • Leading Leaders • ASEAN BOARD OF DIRECTORS: Future-Proof Your Boardroom – Evolving into a Proactive and Tech-Savvy Board Director Ready to Steer the Company Through a Storm of Opportunities • FIDE FORUM Dinner Talk: "The Director as Coach": An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE FORUM's "DNA of a Board Leader" • BNM-FIDE FORUM Board Conversations (Banks and DFIs) • BNM-FIDE Forum Board Conversations – Dialogue with Senior Officials of BNM • Women of the World: Be the Change • "Win the innovation race" by Professor Roy Chua • International Malaysia Law Conference 2018

Training Focus	List of Conferences/Seminars and Training Programmes
Economics	• Hedging with Futures & Options • Understanding Fintech and Its Implications for Banks • Export Credit Facilities and Export Insurance
Finance	• Intensive Bank Analysis • Capital Adequacy for Islamic Banks • Fundamentals of Financial Statement • Islamic Finance for Board Programme • Fundamentals of Project Finance • Corporate Valuation Techniques & Modelling
Audit, Compliance and Risk Management	• Managing Cyber Risks in Financial Institutions • Emerging Risks, the Future Board and Return on Compliance • Evolving Expectations for Boards • The Role of Boards in Fraud Risk Management • Credit Risk Management – Banking Sector • AMLATFPUAA 2001: Risk, Challenges & Vulnerabilities towards Risk Based Approach • Asset Liability Management Committee (ALCO) Session

Board Performance Evaluation

The individual performance assessment and evaluation of the Board of Directors of EXIM Bank is implemented based on MoF's Guideline to ensure the appointed Director contributes 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 comprise the Director Peer Evaluation and Board Self Evaluation. They are 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 commensurates 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 recommendations 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 that 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
		** maximum once a month*
Board Credit Committee		
Chairman	–	5,000.00
Members	–	3,000.00
		** maximum twice a month*
Board Risk Committee and Board Audit Committee		
Chairman	–	5,000.00
Members	–	3,000.00
		** maximum once a month*
Nomination Committee and Remuneration Committee		
Chairman	–	4,000.00
Members	–	2,500.00
		** maximum once a month*

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 2018, is set out on page 150 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 Chairman of the Board Committees will report to the Board on matters dealt with at their respective Committee Meetings.

The Board Committees are as follows:

1. Board Credit Committee (BCC)
2. Board Audit Committee (BAC)
3. Board Risk Committee (BRC)
4. Nomination and Remuneration Committee (NRC)

Board Credit Committee

Primarily responsible to perform the 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 that 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 that 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 2018, the BCC met 22 times. Members of BCC and details of meeting attended by members are stated on page 48 of this Annual Report.

Board Audit Committee

The Board Audit Committee (BAC) 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 three 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
   - Oversee 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 adequate and appropiate 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 the continuing professional development for internal audit staff and to ensure they have sufficient up-to-date knowledge of auditing and the activities of the Bank.
   - Noting significant disagreements between the Chief Internal Audit (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 10 meetings during the financial year 31 December 2018. Members of the BAC and details of meeting attended by members are stated on page 48 of this Annual Report.

Board Risk Committee

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

The Board Risk Committee (BRC) presently comprises five members, exclusively Non-Executive Directors and chaired by the Independent Director.

The BRC shall have the following specific responsibilities on:

1) Strategy and Policy
   - Review and recommend risk management philosophy and strategy to the Board for its approval.
   - Review and approve the risk management policies, controls and systems of the Bank in line with the Board approved risk management philosophy and strategy.
   - Review and propose the setting of the risk appetite/tolerance of the Bank at enterprise and at strategic business unit levels to the Board.
   - Approve new products/services, which are fundamentally different from the Bank's existing products/services, based on advice from the Management Risk Committe (MRC) and Risk Management Division. In case of approval granted, to notify the Board of the same in accordance with local regulatory requirements.
   - Maintain 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
   - Oversee the overall management of all risks, including market risk management, asset and liability management, credit risk management, country risk management and operational risk management.
   - Ensure that there are clear and independent reporting lines and responsibilities for the overall business activities and risk management functions and recommend risk management derived organisational alignments, where necessary, to the Board.
   - Cultivate a proactive risk management culture within the Bank, so that risk management processes are applied in the day-to-day business and activities.
   - Have appropriate independent review of the Bank's risk management infrastructure, capabilities, environment and processes, where necessary.

3) Measurement
   - Approve risk methodologies for measuring and managing risks arising from the Bank's business and operational activities.
   - Ensure the appropriateness of the risk measurement methodologies (including assumptions made within the methodologies) under the prevailing business environment.
   - Engage external and independent reviewers for the validation of risk measurement methodologies and outputs.
   - Review and recommend broad-based risk limits to the Board for approval and ensure the risks limits are appropriate for the Bank's business activities.
   - Approve detail risk limits based on broad-based risk limits, as approved by the Board, and ensure the risk limits are appropriate for the Bank's business activities.

4) Processes and Technology Enabler
   - Ensure sufficient internal controls to detect any deficiencies in the internal control environment in a timely manner; review the independence and robustness of risk management processess and internal controls throughout the Bank; and approve the Bank's key risk control and mitigation processes.
   - Periodically review risk exposures of the Bank in line with its risk strategy and objectives.
   - Determine and empower (to the MRC or members of management) the authority to approve deviations from limits and the extent of deviations from limits.
   - Approve the contingency plan for dealing with various extreme internal/external events disasters.
   - Ensure the adequacy of tools, systems and resources for the successful management of risk management functions within the Bank.
   - Review the progress of all core risk management initiatives within the Bank.

The BRC met 11 times during the financial year ended 31 December 2018. Members of BRC and details of meeting attended by members are stated on page 48 of this Annual Report.

Nomination and Remuneration Committee

The primary objectives of the Nomination and Remuneration Committee (NRC) are:

(i) To establish a documented, formal and transparent procedure for the appointment of Directors, Shariah Committee (SC) members, President/Chief Executive Officer (P/CEO), Deputy President (Operations) (DPO), Deputy President (Business) (DPB), Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief Credit Officer (CCO), as well as employees in grade EX2B (Senior Vice President II) (SVPII) and above, and to assess the effectiveness of individual directors, the Board as a whole and the various committees of the Board, the P/CEO, DPO, DPB, CFO, CRO, CCO and SVPII and above, as well as the SC members.

    In the event that the position of the DPO and Head of Divisions (HODs) or its equivalent is created/recreated, the NRC will be empowered to oversee the appointment for the said position(s).

(ii) To provide a formal and transparent procedure for developing a remuneration policy for Directors, SC members, P/CEO, DPO, DPB, CFO, CRO, CCO, as well as SVPII and above.

The NRC shall also provide a formal and transparent procedure in awarding staff salary increment and bonus and ensure that compensation is competitive and consistent with the Bank's culture, objectives and strategies.

In the event that the position of the DPO and Head of Division or its equivalent is created/recreated, the NRC will be empowered to oversee the remuneration policy for the said position(s).

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

The functions and responsibilities of the NRC are as follows:

Nomination functions:

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 approriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required, through annual reviews;

ii) To recommend and assess the nominees for directorship, the Directors to fill board committees, as well as nominees for the 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 BNM;

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 or SC member if he/she is ineffective, errant or negligent in discharging his responsibilities;

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

vi) To oversee appointment, management succession planning and performance evaluation of P/CEO, DPO, DPB, CFO, CRO and CCO, including SVPII and above, and recommending to the Board the removal of P/CEO, DPO, DPB, CFO, CRO and CCO or SVPII and above, if they are ineffective, errant and negligent in discharging their responsibilities; and

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

Remuneration functions:

A. To propose and recommend to the Board the remuneration policy and guidelines for the Directors, SC members, P/CEO, DPO, DPB, CFO, CRO and CCO of EXIM Bank, including SVPII and above. The remuneration policy should:

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

   (ii) Reflect the experience and level of responsibility borne by individual Directors, SC members, P/CEO, DPO, DPB, CFO, CRO, CCO and SVPII and above;

   (iii) Be sufficient to attract and retain Directors, SC members, P/CEO, DPO, DPB, CFO, CRO, CCO, and SVPII and above of calibre needed to manage the Bank successfully; and

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

B. To propose and/or periodically review and recommend to the Board the specific remuneration packages for Directors, SC members, P/CEO, DPO, DPB, CFO, CRO and CCO including employees engaged at EX2B level/SVPII and above. The remuneration packages should:

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

   (ii) Reflect the experience and level of responsibility borne by individual Directors, SC members, P/CEO, DPO, DPB, CFO, CRO CCO and SVPII and above.

   (iii) Take due consideration of the assessments of the nominating committee of the effectiveness and contribution of the Directors, SC members, P/CEO, DPO, DPB, CFO, CRO, CCO and SVPII and above concerned;

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

   (v) Be competitive and consistent with the Bank's culture, objective and strategy.

C. To recommend to the Board with regard to the payment guideline for staff bonus and annual salary increment of the company.

The NRC held 13 meetings during the financial year 31 December 2018. Members of the NRC and details of meeting attended by members are stated on page 48 of this Annual Report.

STATEMENT ON INTERNAL CONTROL

INTERNAL CONTROL

Internal Control is defined as a process, performed by EXIM's Board of Directors, management and personnel, designed to provide reasonable assurance of the achievement 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 control 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 control. 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 stakeholders' investments, customers' interests 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 processes, and therefore, 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 systems of internal controls are as follows:

a) The President/Chief Executive Officer (P/CEO) is entrusted with the management of EXIM Bank, where his/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 manual 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 allows for timely responses and corrective actions to be taken to mitigate risks;

g) The Internal Audit Department (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; and

h) The BAC regularly reviews and holds discussions with the Management on actions taken to address lapses in internal control and issues identified in reports prepared by the internal auditors, external auditor and regulatory authorities.

INTERNAL AUDIT DEPARTMENT

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

RELATIONSHIP WITH EXTERNAL AUDITOR

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

STATEMENT ON RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

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

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

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

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

Measurement and Control refers to the 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 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	• The Bank has in place a sound framework in managing credit risk that includes Risk Appetite Statement, credit risk strategies, policies and guidelines, where it outlines credit underwriting standards, credit risk measurements, credit risk rating, prudential limit monitoring, credit risk mitigation, review process, rehabilitation and restructuring, credit impairment, loss provisioning and reporting. • Credit limits are governed under an approving authority structure to ascertain prudent credit decision making. These authority limits are approved by the Board and reviewed periodically. • In conjunction with the MFRS 9 implementation, the Bank has enhanced the credit policies, guidelines and assessment exercise for identification of significant increase in credit risk to prevent asset quality deterioration and for timely remedial actions.
Capital Management	The Bank has a systematic approach to ensure sufficient level of capital in accordance to the requirements of internal capital targets, as well as the regulator.
Asset Liability Management and Market Risk	• The Bank adopts appropriate strategies in managing the liquidity level, which includes monitoring and managing the structural liquidity indicators, liquidity gaps and stress testing. • In addition to the above, the Bank performs monitoring and monthly reporting to the Board.
Shariah Risk	• The Bank established Shariah risk management control functions as a part of the Bank's Shariah governance structure and integrated risk management framework as governed by the Shariah Governance Framework for Islamic Financial Institutions, issued by Bank Negara Malaysia (BNM). • The Shariah risk management is executed through three lines of defense in managing Shariah Non-Compliance (SNC) risk. The three lines of defense are: 1st – The risk taking units (all business and support units); 2nd – The Shariah control functions (Shariah Risk Department, Shariah Management Department and Shariah Review Unit); and 3rd – The independent assurance (Shariah Audit Unit).
Operational Risk	• The Bank has established an Operational Risk Management Framework in managing the operational risk. This is meant to minimise the operational risk to an acceptable level via established tool and techniques, practiced by the industry. • The Bank has in place a programme for managing crisis and business continuity, which may arise from unforeseen events.
Emerging and Other Risks	• The Bank has established processes and strategies to manage the affected portfolios, which include close monitoring and reporting of affected accounts to the respective Board committees, as well as conducting related scenario analysis through stress testing etc. The stress test conducted covers, among others, countries with negative outlook, changes in the government policies and concerned accounts. • The Bank also strives to continuously improve compliance to the applicable laws and regulations and enhance the compliance awareness culture. The existing policies and processes are further strengthened in meeting the new regulations requirements.

SHARIAH GOVERNANCE
DISCLOSURE REPORT

1. OBJECTIVE

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

2. COMPOSITION

EXIM Bank SC consists of six (6) members. During the financial year ended 31 December 2018, thirteen (13) series of meeting, including two (2) series of special meeting were held. The details of attendance of each SC member are as follows:

No.	Name of SC Members	No. of Meetings Attended
1	Y.Brs. Dr. Zaharuddin bin Abd. Rahman (Chairman)	12/13
2	Y.Brs. Assoc. Prof. Dr. Zulkifli bin Hasan	12/13
3	Y.Brs. Assoc. Prof. Dr. Mek Wok Mahmud**	13/13
4	Y.Brs. Assoc. Prof. Dr. Sharifah Faigah Syed Alwi**	13/13
5	Y.Brs. En. Zainal Abidin Mohd Tahir	13/13
6	Y.Brs. Prof. Dr. Rusni Hassan*	11/13

* appointed on 2.1.2018
** term expired w.e.f 7.12.2018

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 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 that 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 makes 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 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 does not contravene with Shariah principles.

l. Represent the Bank or to attend any meetings with the SAC or other relevant bodies pertaining to any Shariah issues relating to the Bank's Islamic business and operation.

m. The SC shall maintain the confidentiality of the Bank's internal information. All information shall be kept in strict confidence, except when disclosure is authorised by the Bank or required by the law.

Catering to Emerging Needs of an Evolving Marketplace

GIVING BACK TO SOCIETY THROUGH CORPORATE SOCIAL RESPONSIBILITY

AT EXIM BANK, CORPORATE SOCIAL RESPONSIBILITY (CSR) CONTINUES TO BE A KEY COMPONENT OF OUR CORPORATE CULTURE AND AN INTEGRAL PART OF OUR BUSINESS. THROUGH CSR, WE STRIVE TO DELIVER VALUE FOR OUR CUSTOMERS, EMPLOYEES, COMMUNITY AND NATION AS WE EXPAND OUR FRONTIERS FURTHER. WE ARE MINDFUL OF OUR OBJECTIVES AND THE BENEFITS WE INTEND TO DELIVER IN EVERY CSR INITIATIVE WE UNDERTAKE AND HAVE THUS ESTABLISHED A FORMAL APPROVAL PROCESS FOR EVERY PROJECT WE UNDERTAKE. THIS IS SPEARHEADED BY THE BANK'S COMMUNICATIONS & STAKEHOLDER MANAGEMENT DEPARTMENT (CSMD). CSMD ASSESSES THE PROJECTED SOCIETAL IMPACT OF THE CSR INITIATIVES WITH OTHER RELEVANT TEAMS AND ENSURES THAT GOALS, RESOURCES, STRATEGIES AND POLICIES ARE WELL DEFINED BEFORE THE EXECUTION OF EVERY PROJECT.

Sponsorship for 'Malam Wartawan Malaysia 2018'

Guided by this objective, the following are key highlights of our CSR programmes for the period under review.

BUILDING BONDS AT THE MARKETPLACE

Sponsorship of 'Malam Wartawan Malaysia 2018'

EXIM Bank is one of the official sponsors that contributes to the success of this annual media industry event that recognises and awards excellence in reporting by the country's journalists. The main sponsor for this night of recognition was Petronas.

The awards ceremony in 2018 was held on 26 April at Berjaya Times Square Hotel and saw the main winners of each category bringing home RM10,000 cash, trophies and certificates of participation.

Distribution of Special Edition Book

As a key export bank in the nation, EXIM Bank continued to distribute copies of its special edition book entitled 'Exporting and International Trades', written by Mr. AB Teoh, to institutions of higher learning. The specially designed book was made available in Bahasa Malaysia, English and Mandarin. Over 2,000 copies were handed over to universities in Malaysia during the period under review. These included First City University College (FCUC), University Tunku Abdul Rahman (UTAR) in Kampar, Perak; Multimedia University (MMU) in Air Keroh, Melaka; Asia Pacific University (APU) in Bukit Jalil; and University Tun Abdul Razak (UNIRAZAK) in Kuala Lumpur. The Bank chose to present universities with the book, as it provides a good reference for students wishing to be in the export-import business.

EXIM Bank's President/CEO, Puan Norzilah Mohammed (third from left) with First City University College director, Tan Sri Teo Chiang Liang, flanked by representatives from both organisations

The book presentation ceremony was kicked off on 2 October 2018 with the handing over of books by Pn. Norzilah Mohammed, President/Chief Executive Officer (CEO) of EXIM Bank to Tan Sri Dato' Teo Chiang Liang, Director of FCUC, witnessed by faculty members of FCUC and EXIM Bank representatives. It was then followed by a campus and library tour.

Sahabat Korporat Tabung Haji 1439H

The Bank continued to support Tabung Haji's Sahabat Korporat programme by contributing 40,200 copies of the 'Buku Panduan Perjalanan Jemaah Haji'. The books were distributed to all registered pilgrims for their future reference. The Bank has been a staunch supporter of this programme since 2014 and is honoured to be part of this key calendar event for the Muslim community.

EXIM Bank's sponsorship for Program Sahabat Korporat TH Musim Haji 1439H/2018M

EXIM Bank's volunteers during a 'gotong royong' activity to clean up Pertubuhan Kebajikan Islam Peribadi Mulia (PKIPM) at Kampung Sungai Kantan in Kajang

PROVIDING ASSISTANCE TO THE COMMUNITY

As one of the country's leading financial institutions, the Bank plays a crucial role in fulfilling the needs of the people towards community development, apart from contributing to the economic growth of the country.

EXIM Bank targeted three social endeavours in need of cash, in-kind contribution and assistance to help ease their operational cost during the year. These included Rumah Seri Kenangan Cheng Melaka (RSKCM), a welfare home for the elderly; Yayasan Toh Puan Zurina (YTPZ) a foundation that runs a hemodialysis centre for the underprivileged; and Pertubuhan Kebajikan Islam Peribadi Mulia at Kg. Sg. Kantan, Kajang (PKIPM).

RSKCM has been taking care of the elderly since 1982 through public and government donations. The centre currently accommodates about 159 old folks from various ethnic backgrounds, and EXIM Bank has extended its assistance to this home as well.

YTPZ started its operations in 2015 and offers 160 hemodialysis machines that provide free treatment to the underprivileged. The Bank contributed cash to help ease operating expenses for these welfare organisations.

For PKIPM, EXIM Bank also held a 'gotong royong' activity to help refresh the home's environs. PKIPM was established on 25 December 2012 by Pn. Siti Salmiah Ismail. This home caters to a total of 62 children, who are abandoned or from poor families. Currently, six caretakers mind children ranging from the age of two up to 17-years-old. Monthly expenditure for the home averages RM30,000 and this is sourced solely through donations from corporate companies, non-governmental organisations (NGOs), charitable organisations and personal donations.

34 bank volunteers, together with the orphans, spent half a day sprucing up the house with new coats of paint, installing wardrobes and new rubber mats. Apart from the activities, EXIM Bank also purchased various household items for the orphanage, including a washing machine, stand fans and kitchen appliances worth about RM5,000. Another RM5,000 contribution was made as part of the Bank's donation towards the home's upkeep.

Annual Iftar Programme 2018

EXIM Bank's involvement with PKIPM came about during our annual Iftar programme this year, when children from the orphanage joined us for a Berbuka Puasa event. The Bank's annual Iftar programme brings together the Board, Management, staff and children from selected orphanages as the Bank's way to give back to society.

60 orphans joined us for the event. They were presented with Duit Raya and school accessories before being treated to a sumptuous dinner. The Bank also donated an additional RM10,000 to the orphanage to help ease their operating expenses.

EXIM Bank's Annual Iftar Programme with the orphans from PKIPM

EXIM Bank's volunteers with children from PKIPM during a fun-filled day at PETROSAINS

Fun-filled day at Petrosains

Having adopted PKIPM as our CSR beneficiary for the year, the Bank sought to provide additional benefits by planning educational field trips and exposing the children to outdoor activities. This was part of an initiative to fortify long-term support in terms of financial aid and volunteerism activities. A trip to Petrosains was organised for the children and drawstring bags and T-shirts were provided for the outing. The Bank's volunteer staff and children had a fun-filled outing while gaining knowledge on science.

Zakat Distribution

The distribution of zakat helps lessen the financial burden faced by recipients and boost their quality of life. For the period under review, the Bank played its role as a caring corporate citizen when it presented zakat contributions totalling RM100,000 for distribution to 100 deserving recipients in Kuching; RM908,000 for recipients in Sarawak, Johor, Kelantan, Perak and Kuala Lumpur; and RM5,000 to a representative of the Taman Sepakat Jaya surau towards carrying out programmes and activities that will benefit the community.

EXIM Bank celebrated World Autism Awareness Day as part of the Bank's CSR programme at Sekolah Kebangsaan (P) Jalan Batu, Kuala Lumpur

EXIMers during the zakat distribution in Muar, Johor

World Autism Awareness Day

EXIM Bank celebrated World Autism Awareness Day with a group of children with autism under the 'Program Pendidikan Khas Integrasi' at Sekolah Kebangsaan (P) Jalan Batu. There are a total of 240 students at the school, 27 of whom are special needs children, with eight of them with autism. As part of its CSR initiative, a new reflexology garden was constructed to assist these special children in their daily therapeutic activities.

President/CEO of EXIM Bank, Norzilah Mohammed officiated the event where she handed a mock cheque amounting to RM10,000 for the maintenance of the school and a donation of books worth RM5,000 for the school library.

EXIM Bank continues its commitment with NECC by adopting a handicapped baby elephant named Elly

"With the installation of this reflexology garden within the school compound, the school will carry out daily therapy exercises for these special children for 20 minutes to stimulate healing and improve the wellbeing and vitality of these children," said Norzilah.

The day ended with 240 children and teachers being treated to a scrumptious lunch by EXIM Bank's management committee.

CREATING A POSITIVE IMPACT FOR THE ENVIRONMENT

Supporting Elephant Conservation at Kuala Gandah

Last year, EXIM Bank refurbished and redesigned the educational materials for Kuala Gandah National Elephant Conservation Centre (NECC), as well as funded a custom-made prosthetic leg for a 13-year-old female elephant, Selendang. This year, the Bank continues with its CSR commitment in the area of elephant conservation, education and elephant welfare at the centre by adopting a handicapped two-year-old baby elephant named Elly. She was provided a prosthetic leg, a new portable paddock for daily mobility exercise and a year's supply of multivitamins and other supplements.

Elly lost her front lower right foot from a trap laid by illegal hunters and was found unconscious at Kg. Sokut Toku, Tanah Merah, Jeli, Kelantan. Elly was then rescued by Terengganu's Elephant Conservation Centre to receive early medical treatment before being transferred to NECC for her recovery process.

Elephant conservation has been a near and dear cause of the Bank, as elephants are important keystone species that create and maintain the ecosystem and make it possible for a myriad of plants and animal species to live in that environment. The loss of elephants gravely affects the biodiversity of the environment and causes major habitat chaos.

EMPLOYEE ENGAGEMENTS 2018

ADFIM Sports Carnival 2018

EXIM Bank participated in the Association of Development Finance Institutions of Malaysia (ADFIM) Sports Carnival 2018, with staff taking part in games such as Darts, Futsal, Badminton, Ping Pong and Carom. The annual event serves to create greater synergy among the many development finance institutions in Malaysia through competitive events.

EXIM Bank's contingent during ADFIM'S Sports Carnival 2018

The Bank's friendly matches during the EXIM Bank Football Carnival

EXIM BANK Football Carnival

In fostering better camaraderie and a healthier lifestyle, the Bank's sports club organised a Football Carnival on 10 February 2018 at Stadium Merdeka. This was held in conjunction with the World Cup 2018 in Russia, and thus benefited from the hype of excitement over football during the period. The carnival showcased a football clinic for children of EXIM Bank staff, a friendly match between staff over 40 years of age and staff under 40 and a friendly match between children (aged 10 to 18 years) of club members. To enliven the football carnival, participation from couples were also encouraged.

2nd DEKO MERDEKA COMPETITION

In order to foster a patriotic spirit amongst staff, the Bank once again organised the Deko Merdeka Competition to celebrate our nation's 61st National Day in 2018. Once again, each department was asked to decorate their respective floors to illustrate the proposed Merdeka theme by a set deadline, and external judges were appointed to judge the competition.

Held on 27 August 2018, the Bank's Administration Department, Human Capital Management Department and Kelab Sukan & Sosial EXIM Bank (KSSEB) were the custodians of the programme.

Evacuation and Fire Drill Exercise

Prioritising the safety, health and welfare of our employees, regular evacuation, fire drills and emergency response exercises are held at EXIM Bank. In 2015, the Bank was awarded the "ERT Excellence Award", and in 2016, we bagged the award for "Best Fire Drill among the Banking Community". To continue ensuring good safety response, the Bank conducted another Fire Drill on 8 November 2018. The fire-stations from Titiwangsa, Pusat Hang Tuah and Sentul were involved in this training, providing a total strength of 28 fire-fighters. In addition, the Bank also gained assistance from the Dang Wangi District Police Headquarters and the Malaysian Red Crescent to participate in the Fire Drill. The Bank's Emergency Response Team (ERT) with a total strength of 45 members from various departments, were involved in the exercise, which provided more skills and experience to deal with any emergency and security incidents at the premise.

Family Day 2018

The Bank held a Family Day event from 15 to 17 September, organised by its Sports Club (KSSEB). Staff and family were invited to spend the weekend at GRAND LEXIS Port Dickson, Negeri Sembilan. This was a fun-filled getaway, which promoted both family and team bonding.

EXIMers in action during Deko Merdeka Competition

Evacuation and Fire Drill Exercise at EXIM Bank

EVENT HIGHLIGHTS

APRIL

13-15
April 2018
Le Meridien Kota Kinabalu, Sabah

ADFIM COUNCIL MEETING & AGM 2018

The Association of Development Finance Institutions of Malaysia (ADFIM) Council Meeting 2018 hosted by EXIM Bank was attended by CEOs of the representative organisations.

JULY

20
July 2018
Istana, Kuala Lumpur

MAJLIS SEMARAK PERJUANGAN SEMPENA ANUGERA TOKOH SRIKANDI 2018

Gabungan Pelajar Melayu Semenanjung (GPMS) chose the President/CEO of EXIM Bank as one of the recipients for its Anugerah Tokoh Srikandi 2018 Award, during the said event above.

SEPTEMBER

15
September 2018
Hanoi, Vietnam

GRAND OPENING OF BRITISH UNIVERSITY VIETNAM (BUV) ECOPARK CAMPUS

EXIM Bank Malaysia witnessed the official opening ceremony of the BUV Ecopark Campus, which is financed under EXIM's Overseas Project Financing Facility.

OCTOBER

25
October 2018
Royal Chulan
Damansara, Selangor

MICCI BUSINESS LUNCHEON 2018

The Going Global Seminar, which focused on the topic of 'Leveraging on ASEAN & Mega Free Trade Agreements', was attended by over 130 participants, including various exporters and agencies under the Ministry of International Trade and Industry (MITI).

NOVEMBER

09
November 2018
Le Meridien,
Kuala Lumpur

BEST UNDER BILLION AWARDS 2018

Best Under Billion Awards 2018 (BUBA) is an annual business award event organised by FOCUS Malaysia and co-sponsored by EXIM Bank.

11
November 2018
The Majestic,
Kuala Lumpur

MALAYSIA SOUTH-SOUTH ASSOCIATION (MASSA) & MASSCORP ANNUAL DINNER 2018

In supporting our stakeholders, EXIM Bank was one of the sponsors for the MASSA & MASSCORP annual dinner.

16
November 2018
Sunway Resort Hotel & Spa, Selangor

MALAYSIA INTERNATIONAL HUMAN RESOURCE (HR) AWARDS 2018

EXIM Bank won a Bronze Award during the Malaysia International HR Awards 2018 for the category of HR Best Practices.

NOVEMBER

20
November 2018
Hanoi, Vietnam

THE BRANDLAUREATE SPECIAL EDITION WORLD AWARDS 2018

EXIM Bank was chosen and selected for The BrandLaureate Special Edition World Awards 2018. Receiving this award is a stepping stone for the Bank and a testament of the brand's success.

23
November 2018
Sunway Pyramid Convention Centre, Selangor

SME PLATINUM BUSINESS AWARDS 2018

EXIM Bank received the SME Platinum Award 2018. Themed 'Local Innovation, Global Recognition', the 2018 award ceremony was a call for SMEs to infuse new thinking, technology and talent into their business models.

27
November 2018
EXIM Bank Malaysia

EXIM BANK INTEGRITY & COMPLIANCE DAY

The Integrity Pledge of EXIMERs was led by Deputy President Operations, En. Marazizi Omar and this was followed with a forum session by the Malaysian Anti-Corruption Commission (MACC) and Malaysian Institute of Integrity.

MEDIA HIGHLIGHTS

Exim Bank sumbang RM47,000 bantu kanak-kanak autisme

Exim Bank to be placed under MITI soon — Leiking

EXIM BANK DISTRIBUTES ITS SPECIAL EDITION BOOK ON EXPORTING AND INTERNATIONAL TRADE TO UNIVERSITIES IN MALAYSIA

EXIM BANK MALAYSIA LAKSANAKAN KEWAJIPAN BERZAKAT

Kuala Lumpur - Sebanyak 15 syarikat telah hadir melaksanakan kewajipan berzakat dengan menyerahkan Zakat Perniagaan mereka kepada Pusat Pungutan Zakat - MAIWP (PPZ-MAIWP) di dalam satu majlis khas, Majlis Zakat Korporat 2018.

EXIM BANK LENDS A HAND TO PERTUBUHAN KEBAJIKAN ISLAM PERIBADI MULIA

AS PART of its CSR community programme, EXIM Bank held a gotong royong activity at Pertubuhan Kebajikan Islam Peribadi Mulia in Kg. Sg. Kantan, Kajang.

The 34 volunteers, together with the orphans, spent half a day sprucing up the house with new coats of paint, installing wardrobes and new rubber mats as well. Apart from the activities, EXIM Bank also purchased various household items for the orphanage that include a washing machine, stand fans and kitchen appliances worth about RM5,000.

Exim Bank to be under one roof, says Darell

NEWS HUB

HELPING SPECIAL NEEDS

MEMORABLE MOMENTS OF EXIM BANK MALAYSIA AT THE BRANDLAUREATE SPECIAL EDITION WORLD AWARDS 2018

British varsity funded by M'sian bank in Vietnam opens doors

ADFIM COUNCIL MEETING & AGM 2018

Sparking international trade knowledge

EXIM Bank presented 140 copies of *Exporting and International Trade*, the second book written by its international trade consultant AB Teoh, to First City University College.

Out of the 140 copies, 100 were in English, and 20 each in Malay and Mandarin.

The undertaking was a gesture of intellectual goodwill that tied in with one of the bank's corporate responsibility (CR) initiatives.

In his opening speech, First City University College director Tan Sri Dr Teo Chiang Liang spoke on the importance of international trade, pointing out that it is one of the contributing factors that has and will continue to shape Malaysia's economy.

"The books will be placed in our library for students and staff of the university and I will be the first person to borrow the book," he said.

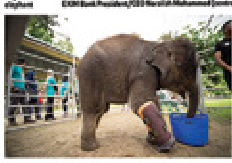
Teo further expressed his appreciation and thanked EXIM Bank CEO Norzilah Mohammed for supporting AB Teoh's idea and gifting the university with copies of the book which will come in handy as reference material for students, those reading Business Management and Internal Business courses in particular.

Norzilah, however, acknowledged both, the value of sharing useful information on international trade, as well as its importance to the economy.

She also informed of the bank's active CR activities and contributions in education in Malaysia.

Norzilah (third from left) presents Teo with a copy of AB Teoh's book Exporting and International Trade.

EXIM Bank adopts Elly the Elephant



MICCI BUSINESS LUNCHEON 25TH OCTOBER 2018

MICCI recently held a Business Luncheon on the 25th of October 2018, featuring Guest of Honour YB Dr. Ong Kian Ming, Deputy Minister of the Malaysian International Trade & Industry (MITI)

Export Day 2018: Celebrating 25 Years of Export Excellence

EXIM BANK MALAYSIA WINS THE COVETED *SME SUPPORTER AWARD* AT THE *PLATINUM BUSINESS AWARDS 2018*

Hard work paid off for many small and medium-sized enterprises (SMEs) in a grand manner at the Platinum Business ...

SASARAN EXIM BANK 100 PERATUS PEMBIAYAAN ISLAMIK

KUALA LUMPUR 7 Ogos - Export-Import Bank of Malaysia Bhd. (EXIM Bank) menyaksikan pembiayaan berjumlah RM10.2 bilion pada 2017 melebihi sasaran awal sebanyak RM9.5 bilion.

Pengarah Bebas dan Bukan Eksekutif EXIM Bank, Datuk Zoulkifli Mahmud berkata, bagaimanapun daripada jumlah itu, hanya 15 peratus sahaja terdiri daripada perusahaan kecil dan sederhana (PKS).

EXIM BANK RECEIVED MALAYSIA-INTERNATIONAL HR AWARDS

RECOGNISING COMMITMENT TO HUMAN CAPITAL DEVELOPMENT

Elly tak tempang lagi

Majlis Kesyukuran Tamat Operasi Haji Dan Penghargaan Sahabat Korporat Musim Haji

Kuala Lumpur, 29 Oktober 2018 – Lembaga Tabung Haji hari ini mengadakan Majlis Kesyukuran Tamat Operasi Haji dan Penghargaan Sahabat Korporat Musim Haji 1439H/2018M di Dewan Besar, Menara TH Tun Razak yang disempurnakan oleh YBhg. Dato' Sri Zukri Samat Pengarah Urusan Kumpulan dan Ketua Pegawai Eksekutif TH.

Majlis ini telah meraikan 24 Sahabat Korporat TH dan 36 agensi luar yang telah menjayakan operasi haji Tanah Air dan Tanah Suci pada tahun ini.

Majlis turut dihadiri oleh Mr Muhannad Sutan Al Yousuf, Setiausaha Kedua, Kedutaan Besar Di Raja Arab Saudi ke Malaysia.

MAJLIS PENYERAHAN SUMBANGAN SEMPENA MALAM WARTAWAN MALAYSIA 2018

EXIM Bank contributed RM20,000 to Malaysian Press Institute

EXIM Bank today contributed RM20,000 to Malaysian Press Institute in conjunction with Malam Wartawan Malaysia (MWM) 2018 which is going to be held on 13 July 2018 in Shangri-La Hotel, Kuala Lumpur. Mohd Nasir Johar represented EXIM Bank in handing over a mock cheque to YBhg. Datuk Dr. Chamil Wariya, Co-Chairman of MWM 2018 / Chief Executive Officer of MPI.

Bank spruces up welfare home and gives RM5,000

Celebrating corporate excellence

BEST UNDER BILLION AWARDS 2018

SECURE TRADING WITH EXIM BANK'S TRADE CREDIT TAKAFUL AND POLITICAL RISK INSURANCE : WHY YOUR INTERNATIONAL BUSINESS MUST HAVE IT

COMPANIES HONOURED AT THE BEST UNDER BILLION AWARDS 2018

ANUGERAH TOKOH SRIKANDI 2018

SEMPENA ULANGTAHUN GPMS KE-70

Exim Bank-financed Vietnam varsity campus to receive students

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DIRECTORS' REPORT

The Directors hereby present their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the business of banking in of export and import by granting credit, issuing guarantees and providing other related services. The Bank is also engaged in the provision of export and domestic credit insurance facilities, takaful facilities and trade related guarantees to Malaysian companies.

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

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

RESULTS

	Group RM'000	Bank RM'000
Loss for the year	(263,521)	(263,521)

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

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

DIVIDENDS

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

DIRECTORS

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

Encik Mohammad Fadzlan bin Abdul Samad	
Encik Ismail bin Mahbob	
YM Tunku Afwida binti Tunku A. Malek	
Datuk Syed Ahmad Helmy bin Syed Ahmad	
Hijah Arifakh binti Othman	(Appointed on 3 January 2018)
Dato' Dzulkifli bin Mahmud	(Appointed on 9 March 2018)
Dato' Sri Dr Mohmad Isa bin Hussain	(Resigned on 11 March 2018)
Normah binti Osman	(Resigned on 6 July 2018)
Dato' Rosli bin Mohamed Nor	(Resigned on 1 September 2018)
Datuk Mat Noor bin Nawi	(Resigned on 30 September 2018)
Dato' Md Agil bin Mohd Natt	(Resigned on 31 December 2018)
Norzilah binti Mohammed	(Resigned on 7 March 2019)

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

Azhar bin Awang Kechil	(Appointed on 7 March 2019)
Norzilah binti Mohammed	(Resigned on 7 March 2019)
Norlela binti Sulaiman	

EXIM Sukuk Malaysia Berhad

Yam Kwai Ying Sharon	(Appointed on 1 August 2018)
Norhayati binti Azit	
Loke Chee Kien	(Resigned on 1 August 2018)

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Bank as shown in Note 29 to the financial statements) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

There was an amount of insurance premium paid or payable amounted to RM29,155 or RM27,698 for the directors of the Group and the Bank in respect of their liability for any act or omission in their capacity as directors of the Group and the Bank or in respect of their liability for any act or omission in their capacity as directors of the Group and the Bank or in respect of costs incurred by them in defending or settling any claim or proceedings relating to any such liability for the financial year ended 31 December 2018.

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, income statements and statements of comprehensive income of the Group and of the Bank were made out, the Directors took reasonable steps:

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

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

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

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

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

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

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

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

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

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

(f) In the opinion of the Directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet its obligations as and when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

(a) Rating agencies, Moody's Investors Service, Fitch Ratings and RAM Ratings have re-affirmed the Bank's rating during their annual review in 2018 as follows:

Rating agencies	Date	Ratings
Moody's Investors Service	5 December 2018	Long-term Foreign Currency Issuer: A3 Senior Unsecured Rating: A3 Stand-alone Credit Profile: -b1 Long-term Ratings (Exim Sukuk Malaysia Berhad): A3 Outlook: Stable
Fitch Ratings	6 August 2018	Long-term Foreign Currency Issuer Default Rating: A- Support Rating: 1 Support Rating Floor: A- Senior Unsecured Notes: A- Outlook: Stable
RAM Ratings	October 2018	National Ratings (Long-term) : AAA, (Short-term) : P1 ASEAN Ratings (Long-term) : seaAAA, (Short-term) : seaP1 Global Ratings (Long-term) : gA2, (Short-term) : gP1 Long-term Global Scale Rating (Exim Sukuk Malaysia Berhad): gA2(s) Outlook: Stable

AUDITORS AND AUDITORS' REMUNERATION

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

Auditors' remuneration are disclosed in Note 28 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 March 2019.

Mohammad Fadzlan bin Abdul Samad

YM Tunku Afwida binti Tunku A. Malek

SHARIAH COMMITTEE'S REPORT

بسم الله الرحمن الرحيم

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

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

To the shareholders, customers and stakeholders of Export-Import Bank of Malaysia Berhad ("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, we hereby submit the following report in respect of Shariah compliant business activities of EXIM Bank for the financial year ended 31 December 2018:-

1. The Committee had conducted eleven (11) meetings during the financial year to review and approve various new and enhancement to the Bank's Islamic banking and takaful products and its operational processes as well as guidelines and manuals relating to Shariah compliant transactions. We confirmed that we have reviewed the applicability and appropriateness of Shariah principles and the Shariah contracts adopted relating to the new and enhanced products, transactions and operational processes of Islamic banking and takaful activities of EXIM Bank for the period from 1 January 2018 until 31 December 2018.

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

3. The Committee has 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 be the basis for the Committee to form an opinion on its compliance with Shariah rules and principles, Shariah guidelines and rulings issued by the Shariah Advisory Council of Bank Negara Malaysia as well as Shariah decisions and resolutions made by the Committee.

4. The Committee has confirmed that moneys derived from late payment charges on Islamic financing activities is channelled to charity fund and distributed progressively to the eligible beneficiaries.

5. For financial year ended 31 December 2018, zakat is calculated based on growth method with appropriate adjustment. The Committee has reviewed and affirmed that the Bank is not eligible to pay zakat as the Bank is in net liabilities.

6. The Committee has reviewed the financial statements of the Bank, including the calculation of Zakat and confirmed that the financial statements prepared are in compliance to the Shariah rules and principles as well as the minimum disclosure requirements as stipulated by Bank Negara Malaysia.

7. The Committee has played a pivotal role in supporting the implementation of the Bank's strategic plan to be an 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 2018 have been conducted in conformity with the Shariah rules and principles.

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

Signed on behalf of the Committee,

Dr. Zaharuddin Abd Rahman
Chairman

Assoc. Prof. Dr Zulkifli Hasan
Member

Kuala Lumpur, Malaysia
25 March 2019

STATEMENT BY DIRECTORS

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

We, Mohammad Fadzlan bin Abdul Samad and YM Tunku Afwida binti Tunku A. Malek, being two of the Directors of Export-Import Bank of Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 87 to 214 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018 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 25 March 2019.

Mohammad Fadzlan bin Abdul Samad

YM Tunku Afwida binti Tunku A. Malek

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, YM Tunku Afwida binti Tunku A. Malek and Azhar bin Awang Kechil, being the Director and management primarily responsible for the financial management of Export-Import Bank of Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 87 to 214 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 YM Tunku Afwida binti Tunku A. Malek and Azhar bin Awang Kechil at Kuala Lumpur in the Federal Territory on 25 March 2019.

YM Tunku Afwida binti Tunku A. Malek

Before me,

PESURUHJAYA SUMPAH
W 749
AMIRUL IMRAN BIN
MOHD ALI
1/10/2018-31/12/2020
MALAYSIA
No. 29, Tingkat Satu
Jalan Melayu
50100 Kuala Lumpur

Azhar bin Awang Kechil

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 2018 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 87 to 214.

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016, in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key Audit Matters

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

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

Key Audit Matters (cont'd.)

Risk area and rationale	***Our response***

<u>Expected credit losses of loans, advances and financing</u>

Risk area and rationale

The accounting for impairment loss 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 staging of assets and estimation of the sizes of impairment allowances for the 3 stages of assets.

The adoption of MFRS 9 during the financial year has fundamentally changed the Group's and the Bank's accounting for impairment losses of loans, advances and financing by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. A material portion of the ECL is individually assessed for each account using management judgment and specific assumptions on the expected future cash flows of respective accounts. The remaining and other accounts are with their ECL collectively calculated based on management assumptions and available proxies or benchmarks, which give rise to certain degree of uncertainty.

The management used externally available industry and financial data as appropriate to supplement internally available credit experiences.

Due to the significance of loans, advances and financing (representing approximately 70% of total assets of the Group and of the Bank as at 31 December 2018) and the corresponding uncertainties inherent in such estimates and judgment, we considered this as a key audit matter.

Refer to summary of significant accounting policies in Note 2.4(g), significant accounting estimates and judgment in Note 3 and the disclosures of loans, advances and financing in Note 8 to the financial statements.

Our response

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 ECL allowance for impaired loans, advances and financing in stage 3 and collective ECL allowances for loans, advances and financing in stage 1 and stage 2.

For measurement of individual ECL allowance for stage 3 impaired loans, advances and financings, we tested a sample of loans, advances and financing to evaluate the timely identification by the Group and the Bank of exposures with significant deterioration in credit quality or which have been impaired. For cases in stage 3 which have defaulted, we assessed the Group's and the Bank's specific assumptions on the expected future cash flows for each account, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available.

With respect to the measurement of collective ECL allowances for stage 1 and stage 2 accounts, we verified the reasonableness of the ECL models, including model input, model design, model performance. We challenged whether historic experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios.

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

We involved our credit modelling specialists in the performance of these procedures where their specific expertise was required.

<u>Valuation of derivatives and hedge accounting</u>

Risk area and rationale

The derivatives contracts of the Group and of the Bank include interest rate swaps ("IRS"), cross currency interest rate swaps ("CCIRS"), Islamic profit rate swap ("PRS") and Islamic cross currency profit rate swaps ("CCPRS"), which are derivatives carried at fair value through profit or loss in accordance with requirements of MFRS 9 with their fair values determined in accordance with requirements of MFRS 13 *Fair Value Measurement.*

Fair valuation of the derivatives involves assessment and assumptions that are affected by expected future market and economic conditions, and the use of observable and unobservable inputs and parameters in the financial markets.

Our response

We engaged our valuation and financial risk management 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 review of valuation of derivatives and application of hedge accounting. Our audit focused on the following key areas:

(a) reviewed the critical terms of the derivative contracts;

(b) tested the reasonableness of the assumptions adopted in the valuation of derivatives, including assessing if the inputs and parameters used were observable in the financial markets;

(c) performed independent valuation of selected derivatives and compared our analysis to those performed by management;

Key Audit Matters (cont'd.)

Risk area and rationale	***Our response***
Valuation of derivatives and hedge accounting (cont'd.) The Group and the Bank use derivatives to manage exposures to interest rates, profit rates and foreign currencies. Accordingly, the Group and the Bank apply hedge accounting for hedges which meet specified criteria required under MFRS 9. Due to the measurement uncertainty and judgment involved in the valuation and hedge effectiveness assessment, we considered this as a key audit matter. Refer to summary of significant accounting policies in Note 2.4(f)(vi) and the disclosures of derivatives valuation and hedge accounting application in Note 10 to the financial statements.	(d) reviewed the risk management strategies and basis of the economic hedges applied by the management; and (e) reviewed the hedge effectiveness determined and documented by the management for the purpose of applying hedge accounting. We also considered whether the disclosures in relation to derivatives and hedge accounting comply with the relevant disclosure requirements.
Valuation of insurance and Takaful contract liabilities Insurance and Takaful contract liabilities, which include the Group's and Bank's claims and premium liabilities, are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies. Estimates of claims liabilities have to be made for both the expected ultimate cost of claims reported at the reporting date, and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date. The estimation of 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 2018 based on requirements of MFRS 4 *Insurance Contracts*. Refer to summary of significant accounting policies in Note 2.4(m), significant accounting estimates and judgment in Note 3 and the disclosures of premium and contribution liabilities and claim liabilities in Note 21 to the financial statements.	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 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 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; (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; (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 (h) reviewed management's estimation of the calculated reinsurance assets and thereon, their assessment of the credit quality of the underlying reinsurance counterparties. We also considered whether the disclosures in relation to credit insurance and Takaful contract liabilities comply with the relevant disclosure requirements.

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 directors' report and 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. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

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.

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ahmad Hammami bin Muhyidin
No. 03313/07/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
25 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 RM'000	Group 2017 RM'000 Restated	2016 RM'000 Restated
Assets				
Cash and bank balances	4	130,082	172,964	126,224
Deposits and placements with banks and other financial institutions	5	1,576,420	950,584	2,312,815
Financial investment	6	1,240,151	1,119,379	120,988
Amount due from Export Credit Refinancing ("ECR") debtors	7	460,816	509,447	497,081
Loans, advances and financing	8	8,352,835	10,603,959	12,296,421
Insurance receivables	9	521	2,040	4,679
Derivative financial instruments	10	49,146	53,804	119,952
Other assets	11	102,188	103,304	111,110
Deferred tax assets	12	–	–	53,598
Investment in jointly controlled entity	13(b)	–	–	**
Investment properties	14	868	886	961
Intangible assets	15	3,375	8,606	9,794
Property and equipment	16	69,704	74,108	82,035
Total assets		11,986,106	13,599,081	15,735,658
Liabilities				
Borrowings	17	9,389,743	10,268,829	12,647,503
Other payables and accruals	18 (a)	369,498	336,405	335,418
Advance from Ministry of Finance Inc.	18 (b)	–	250,000	–
Provision for commitments and contingencies	19	17,106	–	–
Derivative financial instruments	10	113,032	104,387	100,374
Deferred tax liabilities	12	2,316	2,316	–
Deferred income	20	37,551	44,978	38,068
Provision for guarantee and claims	21	18,932	19,597	19,758
Total liabilities		9,948,178	11,026,512	13,141,121

** amount is less than RM1,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 RM'000	Group 2017 RM'000 Restated	2016 RM'000 Restated
Financed by:				
Share capital	22 (a)	2,708,665	2,708,665	2,708,665
Redeemable convertible cumulative preference shares ("RCCPS")	22 (b)	250,000	–	–
Fair value adjustment reserve		(21,598)	71,320	831
Accumulated losses		(891,002)	(201,250)	(108,104)
Shareholders' funds		2,046,065	2,578,735	2,601,392
Takaful participants fund	41	(8,137)	(6,166)	(6,855)
Total liabilities, shareholders' fund and Takaful funds		11,986,106	13,599,081	15,735,658
Commitments and contingencies	37	3,988,859	4,623,417	4,670,633

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Bank 2018 RM'000	2017 RM'000 Restated	2016 RM'000 Restated
Assets				
Cash and bank balances	4	130,082	172,964	126,224
Deposits and placements with banks and other financial institutions	5	1,576,420	950,584	2,312,815
Financial investment	6	1,240,151	1,119,379	120,988
Amount due from Export Credit Refinancing ("ECR") debtors	7	460,816	509,447	497,081
Loans, advances and financing	8	8,352,835	10,603,959	12,296,421
Insurance receivables	9	521	2,040	4,679
Derivative financial instruments	10	49,146	53,804	119,952
Other assets	11	102,188	103,304	111,110
Deferred tax assets	12	–	–	55,913
Investment in jointly controlled entity	13 (b)	–	–	**
Investment in subsidiaries	13 (a)	64,129	64,129	64,132
Investment properties	14	868	886	961
Intangible assets	15	3,375	8,606	9,794
Property and equipment	16	69,704	74,108	82,035
Total assets		12,050,235	13,663,210	15,802,105
Liabilities				
Borrowings	17	9,389,743	10,268,829	12,647,503
Other payables and accruals	18 (a)	369,506	336,405	335,418
Advance from Ministry of Finance Inc.	18 (b)	–	250,000	–
Provision for commitments and contingencies	19	17,106	–	–
Derivative financial instruments	10	113,032	104,387	100,374
Deferred tax liabilities	12	–	–	–
Deferred income	20	37,551	44,978	38,068
Provision for guarantee and claims	21	18,932	19,597	19,758
Amount due to subsidiaries	38	64,126	64,134	64,137
Amount due to jointly controlled entity		–	–	**
Total liabilities		10,009,996	11,088,330	13,205,258

** amount is less than RM1,000

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 RM'000	Bank 2017 RM'000 Restated	2016 RM'000 Restated
Financed by:				
Share capital	22(a)	2,708,665	2,708,665	2,708,665
RCCPS	22(b)	250,000	–	–
Fair value adjustment reserve		(21,598)	71,320	831
Accumulated losses		(888,691)	(198,939)	(105,794)
Shareholders' funds		2,048,376	2,581,046	2,603,702
Takaful participants fund	41	(8,137)	(6,166)	(6,855)
Total liabilities, shareholders' fund and Takaful funds		12,050,235	13,663,210	15,802,105
Commitments and contingencies	37	3,988,859	4,623,417	4,670,633

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

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Bank 2018 RM'000	Bank 2017 RM'000 Restated
Operating revenue	23	554,492	570,178	554,492	570,178
Interest income	24	306,321	383,102	306,321	383,102
Interest expense	25	(167,392)	(216,138)	(167,392)	(216,138)
Net interest income		138,929	166,964	138,929	166,964
Underwriting results	26	8,458	9,469	8,458	9,469
Income from Islamic business	41	168,213	154,090	168,213	154,090
Other (expenses)/income, net	27	(45,198)	15,570	(45,198)	15,570
Net income		270,402	346,093	270,402	346,093
Overhead expenses	28	(90,092)	(89,062)	(90,092)	(89,059)
Operating profit		180,310	257,031	180,310	257,034
Allowance for diminution in value of investment in a subsidiary		–	–	–	(3)
Allowances for losses on loans advances and financing	31	(478,585)	(313,359)	(478,585)	(313,359)
Allowances for commitments and contingencies	32	31,553	–	31,553	–
Allowances on financial investments	33	3,201	–	3,201	–
Loss before taxation		(263,521)	(56,328)	(263,521)	(56,328)
Taxation	34	–	(33,655)	–	(33,654)
Zakat		–	(3,163)	–	(3,163)
Net loss for the year		(263,521)	(93,146)	(263,521)	(93,145)
Loss per share (sen)	35	(9.73)	(3.44)	(9.73)	(3.44)

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Bank 2018 RM'000	Bank 2017 RM'000 Restated
Net loss for the year		(263,521)	(93,146)	(263,521)	(93,145)
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Fair value changes through other comprehensive income financial investments		(92,909)	92,748	(92,909)	92,748
Tax effect		–	(22,259)	–	(22,259)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(92,909)	70,489	(92,909)	70,489
Total comprehensive loss for the year, net of tax		(356,430)	(22,657)	(356,430)	(22,656)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital RM'000	Retained profit/ (Accumulated losses) RM'000	Non-distributable fair value adjustment reserve RM'000	Total RM'000
Group				
At 31 December 2016, as previously stated	2,708,665	55,941	831	2,765,437
Prior year adjustment (Note 43)	–	(164,045)	–	(164,045)
At 31 December 2016, as restated	2,708,665	(108,104)	831	2,601,392
At 31 December 2017, as previously stated	2,708,665	(68,960)	71,320	2,711,025
Prior year adjustment for financial year 2016 (as above)	–	(164,045)	–	(164,045)
Prior year adjustment (Note 43)	–	31,755	–	31,755
At 31 December 2017, as restated	2,708,665	(201,250)	71,320	2,578,735
At 1 January 2018, as restated	2,708,665	(201,250)	71,320	2,578,735
Effect of adopting MFRS 9 (Note 43)	–	(416,380)	(9)	(416,389)
At 1 January 2018, as restated	2,708,665	(617,630)	71,311	2,162,346
Issuance RCCPS (Note 22(b))	250,000	–	–	250,000
Dividends on RCCPS (Note 36)	–	(9,851)	–	(9,851)
Total comprehensive loss	–	(263,521)	(92,909)	(356,430)
At 31 December 2018	2,958,665	(891,002)	(21,598)	2,046,065
Bank				
At 31 December 2016, as previously stated	2,708,665	58,251	831	2,767,747
Prior year adjustment for financial year 2016 (as above)	–	(164,045)	–	(164,045)
At 31 December 2016, as restated	2,708,665	(105,794)	831	2,603,702
At 31 December 2017, as previously stated	2,708,665	(66,649)	71,320	2,713,336
Prior year adjustment for financial year 2016 (as above)	–	(164,045)	–	(164,045)
Prior year adjustment (Note 43)	–	31,755	–	31,755
At 31 December 2017, as restated	2,708,665	(198,939)	71,320	2,581,046
At 1 January 2018, as restated	2,708,665	(198,939)	71,320	2,581,046
Effect of adopting MFRS 9 (Note 43)	–	(416,380)	(9)	(416,389)
At 1 January 2018, as restated	2,708,665	(615,319)	71,311	2,164,657
Issuance RCCPS (Note 22(b))	250,000	–	–	250,000
Dividends on RCCPS (Note 36)	–	(9,851)	–	(9,851)
Total comprehensive loss	–	(263,521)	(92,909)	(356,430)
At 31 December 2018	2,958,665	(888,691)	(21,598)	2,048,376

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Bank	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Cash flows from operating activities				
Loss before taxation	(263,521)	(56,328)	(263,521)	(56,328)
Adjustments for:				
Individual allowance (Note 31)				
- Charged for the year	670,212	473,881	670,212	473,881
- Written back during the year	(105,790)	(99,308)	(105,790)	(99,308)
Collective allowance				
- Charged for the year	–	74,090	–	74,090
- Written back during the year	(87,879)	(135,304)	(87,879)	(135,304)
Allowance on financial investments (Note 33)	(3,201)	–	(3,201)	–
Allowance on commitment and contingencies (Note 32)	(31,553)	–	(31,553)	–
Claim and guarantee				
- Charged for the year	(635)	4,722	(635)	4,722
- Written back during the year	54	(46)	54	(46)
Depreciation				
- Property and equipment	5,742	5,974	5,742	5,974
- Investment properties	18	18	18	18
Amortisation of intangible assets	6,691	5,744	6,691	5,744
Allowance for diminution in value of investment in a subsidiary	–	–	–	3
Loss/(gain) on disposal of equipment	6	(103)	6	(103)
Unrealised foreign exchange loss/(gain)	116,823	(301,547)	116,823	(301,547)
Unrealised loss on derivatives	6,336	73,265	6,336	73,265
Unrealised loss/(gain) on MTN/Sukuk	31,359	(33,597)	31,359	(33,597)
Reversal for doubtful debt	3	–	3	–
Amortisation of premium less accretion of discount	(1,292)	(1,072)	(1,292)	(1,072)
Premium liabilities	(323)	(158)	(323)	(158)
Operating profit before changes in working capital	343,050	10,231	343,050	10,234

	Group		Bank	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Cash flows from operating activities (cont'd.)				
Changes in working capital:				
Deposits and placements with banks and other financial institutions	248,521	278,767	248,521	278,767
Amount due from ECR debtors	48,631	(12,366)	48,631	(12,366)
Loans, advances and financing	1,467,651	1,208,673	1,467,651	1,208,673
Insurance receivables	1,839	2,797	1,839	2,797
Other assets	9,476	12,628	9,476	12,628
Derivative financial instruments	9,204	(2,711)	9,204	(2,711)
Other payables and accruals	1,073	1,555	1,081	1,555
Provision for commitments and contingencies	(40,476)	–	(40,476)	–
Deferred income	(7,427)	6,910	(7,427)	6,910
Net claims paid for bank guarantee and insurance claims	(84)	(4,837)	(84)	(4,837)
Takaful participants fund	(1,971)	689	(1,971)	689
Amount due to subsidiary	–	–	(8)	(3)
Cash generated from operations	2,079,487	1,502,336	2,079,487	1,502,336
Income tax refund/(paid)	8	(5,550)	8	(5,550)
Zakat paid	(3,163)	(2,423)	(3,163)	(2,423)
Net cash generated from operating activities	2,076,332	1,494,363	2,076,332	1,494,363
Cash flows from investing activities				
Proceeds from disposals of property and equipment	9	169	9	169
Purchases of property and equipment	(1,353)	(2,482)	(1,353)	(2,482)
Purchases of intangible assets	(1,460)	(130)	(1,460)	(130)
Proceed from disposal of investment	–	5,000	–	5,000
Purchases of investments	(318,424)	(912,564)	(318,424)	(912,564)
Net cash used in investing activities	(321,228)	(910,007)	(321,228)	(910,007)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Bank	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Cash flows from financing activities				
Net repayment of borrowings	(923,629)	(1,871,080)	(923,629)	(1,871,080)
Issuance of RCCPS (Note 18(b))	250,000	–	250,000	–
Advance received from Ministry of Finance	(250,000)	250,000	(250,000)	250,000
Net cash used in financing activities	(923,629)	(1,621,080)	(923,629)	(1,621,080)
Net increase/(decrease) in cash and cash equivalents	831,475	(1,036,724)	831,475	(1,036,724)
Cash and cash equivalents at beginning of the year	702,933	1,739,657	702,933	1,739,657
Cash and cash equivalents at end of the year	1,534,408	702,933	1,534,408	702,933
Cash and cash equivalents comprise the following balances:				
Cash and bank balances	130,082	172,964	130,082	172,964
Deposits and placements with banks and other financial institutions	1,576,420	950,584	1,576,420	950,584
Less : Deposits and placements on behalf of customers and government (Note 5)	(146,457)	(127,478)	(146,457)	(127,478)
Less : Deposits and placements more than three months	(25,637)	(293,137)	(25,637)	(293,137)
Cash and cash equivalents	1,534,408	702,933	1,534,408	702,933

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

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 25 March 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board and the requirements of Companies Act 2016.

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 2018, the Group and the Bank adopted the following new and amended MFRS mandatory for annual financial periods on or after 1 January 2018.

Description	Effective for annual periods beginning on or after
• MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
• MFRS 9 Financial Instruments	1 January 2018
• MFRS 15 Revenue from Contracts with Customers	1 January 2018
• MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
• Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
• IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
• MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments with MFRS 4)	1 January 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

The adoption of the above pronouncements did not have any impact on the financial statements of the Group and the Bank, except as follows:

MFRS 9 Financial Instruments

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification & measurement and impairment of financial assets are amended to comply with this standard, while the hedge accounting policies are not significantly impacted the Group and the Bank's financial statements.

The changes in accounting policies have been applied retrospectively and the impact is reflected in the retained earnings as at 1 January 2018, i.e. the Day 1 impact. In accordance with the transition requirements, comparatives figures are not required to be restated.

(a) Classification and Measurement

Financial assets

The Group and the Bank classify financial assets on the basis of two criteria:

i) The business model within financial assets are managed; and

ii) The contractual cash flow characteristics – to perform solely payment of principal and interest ("SPPI") by assessing the contractual cash flow characteristics of the instrument, if they are basic lending arrangement and thus considered a 'simple instrument'.

At initial recognition, each financial assets is classified as either amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL") as summarised in below table:

Amortised Cost	Fair Value Through other Comprehensive Income ("FVOCI")	Fair Value Through Profit or Loss ("FVTPL")
• Financial assets will be measured at amortised cost if the assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payment of principal and interest ("SPPI")	• Financial assets will be measured at FVOCI if the assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent SPPI. • Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI (without recycling profit or loss upon de-recognition).	• Financial assets will be measured at FVTPL if the assets that are held for trading or financial assets that quality for neither held at amortised cost nor at FVOCI • Equity instruments that were not elected for FVOCI will be measured at FVTPL.

Financial liabilities

The Group and the Bank classify all financial liabilities of the host contract at amortised cost, except for derivatives shall be measured as FVTPL.

The financial effects arising from the adoption of MFRS 9 are presented in Note 43 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

(b) Impairment

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model that replaces the Incurred Loss model under the MFRS 139. The ECL model applies to financial assets measured at amortised cost or at FVOCI, a loan commitments and financial guarantee contracts, which include loans, advances and financing and investment securities held by the Group and the Bank.

The Group and the Bank have assessed the ECL impact for some of the financial assets such as cash and bank balances, deposits and placements with banks and other financial institutions, amount due from expected credit refinancing ("ECR"), other assets and insurance receivables in view that there is no history of default and the impact is not significant to the financial statements. The ECL assessment for the financial assets as above will be performed on periodically basis.

The Group and the Bank shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at FVOCI. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

(i) Determining a significant increase in credit risk ("SICR") since initial recognition.

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL.

The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

(ii) ECL Measurement

The Group and the Bank apply a three stage model based on the change in credit quality since initial recognition:

3 Stage model	**Stage 1**	**Stage 2**	**Stage 3**
	Performing	Under-performing	Non-performing
ECL stage	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No siginificant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of interest/profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

Probability of Defaults ("PD") provides an estimate of the likelihood that a customer will be unable to meet its debt obligation or default over a particular time horizon, usually in the course of 1 year. The estimation of ECL under MFRS 9 requires a 12-month PD as well as lifetime PD estimation. The lifetime ECL requires the Group and the Bank to estimate the risk of a default occurring throughout the expected lifetime of a financial instrument. MFRS 9 requires the application of forward looking adjustments to the PD estimation to reflect the future macroeconomic scenarios.

Loss Given Default ("LGD") is based on the percentage of exposure the Group and the Bank might lose in case the customer defaults. LGD depends on the type and amount of collateral as well as the type of customer. These losses are shown as a percentage of the exposure at default.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

(b) Impairment (cont'd.)

(ii) ECL Measurement (cont'd.)

Exposure At Default ("EAD") is an estimate of the Group's and the Bank's exposure to its counterparty at the time of default.

ECL is required to be discounted to the present value at the reporting date using the relevant discount factors. The Group and the Bank should discount the cash flow that it expects to receive at the effective interest rate determined at initial recognition. If a financial instrument has a variable interest rate, expected recovery should be discounted using the current effective interest rate.

In assessing ECL stage 3, the Group and the Bank measure the impairment based on the difference between the loans and financing's carrying amount and the present value of estimated future cash flows of each impaired loans and financing accounts.

(iii) Forward looking adjustments

Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information is based on the Bank's research arm. In addition, the assumptions and analysis are also based on the collation of macroeconomic variables data obtained from various sources.

(iv) Loans Modification

The Group and the Bank sometimes make concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Group and the Bank consider a loan when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include a history of up-to-date and timely payment performance against the modified contractual terms or significant concerns by the Group and the Bank.

Modification may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated and the financial asset was not derecognised, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor the loans to help ensure that future payments continue to be likely to occur.

(c) Hedging

Hedging in an economic sense involves the reduction of the Group and the Bank exposure to a particular risk such as currency risk, interest rate risk associated with a particular transaction.

Hedge accounting is an accounting technique that modifies the normal basis for recognising gains or losses arising from hedging instruments and hedge items so that both are recognised in profit or loss in the same accounting period.

The requirements for general hedge accounting have been simplified for hedge effectiveness testing. Overall, there is no significant financial impact on the Group and the Bank arising from adoption of new hedge accounting requirements under MFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach (i.e. five-step model) to measure and recognise revenue. The five-step model that applies to revenue recognition under MFRS 15 is as follows:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. New disclosure requirements under MFRS 15 include disaggregated information about revenue and information about the performance obligations remaining at the reporting date.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS (including MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for the Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transactions Involving Advertising Services). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group and the Bank have adopted the standard on its effective date, using the modified retrospective method of adoption. The standard does not apply to income or revenue associated with financial instruments scoped in MFRS 9 such as loan, advances and financing and financial investment securities. The adoption of this standard has no material financial impact of the Group's and the Bank's financial statements.

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
• Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
• MFRS 16 Leases	1 January 2019
• MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
• MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
• MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
• MFRS 101 Definition of Material (Amendments to MFRS 101)	1 January 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Description	Effective for annual periods beginning on or after
• MFRS 108 Definition of Material (Amendments to MFRS 108)	1 January 2020
• MFRS 3 Definition of business (Amendments to MFRS 3)	1 January 2020
• Conceptual Framework in MFRS Standards	1 January 2020
• Amendments to MFRS 2 Share-based Payment	1 January 2020
• Amendment to MFRS 3 Business Combinations	1 January 2020
• Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
• Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
• Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
• Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
• Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
• Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
• Amendment to MFRS 138 Intangible Assets	1 January 2020
• Amendments to IC Interpretation 12 Service Concession Arrangements	1 January 2020
• Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
• Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
• Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
• Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs	1 January 2020
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group and 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.

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.

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

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

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

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

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

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

The Group and the Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

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.

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.)

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 ("EXIM Sukuk") is a Special Purpose Vehicle ("SPV") entity established by the Bank as part of its Multi-currency 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 individuals assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are included in income statements as incurred.

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Intangible assets: Computer software

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

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

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

(d) Investment properties

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

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

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

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

(e) Impairment of non-financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial assets

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

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of loans, advances and financing that do not contain a significant financing component or for which the Group and the Bank have applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

(i) Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Financial assets at FVOCI

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(iii) Financial assets designated at FVOCI

Upon initial recognition, the Group and the Bank can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under MFRS 9.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Bank benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

(iv) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial assets (cont'd.)

(v) Financing and receivables

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

Definition of Shariah

(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.

(vi) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial assets (cont'd.)

(vi) Derivative instruments and hedge accounting

(b) Hedge accounting (cont'd.)

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

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

Fair value hedge

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

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

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

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

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

(g) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The Group and the Bank recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

For debt instruments at FVOCI, the Group and the Bank apply the low credit risk simplification. At every reporting date, the Group and the Bank evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group and the Bank reassess the internal credit rating of the debt instrument. In addition, the Group and the Bank consider that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group and the Bank consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Bank may also consider a financial asset to be in default when internal or external information indicates that the Group and the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(h) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Bank's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Bank that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Bank has not designated any financial liability as at FVTPL.

(ii) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial liabilities (cont'd.)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability.

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Revenue recognition (cont'd.)

(v) Islamic income recognition

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

Murabahah, Tawarruq and Istisna'

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

Ijarah

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

Bai' Al Dayn

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

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

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

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); and

  c. Those in the cause of Allah (fi sabilillah).

(r) Foreign currencies

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

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

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

(s) Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

(t) Goods and Service Tax

The Bank charges Goods and Service Tax ("GST") output tax on its taxable supply of goods and services made to customers. The Bank also claims any GST incurred on its purchases i.e. input tax which are tax claimable by the Bank, subject to Fixed Input Tax Rate ("FITR"), currently at 100%. GST has been replaced with Sales and Service Tax ("SST") effective from 1 September 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(u) Sales and Service Tax

The Bank is subjected to Sales and Service Tax ("SST") Act 2018 and charges service tax on its taxable supply of services made to customers such as domestic credit insurance premium/takaful contribution. Service tax is based on payment basis, hence, EXIM Bank is required to account and make payment on service tax every bi-monthly.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT

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

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

3.1 Judgments

(a) Impairment losses on loans, advances and financing

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

(b) Valuation of derivatives and hedge accounting

The Bank value the derivatives instruments and apply the hedge accounting to manage the exposures to interest/profit rate and foreign currency risks. In order to manage particular risk, the Bank apply hedge accounting for transactions which meet specified criteria. At the inception of each hedge relationship, 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.

3.2 Estimates and assumptions

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

(a) Impairment losses on loans, advances and financing

Loans, advances and financing that have been assessed individually but for which no impairment is required and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether allowances should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. In deriving the collective impairment estimates, the Bank makes reference to the publicly available data particularly relating to Probability of Default ("PD") and Loss Given Default ("LGD") as benchmarks. The derived PD and LGD are then adjusted for by the Bank where deemed necessary.

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

3.2 Estimates and assumptions (cont'd.)

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

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

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

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

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

4. CASH AND BANK BALANCES

	Group and Bank	
	2018 RM'000	2017 RM'000
Cash and bank balances	130,082	172,964

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2018 RM'000	2017 RM'000
Deposits and placements with:		
Licensed banks	1,194,809	473,971
Other financial institutions	381,611	476,613
	1,576,420	950,584
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	1,429,963	823,106
On behalf of customers and government **	146,457	127,478
	1,576,420	950,584

** 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 RM23,099,325 (2017: RM21,021,796). The accounting policy in respect of MKFF Scheme is disclosed in Note 2.4(n).

6. FINANCIAL INVESTMENT

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
At FVOCI/AFS financial investments:		
Unquoted debt securities:	712,300	816,509
Less: Allowance for expected credit losses	(15)	-
	712,285	816,509
At amortised costs investments:		
Unquoted debt securities:	610,606	302,870
Less: Allowance for expected credit losses	(82,740)	–
	527,866	302,870
Total financial investment	1,240,151	1,119,379

Included in financial investment are amount that have been pledged for Sukuk Issuance amounting to RM539,557,536 (2017: RM481,767,176).

Movements in the allowances for impairment losses on financial investments at FVOCI are as follows:

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2018	–	–	–	–
- effect of adopting MFRS 9	9	–	–	9
At 1 January 2018 (restated)	9	–	–	9
Allowance during the year	6	–	–	6
At 31 December 2018	15	–	–	15

Movements in the allowances for impairment losses on financial investments at amortised cost is as follow:

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2018	–	–	–	–
- effect of adopting MFRS 9	–	85,947	–	85,947
At 1 January 2018 (restated)	–	85,947	–	85,947
Allowance during the year	2	–	–	2
Exchange differences	–	(3,209)	–	(3,209)
At 31 December 2018	2	82,738	–	82,740

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

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Amount due from participating licensed banks under ECR Scheme	460,816	509,447
The maturity structure of the ECR debtors are as follows:		
Maturity within one year	460,816	509,447

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		
	2018 RM'000	2017 RM'000 Restated	2016 RM'000 Restated
At amortised cost			
Loans, advances and financing	10,203,280	11,694,294	13,097,508
Loans under MKFF scheme	11,908	14,750	15,621
Staff loans	1,190	1,278	1,424
Gross loans, advances and financing	10,216,378	11,710,322	13,114,553
Less: Allowance for impaired loans, advances and financing:			
- Lifetime ECL credit impaired Stage 3	(1,572,701)	(882,068)	(532,623)
- 12 month ECL - Stage 1	(140,324)	–	–
- Lifetime not impaired ECL Stage 2	(150,518)	–	–
- Collective allowance	–	(224,295)	(285,509)
Net loans, advances and financing	8,352,835	10,603,959	12,296,421

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

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

	Group and Bank 2018 RM'000	2017 RM'000	2016 RM'000
Buyer Credit	760,512	884,485	539,700
Overseas Contract Financing	136,840	107,993	133,124
Overseas Investment Financing	902,703	1,079,254	556,177
Term Financing	–	22,041	28,135
Overseas Project Financing	3,208,569	3,941,938	6,165,650
Supplier Credit	250,654	394,859	476,250
Export Finance	8,103	8,097	8,103
Buyer Credit-i	347,181	338,439	–
Supplier Financing-i	1,574,121	2,653,520	1,326,265
Term Financing-i	1,652,262	1,222,507	2,115,048
Overseas Investment Financing-i	445,696	375,880	905,451
Overseas Contract Financing-i	84,282	86,107	77,507
Overseas Project Financing-i	674,885	579,174	765,798
Contract Financing Domestic-i	12,119	–	–
Malaysian Kitchen Financing Facility ("MKFF")	8,083	10,929	11,965
Malaysian Kitchen Financing Facility-i ("MKFF-i")	3,825	3,821	3,956
Vendor Financing	10,074	–	–
Vendor Financing-i	135,279	–	–
Staff loans and advances	1,190	1,278	1,424
	10,216,378	11,710,322	13,114,553

Included in Term Financing-i are amounts that have been pledged for Sukuk Issuance amounting to RM143,059,603 (2017 : RM297,310,460).

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

	Group and Bank 2018 RM'000	2017 RM'000	2016 RM'000
Within one year	3,054,562	3,660,000	3,547,743
One year to three years	1,499,722	1,766,605	1,541,789
Three years to five years	1,640,210	1,884,799	3,484,057
Over five years	4,021,884	4,398,918	4,540,964
	10,216,378	11,710,322	13,114,553

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

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

	Group and Bank		
	2018 RM'000	2017 RM'000	2016 RM'000
Conventional			
Fixed rate	166,604	164,464	184,260
Variable rate	5,132,242	6,286,410	7,736,268
Islamic			
Fixed rate	309,348	383,273	686,455
Variable rate	4,608,184	4,876,175	4,507,570
	10,216,378	11,710,322	13,114,553

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

	Group and Bank		
	2018 RM'000	2017 RM'000	2016 RM'000
At 1 January			
- as previously stated	1,370,284	1,733,159	946,206
- effect of adopting MFRS 9	208,032	–	–
At 1 January 2018/2017, as restated	1,578,316	1,733,159	946,206
Impaired during the year	1,312,129	689,092	1,140,340
Reclassified as non-impaired	(140,123)	(126,756)	(157)
Recoveries	(68,575)	(802,834)	(101,393)
Amount written off	(26,684)	–	(307,624)
Exchange differences	21,919	(122,377)	55,787
At 31 December	2,676,982	1,370,284	1,733,159

	Group and Bank		
	2018 RM'000	2017 RM'000 Restated	2016 RM'000 Restated
Gross impaired loans as a percentage of gross loans, advances and financing			
- with ECR debtors	25.07%	11.21%	12.72%
- without ECR debtors	26.20%	11.70%	13.22%
Net impaired loans as a percentage of gross loans, advances and financing			
- with ECR debtors	10.34%	4.00%	8.81%
- without ECR debtors	10.81%	4.17%	9.15%

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

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

	Group and Bank 2018 RM'000	2017 RM'000 Restated	2016 RM'000 Restated
Individual allowance			
At 1 January (before restatement)			
- as previously stated	913,762	364,480	359,605
- prior year adjustments (Note 43)	(31,694)	168,143	–
- effect of adopting MFRS 9	86,863	–	–
At 1 January 2018 (after restated)	968,931	532,623	359,605
Allowance made during the year	670,212	473,881	323,728
Amount written back	(105,790)	(67,614)	(25,471)
Net charge to income statement	564,422	406,267	298,257
Transferred from Stage 3 commitments and contingencies	40,475	–	–
Amount written off	(26,133)	–	(307,624)
Allowance recoverable from the Government of Malaysia for MKFF scheme	–	–	(947)
Exchange differences	25,006	(25,128)	15,189
At 31 December (before restated)	1,572,701	913,762	364,480
- prior year adjustments (Note 43)	–	(31,694)	168,143
At 31 December (after restated)	1,572,701	882,068	532,623

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2018	224,295	–	913,762	1,138,057
- prior year adjustment	–	–	(31,694)	(31,694)
- effect of adopting MFRS 9	31,698	122,728	86,863	241,289
At 1 January 2018 (restated)	255,993	122,728	968,931	1,347,652
Transferred to Stage 1	(71,212)	–	–	(71,212)
Transferred to Stage 2	–	80,612	–	80,612
Allowance/(written back)	(22,399)	(6,416)	564,422	535,607
Financial assets derecognised	(16,558)	(33,025)	–	(49,583)
Changes due change in credit risk	(2,107)	(14,707)	–	(16,814)
Modification to contractual cash flows of financial assets	(3,393)	1,326	–	(2,067)
Exchange differences	–	–	25,006	25,006
Total net Profit and Loss charge during the period	140,324	150,518	1,558,359	1,849,201
Write offs	–	–	(26,133)	(26,133)
Other movements Balance Sheet impact:				
Transferred from Stage 3 commitments and contingencies	–	–	40,475	40,475
At 31 December 2018	140,324	150,518	1,572,701	1,863,543

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

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

	Group and Bank 2018 RM'000	2017 RM'000
Expected credit losses Stage 1 and 2		
At 1 January		
- as previously stated	224,295	285,509
- effect of adopting MFRS 9	154,426	–
At 1 January 2018 (restated)	378,721	285,509
Expected credit losses (Note 31)		
- 12 month ECL - Stage 1	(115,669)	–
- Lifetime not credit impaired ECL - Stage 2	27,790	–
- Collective allowance made during the year	–	74,090
Amount written back (Note 31)	–	(135,304)
At 31 December	290,842	224,295
Breakdown of collective allowance:		
From impaired loans, advance and financing	–	23,472
From non-impaired loans, advance and financing	290,842	200,823
	290,842	224,295
As % of net loans, advances and financing, restated	3.36%	2.07%

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

	Group and Bank 2018 RM'000	2017 RM'000
Malaysia	1,012,760	617,549
East Asia	1,001,265	162,330
South Asia	38,999	41,711
Central Asia	315,227	306,318
Middle East	8,241	30,105
Africa	105,854	121,685
Europe	69,966	4,895
America	80,348	4,267
Oceania	44,322	81,424
	2,676,982	1,370,284

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

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

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Primary agriculture	138,382	11,259
Manufacturing	230,242	82,724
Transport, storage and communication	835,013	141,888
Construction	563,184	338,176
Wholesale and retail trade, and restaurants and hotels	343,003	374,963
Others	567,158	421,274
	2,676,982	1,370,284

9. INSURANCE RECEIVABLES

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Amount due from agents, brokers and co-insurers	1,019	2,582
Less: Allowance for impairment	(498)	(542)
	521	2,040

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					
	2018			2017		
	Fair Value		Notional	Fair Value		Notional
	Assets RM'000	Liability RM'000	Amount RM'000	Assets RM'000	Liability RM'000	Amount RM'000
Derivative used as fair value hedges						
Interest/profit rate swaps	11,745	98,086	4,550,841	24,036	86,286	4,453,464
Cross currency interest/profit rate swap	37,401	14,946	962,635	28,777	14,855	1,465,193
Derivative held for trading						
Forward foreign exchange contract	–	–	–	991	3,246	344,607
Total	49,146	113,032	5,513,476	53,804	104,387	6,263,264

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 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 39.

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 Multi-currency Sukuk Programme (Sukuk) issued by the Bank and the Group respectively.

As at 31 December 2018, the Bank has entered into the following derivative financial instruments:

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

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

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

Full details of hedging as follows:

Group and Bank

2018

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD63 million	Floating rate of 3 months Libor + 1.85% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.509% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million	Floating rate of 6 months Libor + 1.264% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.2615% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.26% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.264% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD50 million	Floating rate of 3 months Libor + 1.01% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.85% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.00% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.66% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% pa (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
USD37.3 million	Floating rate of 3 months Libor + 1.70% pa (receive fixed USD half yearly/pay float USD quarterly)	Fixed 3.01% per annum (payable semi-annually)	Fair value hedge	Profit rate

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

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

Group and Bank

2018 (cont'd.)

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD150 million	Floating rate of 3 months Libor + 1.16% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.21% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.214% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
Notional amount	**Hedging instrument: Cross Currency Interest/ Profit Rate Swap**	**Hedged item: MTN/SUKUK**	**Hedging relationship**	**Nature of risk**
USD50 million	Floating rate of 3 months Libor + 1.165% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
HKD402 million*	USD51.82 million at floating rate of 3 months USD Libor + 0.88% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.6% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD300 million	SGD47.89 million at floating rate of 6 months SGD SOR + 1.00% p.a (receive fixed HKD annually/pay float SGD semi annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
JPY3 billion	USD29.34 million at floating rate of 3 months Libor + 0.94% p.a (receive fixed JPY semi-annually/pay float USD quarterly)	Fixed 0.65% per annum (payable semi-annually)	Fair value hedge	Interest rate & foreign currency
HKD610 million**	USD 78.69 million at floating rate of 3 months USD Libor + 0.51% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.43% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
USD40 million	GBP 25.99 million at fixed rate of 2.43% p.a (receive fixed GBP semi-annually/pay USD semi-anually)	Fixed 2.45% per annum (payable semi-annually)	Fair value hedge	Profit rate & foreign currency
HKD400 million	USD 51.57 million at floating rate of 3 months USD Libor + 1.18% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.10% per annum (payable annually)	Fair value hedge	Profit rate & foreign currency

* The derivative financial instruments were matured on 8 March 2018

** The derivative financial instruments were matured on 26 January 2018.

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

Full details of hedging as follows:

Group and Bank

2017

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD350 million*	Floating rate of 3 months Libor + 1.755% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million*	Floating rate of 3 months Libor + 1.765% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million*	Floating rate of 3 months Libor + 1.78% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD25 million*	Floating rate of 3 months Libor + 1.75% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD63 million	Floating rate of 3 months Libor + 1.85% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.509% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million	Floating rate of 6 months Libor + 1.264% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% er annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.2615% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.26% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.264% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD50 million	Floating rate of 3 months Libor + 1.01% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.85% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.00% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.66% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% pa (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
USD37.3 million	Floating rate of 3 months Libor + 1.70% pa (receive fixed USD half yearly/pay float USD quarterly)	Fixed 3.01% per annum (payable semi-annually)	Fair value hedge	Profit rate

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

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

Group and Bank

2017 (cont'd.)

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

Notional amount	Hedging instrument: Cross Currency Interest/ Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
HKD402 million	USD51.82 million at floating rate of 3 months USD Libor + 0.88% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.6% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD300 million	SGD47.89 million at floating rate of 6 months SGD SOR + 1.00% p.a (receive fixed HKD annually/pay float SGD semi annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
JPY3 billion	USD29.34 million at floating rate of 3 months Libor + 0.94% p.a (receive fixed JPY semi-annually/pay float USD quarterly)	Fixed 0.65% per annum (payable semi-annually)	Fair value hedge	Interest rate & foreign currency
HKD610 million	USD 78.69 million at floating rate of 3 months USD Libor + 0.51% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.43% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
USD40 million	GBP 25.99 million at fixed rate of 2.43% p.a (receive fixed GBP semi-annually/pay USD semi-anually)	Fixed 2.45% per annum (payable semi-annually)	Fair value hedge	Profit rate & foreign currency
HKD400 million	USD 51.57 million at floating rate of 3 months USD Libor + 1.18% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.10% per annum (payable annually)	Fair value hedge	Profit rate & foreign currency

* The derivative financial instruments were matured on 14 December 2017

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 2018 RM'000	Group and Bank 2017 RM'000
Gain/(loss) arising from fair value hedges:		
Hedging instruments	(8,591)	(36,152)
Hedged items	(31,359)	33,597
	(39,950)	(2,555)

11. OTHER ASSETS

	Group and Bank		
	2018 RM'000	2017 RM'000 Restated	2016 RM'000 Restated
Interest/profit receivables (excluding interest/profit on loans, advances and financing)	67,763	69,505	80,022
Other receivables, deposits and prepayments	12,943	12,309	15,148
Tax prepayment	21,482	21,490	15,940
	102,188	103,304	111,110

12. DEFERRED TAX (LIABILITIES)/ASSETS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	(2,316)	53,598	–	55,913
Recognised in profit or loss (Note 34)	–	(33,655)	–	(33,654)
Recognised in other comprehensive income	–	(22,259)	–	(22,259)
At 31 December	(2,316)	(2,316)	–	–

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

Deferred tax assets

	Allowance for diminution in value of investment in a subsidiary RM'000	Provision for expenses RM'000	Unrealised losses on foreign exchange RM'000	Unutilised business losses RM'000	Unabsorbed capital allowances RM'000	Total deductible temporary differences RM'000
Group						
At 1 January 2017	–	3,776	56,456	–	–	60,232
Recognised in income statement	–	362	(56,456)	35,226	1,213	(19,655)
At 31 December 2017	–	4,138	–	35,226	1,213	40,577
Recognised in income statement	–	(37)	–	(27,658)	(1,213)	(28,908)
At 31 December 2018	–	4,101	–	7,568	–	11,669
Bank						
At 1 January 2017	2,228	3,863	56,456	–	–	62,547
Recognised in income statement	1	362	(56,456)	35,226	1,213	(19,654)
At 31 December 2017	2,229	4,225	–	35,226	1,213	42,893
Recognised in income statement	–	(37)	–	(27,658)	(1,213)	(28,908)
At 31 December 2018	2,229	4,188	–	7,568	–	13,985

Deferred tax liabilities

	Unrealised gain on FVOCI/AFS investment securities RM'000	Unrealised gain on foreign exchange RM'000	Accelerated capital allowance on property and equipment RM'000	Total taxable temporary differences RM'000
Group				
At 1 January 2017	–	–	(6,634)	(6,634)
Recognised in income statement	–	(15,915)	1,915	(14,000)
Recognised in other comprehensive income	(22,259)	–	–	(22,259)
At 31 December 2017	(22,259)	(15,915)	(4,719)	(42,893)
Recognised in income statement	–	28,038	870	28,908
At 31 December 2018	(22,259)	12,123	(3,849)	(13,985)

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

Deferred tax liabilities (cont'd.)

	Unrealised gain on FVOCI/AFS investment securities RM'000	Unrealised gain on foreign exchange RM'000	Accelerated capital allowance on property and equipment RM'000	Total taxable temporary differences RM'000
Bank				
At 1 January 2017	–	–	(6,634)	(6,634)
Recognised in income statement	–	(15,915)	1,915	(14,000)
Recognised in other comprehensive income	(22,259)	–	–	(22,259)
At 31 December 2017	(22,259)	(15,915)	(4,719)	(42,893)
Recognised in income statement	–	28,038	870	28,908
At 31 December 2018	(22,259)	12,123	(3,849)	(13,985)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	11,669	40,577	13,985	42,893
Deferred tax liabilities	(13,985)	(42,893)	(13,985)	(42,893)
	(2,316)	(2,316)	–	–

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

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unutilised tax losses	31,533	146,775	31,533	146,775
Tax rate	24%	24%	24%	24%
	7,568	35,226	7,568	35,226

The deferred tax assets have been recognised as at 31 December 2018 to the extent that the Group and the Bank has sufficient taxable temporary differences to utilise.

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

Deferred tax liabilities (cont'd.)

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unutilised tax losses				
- Bank	731,546	363,775	731,546	363,775
- Subsidiary	–	67,289	–	–
Unabsorbed capital allowance	8,704	–	8,704	–
Other deductible temporary difference	184,042	–	184,042	–
	924,292	431,064	924,292	363,775
Tax rate	24%	24%	24%	24%
	221,830	103,455	221,830	87,306

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

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%).

13. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

(a) Investment in subsidiaries

	Group and Bank	
	2018 RM'000	2017 RM'000
Unquoted shares - at cost	73,419	73,419
Less: Allowance for diminution in value	(9,290)	(9,290)
	64,129	64,129

The subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest (%)	
			2018	2017
Malaysia Export Credit Insurance Berhad	Dormant	Malaysia	100	100
EXIM Sukuk Malaysia Berhad	Special Purpose Vehicle for Sukuk issuance	Malaysia	100	100

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

(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. The share capital of the Company is USD2.00. In 2017, the Bank disposed indirectly shares with Masceana Co Ltd on 14 June 2017.

14. INVESTMENT PROPERTIES

	Group and Bank	
	2018 RM'000	2017 RM'000
Cost		
At 1 January	1,300	1,390
Disposal	–	(90)
At 31 December	1,300	1,300
Accumulated depreciation and impairment losses		
At 1 January		
Accumulated depreciation	414	429
Disposal	–	(33)
Charged for the year (Note 28)	18	18
At 31 December	432	414
Carrying amount	868	886
Included in the carrying amount of investment properties are:		
Freehold land	400	400
Buildings	468	486
	868	886
Fair value of investment properties	1,140	1,239

The investment properties were mainly valued by Raine & Horne International Zaki & Partners Sdn. Bhd., an independent professional valuer, on 14th January 2019. The fair value is determined based on the comparison method of valuation.

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

15. INTANGIBLE ASSETS

	Group and Bank	
	2018 RM'000	2017 RM'000
Computer software		
Cost		
At 1 January	22,953	18,397
Additions	1,460	130
Transfer from property and equipment	–	4,426
At 31 December	24,413	22,953
Accumulated depreciation		
At 1 January	14,347	8,603
Charged for the year (Note 28)	6,691	5,744
At 31 December	21,038	14,347
Carrying amount	**3,375**	**8,606**

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	Computers RM'000	Work-in-progress RM'000	Total RM'000
Group and Bank									
Cost									
At 1 January 2018	30,000	33,000	1,402	28,442	1,043	5,224	15,569	783	115,463
Additions	–	–	25	66	–	193	770	1,759	2,813
Transfer to intangible assets	–	–	–	–	–	–	–	(1,460)	(1,460)
Disposals	–	–	(23)	–	–	–	(570)	–	(593)
At 31 December 2018	30,000	33,000	1,404	28,508	1,043	5,417	15,769	1,082	116,223
Accumulated depreciation									
At 1 January 2018	–	5,610	1,172	16,181	739	4,428	13,225	–	41,355
Charged for the year	–	660	115	2,845	104	326	1,692	–	5,742
Disposal	–	–	(14)	–	–	–	(564)	–	(578)
At 31 December 2018	–	6,270	1,273	19,026	843	4,754	14,353	–	46,519
Carrying amount									
At 31 December 2018	30,000	26,730	131	9,482	200	663	1,416	1,082	69,704

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

17. BORROWINGS

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
(i) Term loans/Revolving credits - unsecured		
Repayable within one year	1,502,909	1,874,622
Three years to five years	72,118	45,534
Over five years	–	35,928
	1,575,027	1,956,084
(ii) Medium Term Notes/Sukuk		
Repayable within one year	2,883,707	968,236
One year to three years	2,269,643	3,013,719
Three years to five years	2,163,136	3,369,438
Over five years	498,230	961,352
	7,814,716	8,312,745
	9,389,743	10,268,829

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Term loans/Revolving credits - unsecured	1,575,027	1,956,084
Medium Term Notes/Sukuk	7,814,716	8,312,745
	9,389,743	10,268,829

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

	Carrying amount RM'000	Within 1 year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2018					
- USD	6,865,726	2,643,113	2,269,643	1,454,740	498,230
- RM	35,928	–	–	35,928	–
- EUR	212,756	212,756	–	–	–
- GBP	431,910	431,910	–	–	–
- SGD	297,252	297,252	–	–	–
- AUD	495,168	221,833	–	273,335	–
- HKD	968,377	497,126	–	471,251	–
- JPY	82,626	82,626	–	–	–
	9,389,743	4,386,616	2,269,643	2,235,254	498,230

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

TERM LOANS/REVOLVING CREDITS

(a) Term loan of USD35,000,000 (approximately RM144,760,000) (2017: USD35,000,000 (approximately RM141,662,500)). The loan is repayable semi-annually within twenty eight (28) semi-annual instalments from 12 August 2008 to 12 February 2022.

The loan was obtained on 25 April 2006. Interest on the loan is charged at 0.395% (2017: 0.395%) per annum above LIBOR.

(b) Revolving multi-currency loan of six (6) months up to an aggregate of USD150,000,000 (approximately RM620,400,000) (2017: USD150,000,000 (approximately RM607,125,000)).

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% (2017: 0.80%) per annum above LIBOR.

(c) Commodity Murabahah Revolving Credit-i up to an aggregate of USD100,000,000 (approximately RM413,600,000) (2017: USD100,000,000 (approximately RM404,750,000)) renewable after one (1) year.

The financing was obtained on 10 November 2010 for USD30,000,000, renewed on 14 December 2011, 21 March 2014 and 2 March 2015 with additional amounts of USD10,000,000, USD30,000,000 and USD30,000,000 respectively. Profit rate on the financing was charged at the rate of 0.80% and has been subsequently revised to 0.50% (2017:0.50%) per annum above the Islamic Cost of Fund since March 2014.

(d) Revolving Euro loan of one (1) year up to an aggregate of EUR30,000,000 (approximately RM141,837,000) (2017: EUR30,000,000 (approximately RM145,320,000)) 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% (2017 :0.80%) per annum above Euro Interbank Offer Rate ("EURIBOR").

(e) Structured Commodity Financing-i of one (1) year up to an aggregate of USD35,000,000 (approximately RM144,760,000) (2017 : USD35,000,000 (approximately RM141,662,500)).

The financing was obtained on 25 July 2012 for USD25,000,000 and was renewed on 11 July 2013 with an additional amount of USD10,000,000. Profit rate on the financing is charged at the rate of 1.30% (2017 :1.30%) per annum above LIBOR. The loan was fully repaid during the year.

17. BORROWINGS (CONT'D.)

TERM LOANS/REVOLVING CREDITS (CONT'D.)

(f) Multi-Currency Commodity Murabahah Revolving Credit-i up to an aggregate of USD85,000,000 (approximately RM351,560,000) (2017: USD85,000,000 (approximately RM344,037,500)) renewable after one (1) year.

The financing was obtained on 14 June 2013 for USD25,000,000. The limit was revised to USD85,000,000 on 12 August 2013 and profit rate was reduced to 0.80% per annum on 4 August 2014. Profit rate on the financing is charged at the rate of 0.80% (2017: 0.80%) per annum above the Islamic Cost of Fund.

(g) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM103,400,000) (2017: USD25,000,000 (approximately RM101,187,500)) 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% (2017: 0.50%) per annum above the Islamic Cost of Fund.

(h) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM165,440,000) (2017: USD40,000,000 (approximately RM161,900,000)) 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% (2017: 0.75%) per annum above the Islamic Cost of Fund.

(i) Multi-Currency Murabahah Revolving Credit-i up to an aggregate of EUR120,000,000 (approximately RM567,348,000) (2017: EUR120,000,000 (approximately RM581,280,000)) 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% (2017: 0.80%) per annum above EURIBOR.

(j) Revolving multi currency loan up to an aggregate of USD50,000,000 (approximately RM206,800,000) (2017: USD50,000,000 (approximately RM202,375,000)).

The loan was obtained on 17 February 2014 and renewable yearly. Interest on loan is charged at the rate of 0.80% (2017: 0.80%) per annum over cost of fund.

(k) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM165,440,000) (2017: USD40,000,000 (approximately RM161,900,000)).

The financing was obtained on 29 October 2015 and renewable yearly. Profit rate on the financing was revised to 1.02% on 17 December 2018 (2017: 0.80%) per annum above LIBOR.

(l) Commodity Murabahah Revolving Credit-i up to an aggregate of USD75,000,000 (approximately RM310,200,000) (2017: USD75,000,000 (approximately RM303,562,500)).

The financing was obtained on 26 February 2016 and renewable yearly. Profit rate on the financing was revised to 1.00% on 13 December 2018 (2017: 0.85%) per annum above the LIBOR.

(m) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM103,400,000) (2017: USD50,000,000 (approximately RM202,375,000)).

The financing was obtained on 28 January 2016. Facility limit was reduced to USD25,000,000 on 12 March 2018 (2017: USD50,000,000). Profit rate on the financing is charged at the rate of 0.50% (2017: 0.50%) per annum above the Islamic Cost of Fund.

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

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

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

17. BORROWINGS (CONT'D.)

TERM LOANS/REVOLVING CREDITS (CONT'D.)

(o) Revolving US Dollar loan up to a maximum facility of USD60,000,000 (approximately RM248,160,000). (2017: USD60,000,000 (approximately RM242,850,000)).

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

MEDIUM TERM NOTES

In June 2012, the Bank established multicurrency Medium Term Notes (MTN) programme. The maximum principal of notes that may be issued under the programme was USD1,500,000,000, which was subsequently upsized to USD3,000,000,000 in October 2016. Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating of interest.

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
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	6m BBSW+1.20%	Floating
13 March 2014	USD25 mil	5 years	3m Libor+1.00%	Floating
14 March 2014	SGD60 mil	5 years	6m SOR+0.90%	Floating
3 April 2014	USD20 mil	5 years	3m Libor+1.03%	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	3m Libor+0.95%	Floating
29 May 2014	USD50 mil	5 years	3m Libor+0.80%	Floating
6 June 2014	USD100 mil	15 years	4.250%	Fixed
9 February 2015*	HKD610 mil	3 years	1.430%	Fixed
20 October 2016	USD500 mil	5 years	2.480%	Fixed
21 August 2017	EUR40 mil	5 years	3m Euribor+0.75%	Floating
7 November 2017	USD20 mil	5 years	3m Libor+0.85%	Floating
8 November 2017	USD100 mil	5 years	3m Libor+0.85%	Floating
10 November 2017	USD15 mil	5 years	3m Libor+0.85%	Floating
10 November 2017	USD25 mil	5 years	3m Libor+0.85%	Floating
28 February 2018	USD23 mil	5 years	3m Libor+0.85%	Floating
4 May 2018	USD45 mil	5 years	3m Libor+0.85%	Floating

* The Medium Term Note of HKD610 million has matured on 9 February 2018.
* The Medium Term Note of HKD402 million has matured on 8 March 2018.
* The Medium Term Note of AUD45 million has matured on 19 March 2018.

17. BORROWINGS (CONT'D.)

MULTI-CURRENCY SUKUK PROGRAMME

In September 2013, the Bank launched its USD1.0 billion multicurrency Sukuk programme through Special Purpose Vehicle (SPV) company. Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating of interest.

The Bank established a SPV entity, EXIM Sukuk Berhad, to issue the abovementioned Multi-currency 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.

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	3m Libor+1.20%	Floating
28 January 2016	USD37.3 mil	5 years	3.010%	Fixed
28 July 2016	USD17 mil	3 years	3m Libor + 1.20%	Floating
5 August 2016	HKD400 mil	3 years	2.100%	Fixed
4 May 2017	USD45 mil	5 years	3.000%	Fixed

* The Sukuk of USD40 million has matured on 22 June 2018.

* The Sukuk of USD30 million has matured on 10 December 2018.

18. OTHER PAYABLES AND ACCRUALS AND ADVANCE FROM MINISTRY OF FINANCE INC.

(a) Other payables and accruals

	Group 2018 RM'000	Bank 2018 RM'000	Group and Bank 2017 RM'000 Restated	Group and Bank 2016 RM'000 Restated
Sinking fund and debt services reserve accounts	127,421	127,421	156,878	163,778
Interest payable	119,239	119,239	108,038	113,600
Amount due from the Government of Malaysia for MKFF scheme	1,320	1,320	(980)	(1,717)
Provision for zakat	–	–	3,163	2,423
Amount due to Teraju	51,568	51,568	–	–
Others	69,950	69,958	69,306	57,334
	369,498	369,506	336,405	335,418

18. OTHER PAYABLES AND ACCRUALS AND ADVANCE FROM MINISTRY OF FINANCE INC. (CONT'D.)

(b) Advance from Ministry of Finance Inc.

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Advance from Ministry of Finance Inc.	–	250,000

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

As of 31 December 2018, the Bank has reclassified the advance from Minister of Finance Inc. to Redeemable convertible cumulative preference shares.

19. PROVISION FOR COMMITMENTS AND CONTINGENCIES

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Provision for commitments and contingencies	17,106	–

Movements in the allowances for impairment losses on commitments and contingencies are as follows:

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2018				
- effect of adopting MFRS 9	40,327	8,332	40,475	89,134
At 1 January 2018 (restated)	40,327	8,332	40,475	89,134
Transferred to Stage 3 - loan, advances and financing	–	–	(40,475)	(40,475)
Reversal of allowance during the year (Note 32)	(25,314)	(6,239)	–	(31,553)
At 31 December 2018	15,013	2,093	–	17,106

20. DEFERRED INCOME

	Gross RM'000	Group and Bank Reinsurance RM'000	Net RM'000
2018			
Arising from:			
(i) Guarantee and fee from conventional banking activities			
At 1 January	17,627	–	17,627
Addition during the year	5,231	–	5,231
Recognised in income statement	(9,812)	–	(9,812)
At 31 December	13,046	–	13,046
(ii) Guarantee and fee from Islamic banking activities			
At 1 January	12,788	–	12,788
Addition during the year	772	–	772
Recognised in income statement	(5,033)	–	(5,033)
At 31 December	8,527	–	8,527
(iii) Premium liabilities			
At 1 January	16,376	(11,341)	5,035
Decrease in reserve	(16,337)	15,689	(648)
At 31 December	39	4,348	4,387
(iv) Takaful premium liabilities			
At 1 January	15,985	(6,457)	9,528
Decrease in reserve	(5,351)	7,414	2,063
At 31 December	10,634	957	11,591
	32,246	5,305	37,551

20. DEFERRED INCOME (CONT'D.)

	Group and Bank Gross RM'000	Reinsurance RM'000	Net RM'000
2017			
Arising from:			
(i) Guarantee and fee from conventional banking activities			
At 1 January	10,065	–	10,065
Addition during the year	17,940	–	17,940
Recognised in income statement	(10,378)	–	(10,378)
At 31 December	17,627	–	17,627
(ii) Guarantee and fee from Islamic banking activities			
At 1 January	11,088	–	11,088
Addition during the year	6,281	–	6,281
Recognised in income statement	(4,581)	–	(4,581)
At 31 December	12,788	–	12,788
(iii) Premium liabilities			
At 1 January	10,946	(5,611)	5,335
Decrease in reserve	5,430	(5,730)	(300)
At 31 December	16,376	(11,341)	5,035
(iv) Takaful premium liabilities			
At 1 January	19,064	(7,484)	11,580
Increase in reserve (Note 38)	(3,079)	1,027	(2,052)
At 31 December	15,985	(6,457)	9,528
	62,776	(17,798)	44,978

21. PROVISION FOR GUARANTEE AND CLAIMS

	Group and Bank Gross RM'000	Group and Bank Net RM'000
2018		
Arising from:		
(i) Insurance claims		
At 1 January	13,752	13,752
Reversal during the year	(1,688)	(1,688)
Paid during the year (Note 26(ii))	(84)	(84)
At 31 December	11,980	11,980
(ii) Takaful claims		
At 1 January	5,616	5,616
Addition during the year	1,053	1,053
At 31 December	6,669	6,669
(iii) Expenses liabilities		
At 1 January	229	229
Addition during the year	54	54
At 31 December	283	283
	18,932	18,932
2017		
Arising from:		
(i) Insurance claims		
At 1 January	16,245	16,245
Addition during the year	2,344	2,344
Paid during the year (Note 26(ii))	(4,837)	(4,837)
At 31 December	13,752	13,752
(ii) Takaful claims		
At 1 January	3,238	3,238
Addition during the year	2,378	2,378
At 31 December	5,616	5,616
(iii) Expenses liabilities		
At 1 January	275	275
Reversal during the year	(46)	(46)
At 31 December	229	229
	19,597	19,597

22. SHARE CAPITAL AND REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

(a) Share capital

	Group and Bank			
	2018		2017	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Ordinary shares of RM1 each	3,000,000	3,000,000	3,000,000	3,000,000
Special rights	**	**	**	**
At 31 December	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid-up				
Ordinary shares	2,708,665	2,708,665	2,708,665	2,708,665
Special rights	**	**	**	**
At 31 December	2,708,665	2,708,665	2,708,665	2,708,665

** Special right of 1 unit at RM1.

The Special Rights Redeemable Share ("Special Rights") may be held or transferred only to the Ministry of Finance (Incorporated) or its successors or any Ministry, 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. SHARE CAPITAL AND REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES (CONT'D.)

(b) Redeemable convertible cumulative preference shares

On 21 December 2017, the Bank received an advance from MoF, Inc of RM250 million. This advance carries a financing cost of 4.7%. This advance is to be capitalised as Redeemable Convertible Cumulative Preference Shares ("RCCPS") via a Subscription Agreement based on the terms that was approved by Bank Negara Malaysia on 21 November 2017 and 30 January 2018. The Bank has obtained the shareholder's approval on the proposed RCCPS issuance via Extraordinary General Meeting held on 8 March 2018.

The key terms are as follows:

Tenure: Based on perpetual from 8 March 2018.

Dividend rate: 4.7% per annum, payable semi-annually in arrears.

Conversion right: Shall not constitute a cancellation, redemption or termination of a RCCPS but will be by way of variation to the status of, and rights attaching to, the RCCPS so that it becomes an ordinary shares.

23. OPERATING REVENUE

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

	Group and Bank	
	2018 RM'000	2017 RM'000
Banking	488,764	510,465
Insurance	7,827	12,908
Recoveries from impaired loans	57,901	46,805
	554,492	570,178

The timing of revenue recognition by the Group and the Bank are as follows:

	Group RM'000	Bank RM'000
2018		
At a point in time	74,852	74,852
Over a period of time	479,640	479,640
	554,492	554,492

24. INTEREST INCOME

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Financial assets at amortised cost Loans, advances and financing		
- Interest income from non-impaired loans	263,757	301,681
- Recoveries from impaired loans	38,304	21,973
Money at call and deposit placements with banks and other financial institutions	21,985	51,229
Financial investment	6,321	–
Amortisation of premium, net	(101)	–
Financial assets at FVTPL		
Net interest on derivatives	(23,945)	8,219
	306,321	383,102

25. INTEREST EXPENSE

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Financial liabilities at amortised cost		
Borrowings:		
Term loans/Revolving credits	13,218	14,467
Medium Term Notes	154,174	201,671
	167,392	216,138

26. UNDERWRITING RESULTS

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Gross premium	8,329	38,586
Reinsurance	(2,531)	(28,460)
Net premium	5,798	10,126
Decrease in premium liabilities reserves	(323)	158
Net earned premium (Note 26(i))	5,475	10,284
Other fee income	1,284	1,489
Write-back of allowance for doubtful debts	3	(24)
	6,762	11,749
Net claims recovered/(incurred) (Note 26(ii))	1,696	(2,280)
Underwriting results	8,458	9,469

26. UNDERWRITING RESULTS (CONT'D.)

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
(i) Net earned premium		
Gross premium	8,329	38,586
Change in premium liabilities reserves	(323)	158
	8,006	38,744
Net premium ceded	(2,531)	(28,460)
Net earned premium	5,475	10,284
(ii) Net claims recovered/(incurred)		
Gross claims paid less salvage (Note 21)	(84)	(4,837)
Recoveries	8	103
Bad debt written off	–	(39)
Net claims paid	(76)	(4,773)
Change to insurance claims	1,772	2,493
Net claims recovered/(incurred)	1,696	(2,280)

27. OTHER (EXPENSE)/INCOME, NET

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000 Restated
Fee income from loans, advances and financing	23,969	26,419
Unrealised foreign exchange (loss)/gain	(116,823)	301,547
Realised foreign exchange gain/(loss)		
Financial assets at amortised cost	100,228	(245,805)
Financial liabilities at FVTPL	(15,214)	–
Gain on disposal of equipment	(6)	103
Rental income	23	32
Unrealised loss on derivatives	(6,336)	(73,265)
(Loss)/gain on MTN/Sukuk		
- unrealised	(31,359)	33,597
- realised	–	(29,352)
Reversal of brokerage fees	–	2,024
Others	320	270
	(45,198)	15,570

28. OVERHEAD EXPENSES

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Personnel costs	(i)	50,063	47,522	50,063	47,522
Establishment related expenses	(ii)	16,972	16,755	16,972	16,755
Promotion and marketing expenses	(iii)	2,415	3,436	2,415	3,436
General administrative expenses	(iv)	20,642	21,349	20,642	21,346
		90,092	89,062	90,092	89,059

(i) Personnel costs

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Salaries, allowances and bonuses	35,925	35,847
Defined contribution plan	6,176	5,538
Other staff related expenses	7,962	6,137
	50,063	47,522

(ii) Establishment related expenses

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Depreciation:		
- Property and equipment (Note 16)	5,742	5,974
- Investment properties (Note 14)	18	18
Amortisation of intangible assets (Note 15)	6,691	5,744
Rental of leasehold land and premises	467	417
Repairs and maintenance of property and equipment	4,054	4,602
	16,972	16,755

(iii) Promotion and marketing expenses

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Advertisement and publicity	2,415	3,436

28. OVERHEAD EXPENSES (CONT'D.)

(iv) General administrative expenses

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Administrative expenses	3,084	3,095	3,084	3,095
Auditors' remuneration				
- statutory audit	614	348	611	338
- underprovision of prior year	460	–	460	–
- regulatory related services	3	3	3	3
- other services	746	–	746	–
Asset written off	435	–	435	–
General expenses	8,549	7,720	8,549	7,720
Non-Executive Directors remuneration	2,195	2,317	2,195	2,317
Professional fees	5,634	7,421	5,637	7,421
(Reversal)/charge of brokerage fees	(2,602)	28	(2,602)	28
Others	1,524	417	1,524	424
	20,642	21,349	20,642	21,346

29. DIRECTORS' FEES AND REMUNERATION

	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
Group and Bank					
2018					
Executive Director:					
Norzilah binti Mohammed	480	–	40	153	673
	480	–	40	153	673
Non-Executive Directors:					
Datuk Mat Noor bin Nawi	–	265	–	27	292
Dato' Rosli bin Mohamed Nor	–	161	–	–	161
Dato' Sri Dr. Mohmad Isa bin Hussain	–	36	–	–	36
Dato' Md Agil bin Mohd Natt	–	252	–	–	252
Encik Ismail bin Mahbob	–	248	–	–	248
Hijah Arifakh binti Othman	–	206	–	–	206
Dato' Dzulkifli binti Mahmud	–	178	–	–	178
YM Tunku Afwida binti Tunku A. Malek	–	243	–	–	243
Encik Mohammad Fadzlan bin Abdul Samad	–	256	–	–	256
Datuk Syed Ahmad Helmy bin Syed Ahmad	–	230	–	–	230
Normah binti Osman	–	93	–	–	93
	–	2,168	–	27	2,195
Total Directors' remuneration (excluding benefits in-kind)	480	2,168	40	180	2,868

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

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

30. KEY MANAGEMENT PERSONNEL COMPENSATION

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

The key management personnel compensation is as follows:

	Group and Bank 2018 RM'000	2017 RM'000
Short-term employee benefits (excluding benefit in-kind)	673	674
Included in the total key management personnel is:		
Executive Director's remuneration (Note 28)	673	674

31. ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000 Restated
Allowances for losses on loans, advances and financing		
- 12 month ECL - Stage 1, net	(115,669)	–
- Lifetime not credit impaired ECL - Stage 2, net	27,790	–
- Lifetime ECL credit impaired - Stage 3, charged for the year	670,212	473,881
- Lifetime ECL credit impaired - Stage 3, written back during the year	(105,790)	(99,308)
- Bad debts written off	2,042	–
- Collective allowance charged for the year	–	74,090
- Collective allowance written back during the year	–	(135,304)
	478,585	313,359

32. ALLOWANCES FOR COMMITMENTS AND CONTINGENCIES

	Group and Bank 2018 RM'000
Allowances for commitments and contingencies	
- 12 month ECL - Stage 1, net	(25,314)
- Lifetime not impaired ECL - Stage 2, net	(6,239)
	(31,553)

33. ALLOWANCES ON FINANCIAL INVESTMENTS

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
FVOCI/AFS financial investments		
- 12 month ECL - Stage 1, net	(1)	–
	(1)	–
Financial investments at amortised costs		
- Lifetime not impaired ECL - Stage 2, net	(3,200)	–
	(3,200)	–
Total allowances on financial investments	(3,201)	–

34. TAXATION

The major components of taxation for the years ended 31 December 2018 and 2017 are:

	Group		Bank	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Deferred tax expense (Note 12):				
- Origination and reversal of temporary differences	–	69,083	–	69,082
- Benefits from previously unutilised business losses	–	(35,226)	–	(35,226)
- Overprovision in prior year	–	(202)	–	(202)
	–	33,655	–	33,654

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

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

	Group		Bank	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Loss before taxation	(263,521)	(56,328)	(263,521)	(56,328)
Income tax using Malaysian statutory tax rate of 24% (2017: 24%)	(63,245)	(13,519)	(63,245)	(13,519)
Non-deductible expenses	4,811	4,994	4,811	4,993
Deferred tax assets recognised on unutilised business losses and unabsorbed capital allowances	–	(43,663)	–	(43,663)
Deferred tax assets not recognised on unutilised business losses	58,434	86,045	58,434	86,045
Overprovision of deferred tax in prior year	–	(202)	–	(202)
	–	33,655	–	33,654

35. LOSS PER SHARE

	Group		Bank	
	2018	2017 Restated	2018	2017 Restated
Issued ordinary shares as at 31 December ('000)	2,708,665	2,708,665	2,708,665	2,708,665
Loss after taxation (RM'000)	(263,521)	(93,146)	(263,521)	(93,145)
Basic loss per share (sen)	(9.73)	(3.44)	(9.73)	(3.44)

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

36. DIVIDENDS

The holders of redeemable convertible cumulative preference shares are entitled to receive dividends at a fixed rate of 4.7% per annum as and when declared by the Bank.

37. COMMITMENTS AND CONTINGENCIES

	Group and Bank 2018 RM'000	2017 RM'000
Banking operation commitments		
Contracted but not provided for:		
Guarantee facility	433,653	600,508
Letter of credit	5,220	6,113
Undrawn loans and financing	1,652,604	2,208,275
	2,091,477	2,814,896
Insurance operation commitments		
Contracted but not provided for:		
Within one year	727,658	700,891
One year or later and no later than five years	1,153,794	1,094,945
	1,881,452	1,795,836
Operational commitments		
Approved but not contracted for:		
Within one year	15,930	12,685
Total commitments and contingencies	3,988,859	4,623,417

38. SIGNIFICANT RELATED PARTIES TRANSACTION AND BALANCES

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

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

(a) Compensation of key management personnel

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

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

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

	Bank	
	2018 RM'000	2017 RM'000
Amount due to subsidiaries	64,126	64,134

(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	
	2018 RM'000	2017 RM'000
Transaction during the year		
Other income:		
Management fee	512	569

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	
	2018 RM'000	2017 RM'000
Fund under MKFF Scheme	170,100	170,100
Less:		
Loan repayment	(134,172)	(134,172)
	35,928	35,928
Less:		
Loans and financing	(11,908)	(14,750)
Allowance for losses on loans and financing	(4,298)	(6,055)
Add:		
Interest earned from financing	5,651	761
Interest income on investment	1,051	4,798
Net repayable	26,424	20,682

(d) Licensed banks and other financial institutions

	Group and Bank	
	2018 RM'000	2017 RM'000
Deposits and placements	23,099	21,022

39. 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.

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

Oversight and organisation

A stable enterprise-level organisational structure for risk management is necessary to ensure a uniform view of risk across the Group and the Bank. It is also important to have clear roles and responsibilities defined for each functions.

The Board of Directors has the overall responsibility for understanding the risks undertaken by the Group and the Bank and ensuring that the risks are properly managed.

While the Board of Directors is ultimately responsible for risk management of the Group, it has entrusted the Board Risk Committee ("BRC") to carry out its functions. Although the responsibilities have been delegated, the Board still remains accountable. BRC, which is chaired by an independent Director of the Board, oversees the overall management of all risks covering credit risk management, country risk management, market risk management, asset liability management and operational risk management.

Executions of the Board's risk strategies and policies are the responsibilities of the Group's and the Bank's management and the conduct of these functions are being exercised under a committee structure, namely Management Risk Committee ("MRC"). The President/Chief Executive Officer chairs MRC. The Committee focuses on the overall business strategies and daily business operations of the Group and the Bank in respect of risk management.

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

Capital management

Capital policy

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

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

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

39. 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:

	2018 RM'000	2017 RM'000 Restated
Ordinary share capital	2,708,665	2,708,665
Accumulated losses	(615,319)	(105,794)
Current year loss	(263,521)	(93,145)
Eligible Tier 1 capital	1,829,825	2,509,726
Loss provision and regulatory reserve*	373,597	200,823
Redeemable convertible cumulative preference shares	250,000	–
Provision for guarantee and claims	14,603	13,687
Provision for commitment and contingencies	17,106	–
Eligible Tier 2 capital	655,306	214,510
Investment in subsidiaries	(64,129)	(64,129)
Total capital base	2,421,002	2,660,107
Risk weighted assets	10,602,288	13,213,849
Capital Ratio		
- With proposed dividend (Note 36)		
Core capital ratio	17.17%	18.99%
RWCR	22.74%	20.13%
- Without proposed dividend		
Core capital ratio	17.26%	18.99%
RWCR	22.83%	20.13%

* The loss provision for 2018 is computed based on Para 13.1 (d)(ii) or Capital Adequacy Framework (capital components) issued by BNM on 2 February 2018. The Tier 2 Capital for 2017 comprise collective allowance on unimpaired loans, advances and financing and regulatory reserve.

Capital monitoring

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

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

Market risk management

Approach and risk strategy

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

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

Risk identification

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

Measurement

The Group's and the Bank's policies are to minimise the exposures to foreign currency risk arising from lending activities by monitoring and obtaining the Board's approval for funding requisitions that involve foreign currencies.

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

	Changes in foreign exhange rates (+/-) %	Effect on profit/loss Increase in FX rate RM'000	Effect on profit/loss Decrease in FX rate RM'000	Effect on equity Increase in FX rate RM'000	Effect on equity Decrease in FX rate RM'000
2018					
EUR	5	110,700	(110,700)	110,700	(110,700)
GBP	5	111	(111)	111	(111)
SGD	5	1,636	(1,636)	1,636	(1,636)
USD	10	22,831	(22,831)	22,831	(22,831)
AUD	10	1,855	(1,855)	1,855	(1,855)
HKD	5	6	(6)	6	(6)
		137,139	(137,139)	137,139	(137,139)
2017					
AED	5	(3)	3	(3)	3
EUR	5	(6,936)	6,936	(6,936)	6,936
GBP	5	2,138	(2,138)	2,138	(2,138)
JPY	5	(3)	3	(3)	3
SGD	5	8,449	(8,449)	8,449	(8,449)
USD	10	76,545	(76,545)	76,545	(76,545)
AUD	10	(15,339)	15,339	(15,339)	15,339
HKD	5	(59,654)	59,654	(59,654)	59,654
		5,197	(5,197)	5,197	(5,197)

39. 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.

39. **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
2018						
Assets						
Cash and bank balances	–	–	–	–	130,082	130,082
Deposits and placement with banks and other financial institutions	1,550,783	25,637	–	–	–	1,576,420
Financial Investment	–	5,018	935,999	299,134	–	1,240,151
Amount due from ECR debtors	416,121	44,695	–	–	–	460,816
Loans, advances and financing	1,047,904	1,386,861	2,870,490	2,510,625	536,955	8,352,835
Derivative financial instruments	–	–	–	–	49,146	49,146
Other assets	–	–	–	–	176,656	176,656
Total assets	3,014,808	1,462,211	3,806,489	2,809,759	892,839	11,986,106
Liabilities and equity						
Borrowings	3,528,634	857,982	4,504,897	498,230	–	9,389,743
Derivative financial instruments	–	–	–	–	113,032	113,032
Other liabilities	–	–	–	–	445,403	445,403
Shareholders' and Takaful participants fund	–	–	–	–	2,037,928	2,037,928
Total liabilities and equity	3,528,634	857,982	4,504,897	498,230	2,596,363	11,986,106
Period gap	(513,826)	604,229	(698,408)	2,311,529	(1,703,524)	–
Cumulative gap	(513,826)	90,403	(608,005)	1,703,524	–	–

39. 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
2018						
Assets						
Cash and bank balances	–	–	–	–	130,082	130,082
Deposits and placement with banks and other financial institutions	1,550,783	25,637	–	–	–	1,576,420
Financial Investment	–	5,018	935,999	299,134	–	1,240,151
Amount due from ECR debtors	416,121	44,695	–	–	–	460,816
Loans, advances and financing	1,047,904	1,386,861	2,870,490	2,510,625	536,955	8,352,835
Derivative financial instruments	–	–	–	–	49,146	49,146
Other assets	–	–	–	–	240,785	240,785
Total assets	3,014,808	1,462,211	3,806,489	2,809,759	956,968	12,050,235
Liabilities and equity						
Borrowings	3,528,634	857,982	4,504,897	498,230	–	9,389,743
Derivative financial instruments	–	–	–	–	113,032	113,032
Other liabilities	–	–	–	–	507,221	507,221
Shareholders' and Takaful participants fund	–	–	–	–	2,040,239	2,040,239
Total liabilities and equity	3,528,634	857,982	4,504,897	498,230	2,660,492	12,050,235
Period gap	(513,826)	604,229	(698,408)	2,311,529	(1,703,524)	–
Cumulative gap	(513,826)	90,403	(608,005)	1,703,524	–	–

39. **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
2017 (Restated)						
Assets						
Cash and bank balances	–	–	–	–	172,964	172,964
Deposits and placement with banks and other financial institutions	657,447	293,137	–	–	–	950,584
Financial Investment	–	10,000	405,000	704,379	–	1,119,379
Amount due from ECR debtors	494,224	15,223	–	–	–	509,447
Loans, advances and financing	681,375	2,296,787	4,215,542	3,287,068	123,187	10,603,959
Derivative financial instruments	–	–	–	–	53,804	53,804
Other assets	–	–	–	–	188,944	188,944
Total assets	1,833,046	2,615,147	4,620,542	3,991,447	538,899	13,599,081
Liabilities and equity						
Borrowings	2,541,019	283,325	6,487,795	956,690	–	10,268,829
Derivative financial instruments	–	–	–	–	104,387	104,387
Advance from Ministry of Finance Inc.	–	–	–	–	250,000	250,000
Other liabilities	–	–	–	–	403,296	403,296
Shareholders' and Takaful participants fund	–	–	–	–	2,572,569	2,572,569
Total liabilities and equity	2,541,019	283,325	6,487,795	956,690	3,330,252	13,599,081
Period gap	(707,973)	2,331,822	(1,867,253)	3,034,757	(2,791,353)	–
Cumulative gap	(707,973)	1,623,849	(243,404)	2,791,353	–	–

39. 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
2017 (Restated)						
Assets						
Cash and bank balances	–	–	–	–	172,964	172,964
Deposits and placement with banks and other financial institutions	657,447	293,137	–	–	–	950,584
Financial Investment	–	10,000	405,000	704,379	–	1,119,379
Amount due from ECR debtors	494,224	15,223	–	–	–	509,447
Loans, advances and financing	681,375	2,296,787	4,215,542	3,287,068	123,187	10,603,959
Derivative financial instruments	–	–	–	–	53,804	53,804
Other assets	–	–	–	–	253,073	253,073
Total assets	1,833,046	2,615,147	4,620,542	3,991,447	603,028	13,663,210
Liabilities and equity						
Borrowings	2,541,019	283,325	6,487,795	956,690	–	10,268,829
Derivative financial instruments	–	–	–	–	104,387	104,387
Advance from Ministry of Finance Inc.	–	–	–	–	250,000	250,000
Other liabilities	–	–	–	–	465,114	465,114
Shareholders' and Takaful participants fund	–	–	–	–	2,574,880	2,574,880
Total liabilities and equity	2,541,019	283,325	6,487,795	956,690	3,394,381	13,663,210
Period gap	(707,973)	2,331,822	(1,867,253)	3,034,757	(2,791,353)	–
Cumulative gap	(707,973)	1,623,849	(243,404)	2,791,353	–	–

39. 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:

	2018		2017	
	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	6,946	6,946	12,042	12,042
- 50 basis points	(6,946)	(6,946)	(11,425)	(11,425)

Liquidity risk management

Approach and risk strategy

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

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

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

Risk identification

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

Measurement

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

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

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

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

Liquidity risk management (cont'd.)

Measurement (cont'd.)

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

Group	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2018						
Assets						
Cash and bank balances	130,082	–	–	–	–	130,082
Deposits and placements with banks and other financial institutions	–	1,550,783	25,637	–	–	1,576,420
Financial Investment	–	–	5,018	935,999	299,134	1,240,151
Amount due from ECR debtors	–	416,121	44,695	–	–	460,816
Loans, advances and financing	–	1,047,904	1,386,861	2,870,490	3,047,580	8,352,835
Derivative financial instruments	49,146	–	–	–	–	49,146
Other assets	176,656	–	–	–	–	176,656
Total assets	355,884	3,014,808	1,462,211	3,806,489	3,346,714	11,986,106
Liabilities						
Borrowings	–	3,528,634	857,982	4,504,897	498,230	9,389,743
Derivative financial instruments	113,032	–	–	–	–	113,032
Other liabilities	445,403	–	–	–	–	445,403
Total liabilities	558,435	3,528,634	857,982	4,504,897	498,230	9,948,178
Net maturity mismatch	**(202,551)**	**(513,826)**	**604,229**	**(698,408)**	**2,848,484**	**2,037,928**

39. **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
2018						
Assets						
Cash and bank balances	130,082	–	–	–	–	130,082
Deposits and placements with banks and other financial institutions	–	1,550,783	25,637	–	–	1,576,420
Financial Investment	–	–	5,018	935,999	299,134	1,240,151
Amount due from ECR debtors	–	416,121	44,695	–	–	460,816
Loans, advances and financing	–	1,047,904	1,386,861	2,870,490	3,047,580	8,352,835
Derivative financial instruments	49,146	–	–	–	–	49,146
Other assets	240,785	–	–	–	–	240,785
Total assets	420,013	3,014,808	1,462,211	3,806,489	3,346,714	12,050,235
Liabilities						
Borrowings	–	3,528,634	857,982	4,504,897	498,230	9,389,743
Derivative financial instruments	113,032	–	–	–	–	113,032
Other liabilities	507,221	–	–	–	–	507,221
Total liabilities	620,253	3,528,634	857,982	4,504,897	498,230	10,009,996
Net maturity mismatch	**(200,240)**	**(513,826)**	**604,229**	**(698,408)**	**2,848,484**	**2,040,239**

39. 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
2017 (Restated)						
Assets						
Cash and bank balances	172,964	–	–	–	–	172,964
Deposits and placements with banks and other financial institutions	–	657,447	293,137	–	–	950,584
Financial Investment	–	–	10,000	405,000	704,379	1,119,379
Amount due from ECR debtors	–	494,224	15,223	–	–	509,447
Loans, advances and financing	–	1,295,185	2,924,811	3,702,558	2,681,405	10,603,959
Derivative financial instruments	53,804	–	–	–	–	53,804
Other assets	188,944	–	–	–	–	188,944
Total assets	415,712	2,446,856	3,243,171	4,107,558	3,385,784	13,599,081
Liabilities						
Borrowings	–	2,466,463	283,325	6,487,794	1,031,247	10,268,829
Derivative financial instruments	104,387	–	–	–	–	104,387
Advance from Ministry of Finance Inc.	250,000	–	–	–	–	250,000
Other liabilities	403,296	–	–	–	–	403,296
Total liabilities	757,683	2,466,463	283,325	6,487,794	1,031,247	11,026,512
Net maturity mismatch	(341,971)	(19,607)	2,959,846	(2,380,236)	2,354,537	2,572,569

39. **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
2017 (Restated)						
Assets						
Cash and bank balances	172,964	–	–	–	–	172,964
Deposits and placements with banks and other financial institutions	–	657,447	293,137	–	–	950,584
Financial Investment	–	–	10,000	405,000	704,379	1,119,379
Amount due from ECR debtors	–	494,224	15,223	–	–	509,447
Loans, advances and financing	–	1,295,185	2,924,811	3,702,558	2,681,405	10,603,959
Derivative financial instruments	53,804	–	–	–	–	53,804
Other assets	253,073	–	–	–	–	253,073
Total assets	479,841	2,446,856	3,243,171	4,107,558	3,385,784	13,663,210
Liabilities						
Borrowings	–	2,466,463	283,325	6,487,794	1,031,247	10,268,829
Derivative financial instruments	104,387	–	–	–	–	104,387
Advance from Ministry of Finance Inc.	250,000	–	–	–	–	250,000
Other liabilities	465,114	–	–	–	–	465,114
Total liabilities	819,501	2,466,463	283,325	6,487,794	1,031,247	11,088,330
Net maturity mismatch	(339,660)	(19,607)	2,959,846	(2,380,236)	2,354,537	2,574,880

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

Credit risk management

Approach and risk strategy

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

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

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

Risk identification

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

As a development financial institution, the Group and the Bank are expected primarily to fill the gaps in the supply of financial services that are not normally provided by other banking institutions.

Therefore, the Group and the Bank are exposed to credit risk mainly from credit facilities to finance and support exports and imports of goods, services and overseas projects with emphasis on non-traditional markets, provision of export credit insurance services, export financing insurance, overseas investment insurance and guarantee facilities.

The Group and the Bank are also exposed to credit risk from investment in securities and other financial market transactions.

Credit risk management

Measurement

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

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

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

Credit risk management (cont'd.)

Impairment of financial assets

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

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

Credit risk exposure

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

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
2018			
Credit exposure for on-balance sheet assets:			
Cash and bank balances	130,082	–	130,082
Deposits and placements with banks and other financial institutions	1,576,420	–	1,576,420
Financial investment	1,240,151	–	1,240,151
Amount due from ECR debtors	460,816	–	460,816
Loans, advances and financing	8,352,835	9,686,358	6,961,682
Insurance receivables	521	–	521
Derivative financial assets	49,146	–	49,146
Other assets	80,706	–	80,706
	11,890,677	9,686,358	10,499,524
Credit exposure for off-balance sheet assets:			
Banking operations commitments	2,091,477	–	2,091,477
Insurance operations commitments			
Short term	727,658	–	727,658
Medium/Long term	1,153,794	–	1,153,794
	3,972,929	–	3,972,929
	15,863,606	9,686,358	14,472,453

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

Credit risk exposure (cont'd.)

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements: (cont'd.)

Group and Bank	Maximum exposure to credit risk RM'000 Restated	Collateral value RM'000 Restated	Net exposures RM'000 Restated
2017			
Credit exposure for on-balance sheet assets:			
Cash and bank balances	172,964	–	172,964
Deposits and placements with banks and other financial institutions	950,584	–	950,584
Financial investment	1,119,379	–	1,119,379
Amount due from ECR debtors	509,447	–	509,447
Loans, advances and financing	10,603,959	12,316,115	6,764,666
Insurance receivables	2,040	–	2,040
Derivative financial assets	53,804	–	53,804
Other assets	81,355	–	81,355
	13,493,532	12,316,115	9,654,239
Credit exposure for off-balance sheet assets:			
Banking operations commitments	2,814,896	–	2,814,896
Insurance operations commitments			
Short term	700,891	–	700,891
Medium/Long term	1,094,945	–	1,094,945
	4,610,732	–	4,610,732
	18,104,264	12,316,115	14,264,971

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:

	2018 RM'000	2017 RM'000 Restated
Collateral type		
Secured by cash	238,295	224,247
Secured by property	3,597,490	8,400,540
Secured by machinery	5,850,573	3,691,328
	9,686,358	12,316,115

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

Credit risk exposure (cont'd.)

Collateral and credit enhancement (cont'd.)

The financial assets that are credit impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000	Fair value of collateral held RM'000
Credit impaired financial assets				
Loans, advances and financing	2,676,982	1,572,701	1,104,281	452,474
Investment securities	100,000	100,000	–	–
Total credit impaired financial assets	2,776,982	1,672,701	1,104,281	452,474

Liquidity risk management

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

Group and Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2018						
Non-derivative financial liabilities						
Borrowings	–	3,528,634	857,982	4,504,897	498,230	9,389,743
Other liabilities	443,092	–	–	–	–	443,092
Total financial liabilities	443,092	3,528,634	857,982	4,504,897	498,230	9,832,835
Commitments and contingencies						
Banking operation commitments						
Contracted but not provided for:						
Guarantee facility	433,653	–	–	–	–	433,653
Letter of credit	5,220	–	–	–	–	5,220
Undrawn loans and financing	91,859	306,500	529,760	724,485	–	1,652,604
	530,732	306,500	529,760	724,485	–	2,091,477
Insurance operation commitments						
Contracted but not provided for:						
Within one year	–	–	727,658	–	–	727,658
One year or later and no later than five years	–	–	–	1,153,794	–	1,153,794
	–	–	727,658	1,153,794	–	1,881,452
Total commitments and contingencies	530,732	306,500	1,257,418	1,878,279	–	3,972,929

39. 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
2017 (restated)						
Non-derivative financial liabilities						
Borrowings	–	2,607,879	440,013	6,959,525	1,178,273	11,185,690
Other liabilities	336,405	–	–	–	–	336,405
Total financial liabilities	336,405	2,607,879	440,013	6,959,525	1,178,273	11,522,095
Commitments and contingencies						
Banking operation commitments						
Contracted but not provided for:						
Guarantee facility	600,508	–	–	–	–	600,508
Letter of credit	6,113	–	–	–	–	6,113
Undrawn loans and financing	–	–	849,037	1,359,238	–	2,208,275
	606,621	–	849,037	1,359,238	–	2,814,896
Insurance operation commitments						
Contracted but not provided for:						
Within one year	–	–	700,891	–	–	700,891
One year or later and no later than five years	–	–	–	1,094,945	–	1,094,945
	–	–	700,891	1,094,945	–	1,795,836
Total commitments and contingencies	606,621	–	1,549,928	2,454,183	–	4,610,732

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

Credit risk exposure

Geographical analysis

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
2018				
Malaysia	734,438	304,912	–	1,039,350
East Asia	881,423	122,207	896,709	1,900,339
Central Asia	–	–	–	–
South Asia	–	16,779	163,233	180,012
Middle East	107,945	43,164	16,184	167,293
Africa	44,334	26,996	77,668	148,998
Europe	39,086	82,267	–	121,353
America	–	89,096	–	89,096
Oceania	284,251	42,237	–	326,488
	2,091,477	727,658	1,153,794	3,972,929
2017				
Malaysia	921,715	225,855	–	1,147,570
East Asia	1,417,172	133,860	991,510	2,542,542
Central Asia	–	218	–	218
South Asia	4,667	32,960	21,128	58,755
Middle East	21,859	61,831	18,558	102,248
Africa	5,601	31,207	63,749	100,557
Europe	52,483	98,906	–	151,389
America	46,260	73,042	–	119,302
Oceania	345,139	43,012	–	388,151
	2,814,896	700,891	1,094,945	4,610,732

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

Credit risk exposure (cont'd.)

Geographical analysis (cont'd.)

Exposures to credit risk by geographical region are as follows:

On-balance sheet exposure

Group and Bank	Cash and bank balances RM'000	Deposit and placement with banks and other financial institutions RM'000	Financial investments 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
2018									
Malaysia	130,082	1,576,420	1,240,151	460,816	4,288,553	521	(63,886)	176,135	7,808,792
East Asia	–	–	–	–	3,598,084	–	–	–	3,598,084
South Asia	–	–	–	–	144,496	–	–	–	144,496
Central Asia	–	–	–	–	315,227	–	–	–	315,227
Middle East	–	–	–	–	464,493	–	–	–	464,493
Africa	–	–	–	–	229,723	–	–	–	229,723
Europe	–	–	–	–	887,924	–	–	–	887,924
America	–	–	–	–	80,348	–	–	–	80,348
Oceania	–	–	–	–	207,530	–	–	–	207,530
	130,082	1,576,420	1,240,151	460,816	10,216,378	521	(63,886)	176,135	13,736,617

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

Credit risk exposure (cont'd.)

Geographical analysis (cont'd.)

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

On-balance sheet exposure (cont'd.)

Group and Bank	Cash and bank balances RM'000	Deposit and placement with banks and other financial institutions RM'000	Financial investments 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
2017									
Malaysia	172,964	950,584	1,119,379	509,447	5,109,939	2,040	53,804	81,355	7,999,512
East Asia	–	–	–	–	3,850,636	–	–	–	3,850,636
South Asia	–	–	–	–	447,172	–	–	–	447,172
Central Asia	–	–	–	–	306,318	–	–	–	306,318
Middle East	–	–	–	–	554,340	–	–	–	554,340
Africa	–	–	–	–	245,234	–	–	–	245,234
Europe	–	–	–	–	933,880	–	–	–	933,880
America	–	–	–	–	38,103	–	–	–	38,103
Oceania	–	–	–	–	224,700	–	–	–	224,700
	172,964	950,584	1,119,379	509,447	11,710,322	2,040	53,804	81,355	14,599,895

39. 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	Financial investments 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
2018									
Primary agriculture	–	–	101,190	–	733,668	–	–	–	834,858
Mining and quarrying	–	–	–	–	359,922	–	–	–	359,922
Manufacturing	–	–	–	–	1,940,335	–	–	–	1,940,335
Transport, storage and communication	–	–	223,863	–	2,376,164	–	–	–	2,600,027
Construction	–	–	–	–	186,699	–	–	–	186,699
Wholesale and retail trade and restaurants and hotels	–	–	–	–	1,033,800	–	–	–	1,033,800
Finance, insurance, real estate and business activities	130,082	1,576,420	299,475	460,816	681,785	–	(63,886)	–	3,084,692
Electricity, gas and water	–	–	314,509	–	1,703,622	–	–	–	2,018,131
Education, health & others	–	–	–	–	167,449	–	–	–	167,449
Property development	–	–	–	–	693,060	–	–	–	693,060
Government	–	–	301,114	–	339,874	–	–	–	640,988
Others	–	–	–	–	–	521	–	176,135	176,656
	130,082	1,576,420	1,240,151	460,816	10,216,378	521	(63,886)	176,135	13,736,617

39. **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	Financial investments 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
2017									
Primary agriculture	–	–	100,568	–	731,918	–	–	–	832,486
Mining and quarrying	–	–	–	–	347,122	–	–	–	347,122
Manufacturing	–	–	–	–	2,282,653	–	–	–	2,282,653
Transport, storage and communication	–	–	360,649	–	3,055,383	–	–	–	3,416,032
Construction	–	–	–	–	180,899	–	–	–	180,899
Wholesale and retail trade and restaurants and hotels	–	–	–	–	1,525,363	–	–	–	1,525,363
Finance, insurance, real estate and business activities	172,964	950,584	339,795	509,447	786,926	–	53,804	–	2,813,520
Electricity, gas and water	–	–	318,367	–	1,653,130	–	–	–	1,971,497
Education, health & others	–	–	–	–	79,690	–	–	–	79,690
Property development	–	–	–	–	681,649	–	–	–	681,649
Government	–	–	–	–	384,311	–	–	–	384,311
Others	–	–	–	–	1,278	2,040	–	81,355	84,673
	172,964	950,584	1,119,379	509,447	11,710,322	2,040	53,804	81,355	14,599,895

39. **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
2018				
Manufacturing	321,340	531,228	115,442	968,010
Transport, storage and communication	2,799	–	–	2,799
Construction	79,757	–	96,147	175,904
Electricity, gas and water supply	69,627	–	65,373	135,000
Finance, insurance, real estate and business activities	115,283	–	173,712	288,995
Wholesale and retail trade and restaurants and hotels	677,535	24,590	–	702,125
Government	217,140	–	–	217,140
Mining and quarrying	206,800	–	82,720	289,520
Education, health and others	284,498	–	620,400	904,898
Property development	116,698	–	–	116,698
Others	–	171,840	–	171,840
	2,091,477	727,658	1,153,794	3,972,929
2017				
Manufacturing	539,430	535,962	103,435	1,178,827
Transport, storage and communication	177,961	–	–	177,961
Construction	88,481	–	42,917	131,398
Electricity, gas and water supply	239,289	–	697,648	936,937
Finance, insurance, real estate and business activities	61,233	–	169,995	231,228
Wholesale and retail trade and restaurants and hotels	631,887	27,972	–	659,859
Government	228,782	–	–	228,782
Mining and quarrying	217,888	–	–	217,888
Primary agriculture	–	–	–	–
Education, health and others	404,582	–	80,950	485,532
Property development	225,363	–	–	225,363
Others	–	136,957	–	136,957
	2,814,896	700,891	1,094,945	4,610,732

39. **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	2018 RM'000	2017 RM'000
FVOCI financial investments:		
AA	106,208	116,065
Government guarantees	606,092	700,444
	712,300	816,509
Amortised cost investments securities:		
Long-term		
BBB	309,492	302,870
Government guarantees	301,114	–
	610,606	302,870
Derivative financial assets:		
Financial institutions		
AAA	12,864	46,007
AA-	11,745	6,123
AA2	24,537	1,674
	49,146	53,804

39. 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 ten 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
2018				
Commercial customer				
Risk Rating 1	–	–	–	–
Risk Rating 2	1,645,388	–	–	1,645,388
Risk Rating 3	1,975,667	–	–	1,975,667
Risk Rating 4	2,221,768	5,260	–	2,227,028
Risk Rating 5	749,893	6,183	–	756,076
Risk Rating 6	348,862	51,915	–	400,777
Risk Rating 7	298,919	–	–	298,919
Risk Rating 8	331	–	–	331
Impaired	–	–	2,676,982	2,676,982
	7,240,828	63,358	2,676,982	9,981,168
Sovereign				
Risk Rating b-	3,061	–	–	3,061
Risk Rating bb	23,404	–	–	23,404
Risk Rating bb+	207,555	–	–	207,555
	234,020	–	–	234,020
	7,474,848	63,358	2,676,982	10,215,188

39. **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
2017				
Commercial customer				
Risk Rating 1	–	–	–	–
Risk Rating 2	2,036,613	–	–	2,036,613
Risk Rating 3	2,274,013	–	–	2,274,013
Risk Rating 4	2,630,311	40,368	–	2,670,679
Risk Rating 5	1,326,975	36,911	–	1,363,886
Risk Rating 6	1,455,577	52,329	–	1,507,906
Risk Rating 7	62,806	70,417	–	133,223
Risk Rating 8	324	–	–	324
Risk Rating 9	10,187	–	–	10,187
Impaired	–	–	1,248,599	1,248,599
	9,796,806	200,025	1,248,599	11,245,430
Sovereign				
Risk Rating b+	229,266	–	–	229,266
Risk Rating bb	24,493	–	–	24,493
Risk Rating bb+	79,303	–	–	79,303
Risk Rating bbb	–	–	–	–
Risk Rating ccc+	8,867	–	–	8,867
Impaired	–	–	121,685	121,685
	341,929	–	121,685	463,614
	10,138,735	200,025	1,370,284	11,709,044

39. 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:

	2018 RM'000	2017 RM'000
1 month overdue	63,358	41,304
2 months overdue	–	53,329
5 months overdue	–	105,392
	63,358	200,025

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 RM127,682,059.70 (2017: RM Nil).

Fair values

(i) Determination of fair values

The carrying amounts of cash and cash equivalents, other receivables and other payables approximate fair values due to the relatively short term nature of these financial instruments.

Securities Fair Value Through Other Comprehensive Income ("FVOCI") and securities Amortised Cost

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.

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

Fair values (cont'd.)

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

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.

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.

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
2018			
Financial assets			
FVOCI financial investment			
Unquoted debt securities	712,285	712,285	–
Amortised cost securities			
Unquoted debt securities	527,866	527,866	–
Derivative financial instruments	49,146	49,146	–
Loans, advances and financing	8,352,835	–	8,352,835
	9,642,132	1,289,297	8,352,835
Financial liabilities			
Borrowings	9,389,743	9,389,743	–
Derivative financial instruments	113,032	113,032	–
	9,502,775	9,502,775	–
Assets for which fair values are disclosed:			
Investment properties	868	–	1,140

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

Fair values (cont'd.)

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

Group and Bank	Carrying value RM'000 Restated	Fair value Level 2 RM'000 Restated	Fair value Level 3 RM'000
2017			
Financial assets			
AFS financial investment			
Unquoted debt securities	816,509	816,509	–
Amortised cost securities			
Unquoted debt securities	302,870	302,870	–
Derivative financial instruments	53,804	53,804	–
Loans, advances and financing	10,603,959	–	10,603,959
	11,777,142	1,173,183	10,603,959
Financial liabilities			
Borrowings	10,268,829	10,268,829	–
Derivative financial instruments	104,387	104,387	–
	10,373,216	10,373,216	–
Assets for which fair values are disclosed:			
Investment properties	886	–	1,239

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

For financial instruments classified as Level 1, the valuations are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions at arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

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

40. INSURANCE RISKS

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

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

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

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

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

Key assumptions

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

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

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

Sensitivity analysis

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

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

Claim liability sensitivity analysis

	2018 Net RM'000	2017 Net RM'000
Estimated claim liabilities (Note 21)	18,932	19,597

40. INSURANCE RISKS (CONT'D.)

Claim liability sensitivity analysis (cont'd.)

(a) Change in claim costs

Assumed an average claim cost of RM360,000 (2017: RM360,000) net of non-reinsurance recoveries for the Comprehensive Policy Shipments and adopted the Group's and the Bank's specific provisions for the other types of contracts where applicable. Changing the average claims cost and specific provisions by 10% gives the following result:

	2018 Net		2017 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	20,037	17,827	20,580	18,613

(b) Change in average number of claims

Assumed 9% (2017: 10.50%) of Comprehensive Policy Shipments policies as IBNR claims for Comprehensive Policy Shipments. Changing this by 10% gives the following result:

	2018 Net		2017 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	20,011	17,789	20,682	18,511

(c) Change in Claims Handing Expenses ("CHE")

Assumed the following expenses 5% of gross IBNR and 4% of the specific provisions. Changing this by 10% points gives the following result:

	2018 Net		2017 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	19,021	18,842	19,684	19,509

(d) Change in PRAD %

Assumed a claim Provision of Risk Margin for Adverse Deviation ("PRAD") of 20%. Changing this by 10% (to 22% and 18% respectively) gives the following result:

	2018 Net		2017 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	19,247	18,616	19,923	19,270

40. INSURANCE RISKS (CONT'D.)

Premium/contribution liability sensitivity analysis

	2018 Net RM'000	2017 Net RM'000
Estimated premium	15,978	14,563

(a) Change in probability of default

We have assumed 1-year probability of default of ranging from 0.5% to 2.5% for short-term contracts, depending on the type of contract. For the MLT policies all 1-year probabilities were assumed to have a BB- rating which equated to a 1% 1-year probability of default. Changing this rating assumption to B- rating (less trustworthy - for the "High" Scenario) and BBB- rating (more trustworthy - for the "Low" Scenario) gives the following result:

	2018 Net		2017 Net	
	RM'000 High B- rating points	RM'000 Low BBB- rating points	RM'000 High B- rating points	RM'000 Low BBB- rating points
Estimated premium	42,113	8,253	34,637	8,054

(b) Change in recovery rates

On the premium liability front, some of the MLT policies have reinsurance cover. For the "High" Scenario, we reduce all of these by 10%. For the "Low" scenario we increase them by 10%.

	2018 Net		2017 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	19,654	12,225	17,476	11,648

(c) Change in Maintenance Expenses ("ME")

Assumed ME of 5%. Changing this by 10% points gives the following result:

	2018 Net		2017 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	15,972	15,907	14,616	14,509

(d) Change in PRAD %

Assumed a premium PRAD of 35%. Changing this by 10% (to 38.5% and 31.5% respectively) gives the following result:

	2018 Net		2017 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	16,353	15,527	14,940	14,185

41. ISLAMIC BUSINESS FUNDS

Statement of financial position as at 31 December 2018

Group and Bank

	Note	2018 Islamic business fund RM'000	2018 Takaful fund RM'000	2018 Total RM'000	2017 Islamic business fund RM'000 Restated	2017 Takaful fund RM'000	2017 Total RM'000 Restated
ASSETS							
Cash and bank balances	(a)	21,602	269	21,871	47,253	218	47,471
Deposits and placements with banks and other financial institutions	(b)	353,905	11,456	365,361	167,022	10,598	177,620
Financial investments	(c)	939,039	–	939,039	1,119,379	–	1,119,379
Islamic financing	(d)	4,014,165	–	4,014,165	4,805,414	–	4,805,414
Derivative financial instruments	(e)	27,211	–	27,211	16,730	–	16,730
Contribution receivable		–	472	472	–	978	978
Other receivables		15,978	8,416	24,394	17,078	6,428	23,506
Total assets		5,371,900	20,613	5,392,513	6,172,876	18,222	6,191,098
Liabilities							
Financing payable	(f)	3,489,150	–	3,489,150	3,613,079	–	3,613,079
Deferred income		8,527	11,591	20,118	12,788	9,528	22,316
Derivative financial instruments	(e)	14,530	–	14,530	12,897	–	12,897
Deferred taxation	(j)	–	–	–	–	–	–
Provision for commitments and contingencies		12,482	–	12,482	–	–	–
Provision for claim		–	6,669	6,669	–	5,616	5,616
Provision for expenses liability		283	–	283	229	–	229
Other liabilities	(p)	1,369,513	2,353	1,371,866	1,614,046	3,078	1,617,124
Total liabilities		4,894,485	20,613	4,915,098	5,253,039	18,222	5,271,261
Financed by:							
Islamic banking fund		800,000	–	800,000	800,000	–	800,000
Reserves		(21,598)	–	(21,598)	71,320	–	71,320
(Accumulated losses)/ Retained profits		(292,850)	–	(292,850)	54,683	–	54,683
Takaful participants fund	(l)	(8,137)	–	(8,137)	(6,166)	–	(6,166)
Total Islamic business fund and Takaful fund		477,415	–	477,415	919,837	–	919,837
Total liabilities, Islamic business fund, and Takaful participants fund		5,371,900	20,613	5,392,513	6,172,876	18,222	6,191,098
Commitments and contingencies	(m)	738,122	1,661,152	2,399,274	1,226,873	472,715	1,699,588

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Income Statements for the year ended 31 December 2018

Group and Bank

	Note	2018 Islamic business fund RM'000	2018 Takaful fund RM'000	2018 Total RM'000	2017 Islamic business fund RM'000 Restated	2017 Takaful fund RM'000	2017 Total RM'000 Restated
Income derived from Islamic banking fund	(g)	265,905	–	265,905	256,175	–	256,175
Financing cost		(98,760)	–	(98,760)	(103,220)	–	(103,220)
Net income from Islamic banking fund		167,145	–	167,145	152,955	–	152,955
Gross contribution		–	2,017	2,017	–	1,972	1,972
Refund from recoveries		–	–	–	–	(3)	(3)
Wakalah fee		995	(995)	–	995	(995)	–
Reinsurance outward		–	(33)	(33)	–	(30)	(30)
(Increase)/decrease in contribution liability		–	(1,948)	(1,948)	–	2,055	2,055
Increase in claim liability		–	(1,053)	(1,053)	–	(2,378)	(2,378)
(Increase)/decrease in expenses liability		(54)	–	(54)	46	–	46
Brokerage commission		–	–	–	–	(3)	(3)
Takaful fees		127	–	127	94	–	94
Income from Takaful activities		1,068	(2,012)	(944)	1,135	618	1,753
Islamic banking fund and Takaful fund results		168,213	(2,012)	166,201	154,090	618	154,708
Other (expenses)/income	(h)	(963)	–	(963)	37,578	–	37,578
Net Income from Islamic business		167,250	(2,012)	165,238	191,668	618	192,286
Administrative expenses		(1,109)	–	(1,109)	(575)	–	(575)
Reversal of allowance on doubtful debt		–	41	41	–	71	71
Allowances for losses on financing	(i)	(330,712)	–	(330,712)	(197,349)	–	(197,349)
Allowance for commitments and contingencies		7,996	–	7,996	–	–	–
Allowance on financial investments		3,203	–	3,203	–	–	–
(Loss)/profit for the year before zakat		(153,372)	(1,971)	(155,343)	(6,256)	689	(5,567)
Taxation	(k)	–	–	–	22,259	–	22,259
Zakat		–	–	–	(3,163)	–	(3,163)
Net (loss)/profit for the year		(153,372)	(1,971)	(155,343)	12,840	689	13,529

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Income Statements for the year ended 31 December 2018 (cont'd.)

Group and Bank

	Note	2018 Islamic business fund RM'000	2018 Takaful fund RM'000	2018 Total RM'000	2017 Islamic business fund RM'000 Restated	2017 Takaful fund RM'000	2017 Total RM'000 Restated
Other comprehensive income to be reclassified to (loss) or profit in subsequent periods:							
Fair value changes on FVOCI/available-for-sale financial investments		(92,909)	–	(92,909)	92,748	–	92,748
Tax effect		–	–	–	(22,259)	–	(22,259)
Net other comprehensive income to be reclassified to (loss) or profit in subsequent periods		(92,909)	–	(92,909)	70,489	–	70,489
Total comprehensive (loss)/ income for the year		(246,281)	(1,971)	(248,252)	83,329	689	84,018

Statement of changes in Islamic business fund and Takaful fund for the year ended 31 December 2018

Group and Bank	Islamic Banking Fund RM'000	Retained profits/ (Accumulated losses) RM'000	Fair value adjustment reserve RM'000	Total RM'000
At 1 January 2017	500,000	34,988	831	535,819
Additional capital injected	300,000	–	–	300,000
Net profit for the year	–	13,468	–	13,468
Other comprehensive income	–	–	70,489	70,489
At 31 December 2017, as previously stated	800,000	48,456	71,320	919,776
Prior year adjustment	–	61	–	61
Effect of adopting MFRS 9 (Note 43)	–	(194,161)	(9)	(194,170)
At 31 December 2017, as restated	800,000	(145,644)	71,311	725,667
Net loss for the year	–	(155,343)	–	(155,343)
Other comprehensive income	–	–	(92,909)	(92,909)
At 31 December 2018	800,000	(300,987)	(21,598)	477,415

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of cash flows for Islamic business fund the financial year ended 31 December 2018

	Group and Bank 2018 RM'000	2017 RM'000 Restated
Cash flows from operating activities		
Loss before zakat	(153,372)	(6,256)
Adjustments for:		
Individual allowance		
- Charged for the year	422,188	271,461
- Written back during the year	(41,783)	(42,463)
Collective allowance		
- Charged for the year	36,247	37,295
- Written back during the year	(85,940)	(68,944)
Reversal of allowance on financial investments	(3,203)	–
Reversal of allowance on commitments and contingencies	(7,996)	–
Unrealised foreign exchange loss	55,496	197,454
Unrealised (gain)/loss on derivatives	(10,155)	19,473
Unrealised loss/(gain) on Sukuk	15,435	(31,322)
Amortisation of premium less accretion of discount	(1,292)	(1,072)
Operating profit before working capital changes	225,625	375,626
Changes in working capital:		
Deposits and placements with banks and other financial institutions	197,453	7,886
Islamic financing	194,499	(158,296)
Other assets	677	4,779
Derivative financial instruments	1,019	(937)
Other liabilities	(431,841)	937,743
Deferred income	(4,261)	1,700
Net claims paid for bank guarantee and insurance claims	54	(46)
Zakat paid	(3,163)	(2,423)
Net cash generated from operating activities	180,062	1,166,032
Cash flow from investing activities		
Purchase of investments	–	(934,823)
Proceed from disposal of investment	68,637	5,000
Net cash used in investing activities	68,637	(929,823)
Cash flows from financing activities		
Net repayment of financing payable	(76,897)	(482,136)
Proceeds from share capital	–	300,000
Net cash used in financing activities	(76,897)	(182,136)

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of cash flows for Islamic business fund the financial year ended 31 December 2018 (cont'd.)

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000 Restated
Net increase in cash and cash equivalents	171,802	54,073
Cash and cash equivalents at beginning of year excluding on behalf of customer	142,479	88,406
Cash and cash equivalents at end of year	314,281	142,479
Cash and cash equivalents comprise:		
Cash and bank balances	21,602	47,253
Deposits and placements with financial institutions	353,905	167,022
Less: Deposits and placements on behalf of customers	(61,226)	(71,796)
	314,281	142,479

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018

(a) Cash and bank balances

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Cash and bank balances	21,871	47,471

(b) Deposits and placements with banks and other financial institutions

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Deposits and placements with:		
Licensed banks	201,215	146,633
Other financial institutions	164,146	30,987
	365,361	177,620
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	304,135	105,824
On behalf of customers and government	61,226	71,796
	365,361	177,620

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(c) Financial investments

	Group and Bank 2018 RM'000	2017 RM'000
FVOCI/AFS financial investments:		
Unquoted debt securities	712,300	816,509
Less: Allowance for expected credit losses	(15)	–
	712,285	816,509
At amortised costs investments:		
Unquoted debt securities	309,494	302,870
Less: Allowance for expected credit losses	(82,740)	–
	226,754	302,870
Total financial investments	939,039	1,119,379

Included in financial investments are amount that have been pledged for Sukuk Issuance amounting to RM539,557,536 (2017: RM481,767,176).

Movements in the allowances for impairment losses on financial investments at FVOCI are as follows:

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2018	–	–	–	–
- effect of adopting MFRS 9	9	–	–	9
At 1 January 2018 (restated)	9	–	–	9
Allowance during the year	6	–	–	6
At 31 December 2018	15	–	–	15

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(c) Financial investments (cont'd.)

Movements in the allowances for impairment losses on financial investments at amortised cost is as follow:

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2018	–	–	–	–
- effect of adopting MFRS 9	–	85,947	–	85,947
At 1 January 2018 (restated)	–	85,947	–	85,947
Allowance during the year	2	–	–	2
Exchange differences	–	(3,209)	–	(3,209)
At 31 December 2018	2	82,738	–	82,740

(d) Islamic financing

	Group and Bank 2018 RM'000	2017 RM'000 Restated
(i) Murabahah	1,075,113	2,118,260
Istisna'	167,140	188,444
Bai' Dayn	–	142,058
Tawarruq	3,140,517	2,320,972
Ijarah **	393,499	489,714
Ad-Dayn	141,263	–
	4,917,532	5,259,448
Less: Allowance for impaired loans, advances and financing		
- Lifetime ECL credit impaired - Stage 3	(811,872)	(367,516)
- 12 month ECL - Stage 1	(65,036)	(86,518)
- Lifetime not impaired ECL - Stage 2	(26,459)	–
Net advances and financing	4,014,165	4,805,414

**RM143,059,603 (2017: RM297,310,460) is in respect of Sukuk Issuance.

41. **ISLAMIC BUSINESS FUNDS (CONT'D.)**

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(d) Islamic financing (cont'd.)

(ii) The maturity structure of the advances and financing are as follows:

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Within one year	1,741,899	2,421,160
One year to three years	953,607	100,480
Three years to five years	794,960	1,350,880
Over five years	1,427,066	1,386,928
	4,917,532	5,259,448

(iii) Islamic gross financing analysed by profit rate sensitivity are as follows:

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Fixed rate	309,348	383,273
Variable rate	4,608,184	4,876,175
	4,917,532	5,259,448

(iv) Islamic gross financing analysed by geography are as follows:

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Malaysia	3,040,517	3,961,506
East Asia	429,751	765,089
South Asia	918,319	19,182
Europe	241,069	250,195
West Africa	85,767	90,424
Oceania	202,109	173,052
	4,917,532	5,259,448

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(d) Islamic financing (cont'd.)

(v) Islamic gross financing analysed by industry are as follows:

	Group and Bank 2018 RM'000	2017 RM'000
Primary agriculture	177,804	138,015
Mining and quarrying	97,704	93,280
Manufacturing	1,146,946	1,483,246
Transport, storage and communication	924,361	1,056,364
Construction	752,767	760,687
Wholesale and retail trade, and restaurants and hotels	1,033,288	1,040,612
Finance, insurance, real estate and business activities	584,414	623,760
Electricity, gas and water	200,248	63,484
	4,917,532	5,259,448

(vi) Advance and financing analysed by facility and Shariah contract are as follows:

2018	Murabahah RM'000	Istisna RM'000	Bai'Dayn RM'000	Tawarruq RM'000	Ijarah RM'000	Total RM'000
At amortised cost						
Buyer Credit-i	–	–	–	347,181	–	347,181
Malaysian Kitchen Financing Facility-i	–	–	–	3,825	–	3,825
Overseas Contract Financing-i	–	–	–	84,282	–	84,282
Overseas Investment Financing-i	–	–	–	445,696	–	445,696
Overseas Project Financing-i	–	167,140	–	431,562	76,183	674,885
Supplier Financing-i	1,068,461	–	5,984	499,676	–	1,574,121
Term Financing-i	6,652	–	–	1,328,295	317,316	1,652,263
Vendor Financing-i	–	–	135,279	–	–	135,279
Gross financing	1,075,113	167,140	141,263	3,140,517	393,499	4,917,532
Allowances for losses on advances and financing:						
- Individual allowance	–	–	–	–	–	(811,872)
- Collective allowance	–	–	–	–	–	(91,495)
Net advances and financing	1,075,113	167,140	141,263	3,140,517	393,499	4,014,165

41. **ISLAMIC BUSINESS FUNDS (CONT'D.)**

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(d) Islamic financing (cont'd.)

(vi) Advance and financing analysed by facility and Shariah contract are as follows: (cont'd.)

2017	Murabahah RM'000	Istisna RM'000	Bai'Dayn RM'000	Tawarruq RM'000	Ijarah RM'000	Total RM'000
At amortised cost						
Buyer Credit-i	–	–	–	338,439	–	338,439
Malaysian Kitchen Financing Facility-i	–	–	–	3,821	–	3,821
Overseas Contract Financing-i	–	–	–	86,107	–	86,107
Overseas Investment Financing-i	–	–	–	375,880	–	375,880
Overseas Project Financing-i	–	188,444	–	297,569	93,161	579,174
Supplier Financing-i	2,112,811	–	–	540,709	–	2,653,520
Term Financing-i	5,449	–	142,058	678,447	396,553	1,222,507
Unearned income	–	–	–	–	–	–
Gross financing	2,118,260	188,444	142,058	2,320,972	489,714	5,259,448
Allowances for losses on advances and financing:						
- Individual allowance	–	–	–	–	–	(367,516)
- Collective allowance	–	–	–	–	–	(86,518)
Net advances and financing	2,118,260	188,444	142,058	2,320,972	489,714	4,805,414

(v) Islamic gross financing analysed by industry are as follows:

Movements in impaired financing are as follows:

	Group and Bank 2018 RM'000	2017 RM'000
At 1 January, as previously stated	549,926	1,019,529
- effect of adopting MFRS 9	–	–
At 1 January, as restated	549,926	1,019,529
Impaired during the year	890,861	410,793
Reclassified as non-impaired	–	(126,756)
Recoveries	(2,936)	(682,189)
Exchange differences	(96,495)	(71,451)
At 31 December	1,341,356	549,926

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(d) Islamic financing (cont'd.)

(v) Islamic gross financing analysed by industry are as follows: (cont'd.)

Movements in the allowance for impaired financing are as follows:

	Group and Bank	
	2018 RM'000	**2017 RM'000**
Individual allowance		
At 1 January		
- as previously stated	367,516	160,572
- effect of adopting MFRS 9	194,161	–
At 1 January 2018/2017, as restated	561,677	160,572
Allowance made during the year	422,188	271,461
Amount written back during the year	(41,783)	(42,463)
Exchange differences	(130,210)	(22,054)
Balance at 31 December	811,872	367,516

	Group and Bank	
	2018 RM'000	**2017 RM'000**
Expected credit losses Stage 1 and 2		
Balance at 1 January	86,518	118,167
- effect of adopting MFRS 9	54,670	–
Balance at 1 January	141,188	118,167
Allowance made during the year		
- 12 month ECL - Stage 1	16,293	37,295
- Lifetime not impaired ECL - Stage 2	19,954	–
Amount written back during the year		
- 12 month ECL - Stage 1	(78,211)	(68,944)
- Lifetime not impaired ECL - Stage 2	(7,729)	–
Balance at 31 December	91,495	86,518
Breakdown of collective allowance:		
From non-impaired financing	91,495	86,518
	91,495	86,518

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(d) Islamic financing (cont'd.)

(v) Islamic gross financing analysed by industry are as follows: (cont'd.)

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

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2018	86,518	–	367,516	454,034
- effect of adopting MFRS 9	36,955	17,715	194,161	248,831
At 1 January 2018 (restated)	123,473	17,715	561,677	702,865
Transferred to Stage 1	(36,959)	–	–	(36,959)
Transferred to Stage 2	–	22,762	–	22,762
Allowance/(written back)	(17,474)	(7,233)	380,405	355,698
Financial assets derecognised	(33)	–	–	(33)
Changes due to change in credit risk	(578)	(8,110)	–	(8,688)
Modification to contractual cash flows of financial assets	(3,393)	1,325	–	(2,068)
Exchange differences	–	–	(130,210)	(130,210)
At 31 December 2018	65,036	26,459	811,872	903,367

(e) Derivatives financial instrument

	Group and Bank					
	2018			2017		
	Fair Value		Notional	Fair Value		Notional
	Assets RM'000	Liability RM'000	Amount RM'000	Assets RM'000	Liability RM'000	Amount RM'000
Derivatives used as fair value hedges						
Profit rate swaps	–	11,625	1,395,073	–	10,024	1,365,222
Cross currency profit rate swaps	27,211	2,905	376,702	16,730	2,873	369,080
Total	27,211	14,530	1,771,775	16,730	12,897	1,734,302

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(f) Financing Payable

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
(i) Revolving credit facility - unsecured		
Repayable within one year	1,191,532	1,088,274
	1,191,532	1,088,274
(ii) Sukuk		
within one year	1,669,540	283,240
One year to three years	359,584	1,830,451
Three years to five years	185,934	330,342
Over five years	82,560	80,772
	2,297,618	2,524,805
	3,489,150	3,613,079

(g) Income derived from investment of Islamic banking fund

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000 Restated
Islamic financing:		
Murabahah	75,279	58,713
Istisna'	17,438	19,336
Bai' Dayn	–	14,508
Tawarruq	99,818	84,752
Ijarah	11,550	10,233
ECR-i debtors	–	69
Recoveries from impaired loans	16,543	19,545
Deposits and placements with banks and other financial institutions	25,897	8,364
Financial investments	30,274	36,271
Net income from profit rate swaps	(10,893)	4,384
	265,906	256,175

41. **ISLAMIC BUSINESS FUNDS (CONT'D.)**

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(h) Other income/(expenses)

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Fee Income	6,239	8,615
Foreign exchange (loss)/gain		
- unrealised	(55,496)	(197,454)
- realised	53,574	214,568
Unrealised (loss)/gain on derivatives	10,155	(19,473)
Unrealised gain/(loss) on Sukuk	(15,435)	31,322
	(963)	37,578

(i) Allowances for losses on financing

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Allowances for losses on loans, advances and financing		
- 12 month ECL - Stage 1, net	(61,918)	–
- Lifetime not impaired ECL - Stage 2, net	12,225	–
- Lifetime ECL credit impaired - Stage 3, net	422,188	271,461
- Lifetime ECL written back - Stage 3, net	(41,783)	(42,463)
- Collective allowance charged for the year	–	37,295
- Collective allowance written back during the year	–	(68,944)
	330,712	197,349

(j) Deferred taxation

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
At 1 January	–	–
Recognised in profit or loss	–	–
Recognised in other comprehensive income	–	–
At 31 December	–	–

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(j) Deferred taxation (cont'd.)

Deferred tax assets

	Unutilised business losses RM'000
Group and Bank	
At 1 January 2018	22,259
Recognised in other comprehensive income	–
At 31 December 2018	22,259

Deferred tax liabilities

	Unrealised gain on FVOCI financial investments RM'000
Group and Bank	
At 1 January 2018	(22,259)
Recognised in other comprehensive income	–
At 31 December 2018	(22,259)

Presented after appropriate offsetting as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Deferred tax assets	22,259	22,259
Deferred tax liabilities	(22,259)	(22,259)
	–	–

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(k) Taxation

The major components of taxation for the years ended 31 December 2018 and 2017 are:

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Deferred tax expense (Note j)		
- Benefits from previously unutilised business losses	(22,259)	(22,259)
	(22,259)	(22,259)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

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

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000 Restated
Loss before taxation	(153,372)	(6,256)
Income tax using Malaysian statutory tax rate of 24% (2017: 24%)	(36,809)	(1,501)
Deferred tax assets recognised on unutilised business losses	–	(22,259)
Utilisation of previously unrecognised tax losses	36,809	–
Deferred tax assets not recognised on unutilised business losses	–	1,501
	–	(22,259)

(l) Takaful participants fund

		2018 RM'000	2017 RM'000
Takaful participants fund			
Accumulated deficit	(i)	(8,137)	(6,166)
Qard	(ii)	8,137	6,166
		–	–

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(l) Takaful participants fund (cont'd.)

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.

	2018 RM'000	2017 RM'000
(i) Accumulated deficit		
At beginning of the year	(6,166)	(6,855)
Net surplus/(deficit) of the Takaful fund	(1,971)	689
At end of the year	(8,137)	(6,166)
(ii) Qard		
At beginning of the year	6,166	6,855
(Decrease)/increase in Qard	1,971	(689)
At end of the year	8,137	6,166

(m) Commitments and contingencies

	Group and Bank	
	2018 RM'000	2017 RM'000
Banking operation commitments		
Contracted but not provided for:		
Guarantee facility	53,847	95,612
Letter of credit	314	3,258
Undrawn financing	683,961	1,128,003
	738,122	1,226,873
Takaful operation commitments		
Contracted but not provided for:		
Within one year	343,637	302,720
One year or later and no later than five years	173,712	169,995
	517,349	472,715
Total commitments and contingencies	1,255,471	1,699,588

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(n) Shariah disclosures

(i) Shariah non-compliant events

There is no shariah non-compliant event occurred for the financial year ended 31 December 2018.

(ii) Sources and uses of charity funds

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
At 1 January	2,903	1,613
Funds collected during the year		
- Shariah non-compliance	–	1
- Income earned from late payment charges	2,315	2,227
Funds distributed during the year		
- Contribution to non-profit organisation	(1,262)	(938)
At 31 December	3,956	2,903

Monies derived from the Shariah non-compliant event and late payment charges on Islamic financing activities were channelled to charity fund and distributed progressively to the eligible beneficiaries.

(o) Regulatory Capital

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000 Restated
Ordinary share capital	800,000	800,000
(Accumulated losses)/retained profit	(139,478)	41,843
Current year profit	(153,372)	12,840
Eligible Tier 1 capital	507,150	854,683
Collective allowance on Islamic financing*	174,248	86,518
Provision for commitments and contingencies	12,482	–
Provision for guarantee and claim	6,490	5,298
Eligible Tier 2 capital	193,220	91,816
Total capital base	700,370	946,499
Risk weighted assets	4,765,805	6,026,561
RWCR	14.70%	15.71%

* 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.

41. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2018 (cont'd.)

(p) Other liabilities

	Group and Bank	
	2018 RM'000	2017 RM'000 Restated
Sinking fund and debt services reserve accounts	81,504	93,305
Interest payable	39,406	32,852
Amount due from the Government of Malaysia for MKFF scheme	339	221
Provision for zakat	–	3,163
Amount due to Teraju	51,568	–
Others	1,199,049	1,487,583
	1,371,866	1,617,124

42. SEGMENT INFORMATION

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

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

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

(1) Banking

Banking comprises activities involving conventional and Islamic facilities to finance and support export and import of goods, services and overseas projects as well as financial guarantee facilities with an emphasis on non-traditional markets.

(2) Insurance and Takaful

Insurance and Takaful comprise activities involving providing export, credit and political risks insurance.

(3) Support

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

42. SEGMENT INFORMATION (CONT'D.)

	Group and Bank							
	2018 Business segments				2017 Business segments			
	Banking RM'000	Insurance and Takaful RM'000	Support RM'000	Total RM'000	Banking RM'000	Insurance and Takaful RM'000	Support RM'000	Total RM'000
Net interest income	110,725	–	28,204	138,929	115,735	–	51,229	166,964
Underwriting results	–	8,458	–	8,458	–	9,469	–	9,469
Income from Islamic business	167,145	1,068	–	168,213	152,955	1,135	–	154,090
Other income	23,969	–	(69,167)	(45,198)	26,419	–	(10,849)	15,570
Net income	301,839	9,526	(40,963)	270,402	295,109	10,604	40,380	346,093
Overhead expenses	(24,665)	(5,498)	(59,929)	(90,092)	(29,276)	(6,088)	(53,698)	(89,062)
Operating profit	277,174	4,028	(100,892)	180,310	265,833	4,516	(13,318)	257,031
Allowances for losses on loans, advances and financing	(478,585)	–	–	(478,585)	(313,359)	–	–	(313,359)
Allowances for commitments and contingencies	31,553	–	–	31,553	–	–	–	–
Allowances on investment securities	–	–	3,201	3,201	–	–	–	–
	(169,858)	4,028	(97,691)	(263,521)	(47,526)	4,516	(13,318)	(56,328)
Taxation				–				(33,654)
Zakat for the Bank				–				(3,163)
Net loss for the year - Bank				(263,521)				(93,145)
Add: taxation for the Group				–				(1)
Net loss for the year - Group				(263,521)				(93,146)

43. RESTATEMENTS

The restatements of balances were mainly due to the following and the effects which are as below:

(i) Under-recognition of allowances for losses on loans, advances and financing of a customer amounting to cummulative amount of RM138,466,000 since the financial year 2016 ("Prior year adjustments")

During the financial year 2016, the Group and the Bank had not recognised the allowances for losses on loans, advances and financing of RM168,143,000 of a customer. During the financial year 2017, the Group and the Bank had not recognised the reversal of allowances for losses on loans, advances and financing of RM29,677,000 of the same customer.

Accordingly, the relevant comparatives of the Group and of the Bank are restated to reflect the cummulative effects of RM138,466,000 of net under-recognition of allowances for losses on loans, advances and financing arising from the events since financial year 2016.

(ii) Over-recognition of allowances for losses on loans, advances and financing of a customer amounting to cummulative amount of RM2,017,000 during the financial year 2017 ("Prior year adjustments").

(iii) Under-recognition of revenue of 6 customers amounting to RM4,098,000 during the financial year 2016 and RM61,000 during the financial year 2017 ("Prior year adjustments").

(iv) Adoption of MFRS 9 *Financial Instruments* during the financial year 2018 ("Day-1 adjustment")

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with this standard. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the new standard is recognised in retained profits/(accumulated losses) and FVOCI reserve as at 1 January 2018.

43. RESTATEMENTS (CONT'D.)

The presentation of items in the current year's financial statements have been consistent with the previous financial year except for comparative amounts which have been adjusted as a result of the adjustments made as mentioned above:

Consolidated statements of changes in equity

Group	Note	Share capital RM'000	Retained profit/ (Accumulated losses) RM'000	Non-distributable fair value adjustment reserve RM'000	Total RM'000
At 31 December 2016, as previously stated		2,708,665	55,941	831	2,765,437
Prior year adjustment	(i)	–	(168,143)	–	(168,143)
Prior year adjustment	(iii)	–	4,098	–	4,098
At 31 December 2016, restated		2,708,665	(108,104)	831	2,601,392
At 1 January 2017, as restated		2,708,665	(108,104)	831	2,601,392
Total comprehensive (loss)/gain for the financial year 2017, as previously stated		–	(124,901)	70,489	(54,412)
Prior year adjustment	(i)	–	29,677	–	29,677
Prior year adjustment	(ii)	–	2,017	–	2,017
Prior year adjustment	(iii)	–	61	–	61
Total comprehensive (loss)/gain for the financial year 2017, as restated		–	(93,146)	70,489	(22,657)
At 31 December 2017, as restated		2,708,665	(201,250)	71,320	2,578,735
At 1 January 2018, as restated		2,708,665	(201,250)	71,320	2,578,735
Day-1 adjustment	(iv)	–	(416,380)	(9)	(416,389)
At 1 January 2018, as restated		2,708,665	(617,630)	71,311	2,162,346

43. RESTATEMENTS (CONT'D.)

Statements of changes in equity (cont'd.)

Bank	Note	Share capital RM'000	Retained profit/ (Accumulated losses) RM'000	Non-distributable fair value adjustment reserve RM'000	Total RM'000
At 31 December 2016, as previously stated		2,708,665	58,251	831	2,767,747
Prior year adjustment	(i)	–	(168,143)	–	(168,143)
Prior year adjustment	(iii)	–	4,098	–	4,098
At 31 December 2016, as restated		2,708,665	(105,794)	831	2,603,702
At 1 January 2017, as restated		2,708,665	(105,794)	831	2,603,702
Total comprehensive (loss)/gain for the financial year 2017, as previously stated		–	(124,900)	70,489	(54,411)
Prior year adjustment	(i)	–	29,677	–	29,677
Prior year adjustment	(ii)	–	2,017	–	2,017
Prior year adjustment	(iii)	–	61	–	61
Total comprehensive (loss)/gain for the financial year 2017, as restated		–	(93,145)	70,489	(22,656)
At 31 December 2017, as restated		2,708,665	(198,939)	71,320	2,581,046
At 1 January 2018, as restated		2,708,665	(198,939)	71,320	2,581,046
Day-1 adjustment	(iv)	–	(416,380)	(9)	(416,389)
At 1 January 2018, as restated		2,708,665	(615,319)	71,311	2,164,657

43. RESTATEMENTS (CONT'D.)

Group	2016 As previously stated RM'000	2016 Prior year adjustments RM'000	2016 As restated RM'000	2017 As previously stated RM'000	2017 Prior year adjustments RM'000	2017 As restated RM'000
Consolidated statement of financial position						
Loans, advances and financing	12,464,564	(168,143)	12,296,421	10,740,408	(136,449)	10,603,959
Other assets	110,651	459	111,110	102,845	459	103,304
Total assets	15,903,342	(167,684)	15,735,658	13,735,071	(135,990)	13,599,081
Other payables and accruals	339,057	(3,639)	335,418	340,105	(3,700)	336,405
Total liabilities	13,144,760	(3,639)	13,141,121	11,030,212	(3,700)	11,026,512
Consolidated income statement						
Income from Islamic business	114,938	–	114,938	154,029	61	154,090
Other income	32,429	4,098	36,527	15,570	–	15,570
Allowances for loans, advances and financing	(380,718)	(168,143)	(548,861)	(345,053)	31,694	(313,359)
Loss before taxation	(244,656)	(164,045)	(408,701)	(88,083)	31,755	(56,328)
Net loss for the year	(227,279)	(164,045)	(391,324)	(124,901)	31,755	(93,146)
Loss earnings per share (RM'sen)	(8.39)	(6.06)	(14.45)	(4.61)	1.17	(3.44)
Consolidated statements of comprehensive income						
Total comprehensive loss for the year, net of tax	(226,616)	(164,045)	(390,661)	(54,412)	31,755	(22,657)
Consolidated statements of cash flows						
Loss before tax	(244,656)	(164,045)	(408,701)	(88,083)	31,755	(56,328)
Individual allowance charged/ (written-back)	323,728	(168,143)	155,585	(67,614)	(31,694)	(99,308)
Changes in working capital:						
Loans, advances and financing	(1,190,251)	332,188	(858,063)	1,208,673	–	1,208,673
Other assets	(8,817)	459	(8,358)	12,628	–	12,628
Other payables and accruals	(46,334)	(3,639)	(49,973)	1,616	(61)	1,555

43. RESTATEMENTS (CONT'D.)

Bank	2016 As previously stated RM'000	2016 Prior year adjustments RM'000	2016 As restated RM'000	2017 As previously stated RM'000	2017 Prior year adjustments RM'000	2017 As restated RM'000
Statement of financial position						
Loans, advances and financing	12,464,564	(168,143)	12,296,421	10,740,408	(136,449)	10,603,959
Other assets	110,651	459	111,110	102,845	459	103,304
Total assets	15,969,789	(167,684)	15,802,105	13,799,200	(135,990)	13,663,210
Other payables and accruals	339,057	(3,639)	335,418	340,105	(3,700)	336,405
Total liabilities	13,208,897	(3,639)	13,205,258	11,092,030	(3,700)	11,088,330
Income statement						
Income from Islamic business	114,938	–	114,938	154,029	61	154,090
Other income	32,429	4,098	36,527	15,570	–	15,570
Allowances for loans, advances and financing	(380,718)	(168,143)	(548,861)	(345,053)	31,694	(313,359)
Loss before taxation	(244,656)	(164,045)	(408,701)	(88,083)	31,755	(56,328)
Net loss for the year	(227,307)	(164,045)	(391,352)	(124,900)	31,755	(93,145)
Loss earnings per share (RM'sen)	(8.39)	(6.06)	(14.45)	(4.61)	1.17	(3.44)
Statements of comprehensive income						
Total comprehensive loss for the year, net of tax	(226,644)	(168,045)	(390,689)	(54,411)	31,755	(22,656)
Statements of cash flows						
Cash flow from operating activities						
Loss before tax	(244,656)	(164,045)	(408,701)	(88,083)	31,755	(56,328)
Individual allowance charged/(written-back)	323,728	(168,143)	155,585	(67,614)	(31,694)	(99,308)
Changes in working capital:						
Loans, advances and financing	(1,190,251)	332,188	(858,063)	1,208,673	–	1,208,673
Other assets	(8,817)	459	(8,358)	12,628	–	12,628
Other payables and accruals	(46,334)	(3,639)	(49,973)	1,616	(61)	1,555

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