



For business • For growth • For life



Annual Report 2014



The cover design is inspired by our belief in developing close relationships with our clients. We anticipate the needs of SMEs, and strive to provide the guidance and support to enhance their success. Over the years, many of our business relationships have transformed into lasting friendships that are based on integrity and mutual trust.

VISION

A full-fledged specialised financial institution; an international benchmark for nurturing SME excellence.

MISSION

To develop SMEs to be the nation's engine of growth, in line with the Government's economic agenda.

CORE VALUES (PaCT)

PASSION

Passion in all actions derive fulfillment while ensuring success

COMMITMENT

Commitment turns a promise into reality

TRUST

Faith is meaningless without upholding trust & integrity



FOR MORE INFORMATION:



This annual report is available on the web at
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publication/2014-annual-report/](http://www.smebank.com.my/publication/2014-annual-report/)

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WHO WE ARE



SME BANK

**AT SME BANK, WE ARE COMMITTED TO PROVIDE
EXCELLENT SERVICES**

FOR BUSINESS. FOR GROWTH. FOR LIFE.

Designed to function ultimately as a one-stop financing and business development centre, Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) is dedicated to the accelerated growth of Malaysian SMEs.

Through better segmentation of financial and non-financial needs of SMEs by industry, stage of growth, product and market potential, the Bank will strive to hasten the financing processing of eligible SMEs to meet their financing needs as well as support their business growth requirements through the provision of timely advisory services.

The principal activities of the Bank are to provide financing as well as financial and business advisory services to Malaysian SMEs residing within predefined categories which have been framed within the SME classification guidelines of the National SME Development Council.

HIGHLIGHTS 2014

1,570 approvals for
RM 2.90 BILLION
 of financing from
 January to December 2014



More than
3000
 participated in the
ENGAGEMENT SESSIONS




Impeccable health and safety record with
ZERO injuries and
ZERO fatalities
 from 2012 to 2014

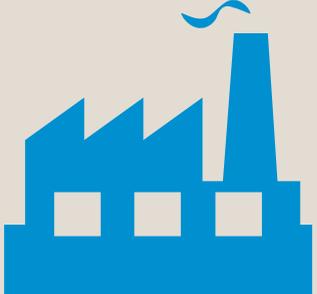
An average of
55
TRAINING HOURS
 costing **RM3,900** per employee
 in 2014



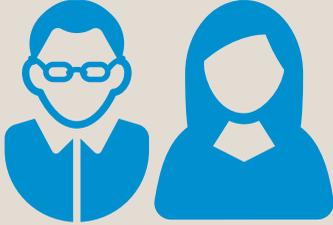
Customer satisfaction rate of
93.3%



Entrepreneur Premises Programme (EPP)
88.8%
 recorded occupancy rate



184 clients
 achieved upward migration
 under the Specific
 Intervention Programme



GREEN BUILDING CONCEPT
 adopted for our newly renovated
 office building



BOARD OF DIRECTORS



1 TAN SRI AB AZIZ KASIM
Non-Executive Chairman

2 DATUK MOHD RADZIF MOHD YUNUS
Group Managing Director

3 ENCIK KHAIRUZZAMAN MUHAMMAD
Independent Non-Executive Director

4 DATO' ADZMY ABDULLAH
Independent Non-Executive Director



- 5 ENCIK ISHAK ISMAIL**
Independent Non-Executive Director
- 6 DATUK MOHD NASIR AHMAD**
Independent Non-Executive Director
- 7 ENCIK ASRI HAMIDON**
Non-Independent Non-Executive Director

- 8 DATO' ABD MAJID KUTIRAN**
Non-Independent Non-Executive Director
- 9 DATO' JAMELAH JAMALUDDIN**
Independent Non-Executive Director
- 10 PUAN HASMAH RAZALI**
Group Company Secretary

BOARD OF DIRECTORS' PROFILE



TAN SRI AB AZIZ KASIM

Non-Executive Chairman

Tan Sri Ab Aziz Kasim, was appointed as the Non-Executive Chairman of the Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) on 1 May 2014.

Tan Sri Aziz holds a Bachelor of Arts (Hons) in South East Asian Studies from University of Malaya and a Masters in International Relations and Strategic Studies from the University of Denver, Colorado, USA.

Before joining SME Bank, Tan Sri Aziz was a government official with over 35 years of experience in various ministries, his last post being as Chief of Staff to the current Honourable Prime Minister of Malaysia (Staff III), equivalent to the Secretary-General of a senior ministry.

Having started his career in the private sector, Tan Sri Aziz was a Bank Officer with the United Malayan Banking Corporation (now known as RHB Banking Group) before joining the Administrative and Diplomatic Service in 1979 as an Assistant Director attached to the Public Service Department. He later served in numerous capacities in the Ministries of Environment, Education, Defence and the Prime Minister's Department. He was the longest serving officer of the current Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib Tun Abdul Razak having joined him in 1997 as Senior Private Secretary to the then Minister of Education.

Tan Sri Aziz is a highly decorated officer having received accolades from the states of Pahang, Sabah, Kedah, Kelantan and Malacca with the highest honour being Panglima Setia Mahkota, which was awarded by the Federal Government and carries the title Tan Sri.

**DATUK MOHD RADZIF MOHD YUNUS**

Group Managing Director

Datuk Mohd Radzif Mohd Yunus took the helm as Managing Director of SME Bank on 1 July 2010, and on 1 January 2014 he was appointed as the Bank's Group Managing Director.

Datuk Mohd Radzif has a diversified career spanning more than 30 years. He started off in academia before moving into the corporate world. Following a stint in an international consultancy firm, he secured the position of Chief Executive Officer in a local conglomerate involved in diversified businesses. Being driven by an entrepreneurial spirit, he then took a break from the corporate world and ventured into his own business. However, due to his outstanding track record as a corporate figure, he was called upon to take up the position of Chief Executive Officer of two pilgrimage fund companies, which he successfully turned around within 18 months of his appointment.

In 2006, Datuk Mohd Radzif's corporate development skills were again demanded when the Government appointed him as the Chief Executive Officer of the National Heart Institute and subsequently as the Group Managing Director in charge of three companies. In 2009, he was granted the Malaysian Business Leadership Award for Healthcare.

Datuk Mohd Radzif is the Chairman of ADFIM (Association of Development Finance Institutions of Malaysia) and the Vice Chairman of ADFIMI (Association of National Development Finance Institutions in Member Countries of The Islamic Development Bank).

BOARD OF DIRECTORS' PROFILE CONT'D



ENCIK KHAIRUZZAMAN MUHAMMAD

Independent
Non-Executive Director

Encik Khairuzzaman Muhammad was appointed as an Independent Non-Executive Director of SME Bank on 2 February 2011.

He holds a LLB (Hons) Degree from the Essex Institute of Higher Education, UK (now known as the Anglia Ruskin University); the Degree of an Utter Barrister from the Honourable Society of Lincoln's Inn, UK; and a Graduate Diploma in Commercial Law from the University of Sydney, Australia. He is a Barrister-At-Law for England and Wales and an Advocate and Solicitor of the High Court of Malaya, and has sat on several committees of the Malaysian Bar, deliberating on constitutional law and law reform issues.

At Messrs. Zul Rafique and Partners, Encik Khairuzzaman specialises in corporate advisory, mergers and acquisitions, land and Economic Corridor development and projects work. He has appeared before the highest courts in Malaysia in many landmark cases involving commercial, banking, administrative and constitutional law. He has also advised the Government of Malaysia, its various agencies and Government Linked Companies on a wide variety of matters.

His work in the field of corporate governance has involved drafting legislation for the East Coast Economic Region Development Council Act 2008 designed to enable and facilitate the development of the East Coast states of Peninsular Malaysia, namely Kelantan, Terengganu, Pahang and the district of Mersing in Johor.

Encik Khairuzzaman also sits on the Board of MIMOS Berhad and several other private companies.

**DATO' ADZMY ABDULLAH**

Independent
Non-Executive Director

Dato' Adzmy Abdullah was appointed as an Independent Non-Executive Director of SME Bank on 1 April 2011.

Dato' Adzmy holds a Bachelor of Economics from University of Malaya and a Masters in Economic Development from Vanderbilt University, USA.

After his retirement as Deputy Secretary General at the Ministry of Entrepreneur and Cooperative Development (MECD) in November 2007, Dato' Adzmy was appointed as Advisor in the Chief Minister's Department in Sarawak. Between 2005 and 2007, he held various senior positions in the MECD. He has also served other ministries which include the Prime Minister's Department, the Ministry of Agriculture and the Ministry of Coordination of Public Enterprise.

Dato' Adzmy was the Chairman of the Design Development Centre from 2007 to 2008. He was also a Board member of the Sarawak State Economic Development Cooperation, Universiti Teknikal MARA Sdn Bhd (UniKL), the Malaysia Franchise Association, Uda Holdings Berhad, Perbadanan Nasional Berhad, as well as having been a Member of the Business Advisory Council of Perbadanan Usahawan Nasional Berhad.

Currently, Dato' Adzmy is a Board member of GEM Golden Swiftlet Sdn Bhd and the Centre for Entrepreneur Development And Research Sdn Bhd (CEDAR), a subsidiary company of SME Bank.

BOARD OF DIRECTORS' PROFILE CONT'D



ENCIK ISHAK ISMAIL

Independent
Non-Executive Director

Encik Ishak Ismail was appointed as an Independent Non-Executive Director of SME Bank on 3 May 2011.

Encik Ishak holds a Bachelor of Commerce from the University of Newcastle, NSW, Australia and is a member of the Institute of Chartered Accountants, Australia. He is also a member of the Malaysian Institute of Accountants and is a Certified Internal Auditor, USA.

Encik Ishak has extensive experience in financial sector management, having served for more than 30 years in various capacities with both the government and the private sector. He has held numerous important positions throughout his tenure of service, including as senior accountant in several government departments and in senior managerial positions in Bank Negara Malaysia's various departments. He has also served as General Manager in Arab-Malaysian Assurance Berhad and Am Bank (M) Berhad.

Currently, Encik Ishak is a Board member of SMEB Asset Management Sdn Bhd, a subsidiary company of SME Bank.

**DATUK MOHD NASIR AHMAD**

Independent
Non-Executive Director

Datuk Mohd Nasir Ahmad, was appointed as an Independent Non-Executive Director of SME Bank on 20 September 2011.

Datuk Mohd Nasir holds a Masters in Business Administration (Finance) from Universiti Kebangsaan Malaysia. He is also a Fellow of the Association of Chartered Certified Accountants, UK, and a Chartered Accountant with the Malaysian Institute of Accountants.

He has 32 years of working experience. He served in various capacities at Tenaga Nasional Berhad before being appointed as the Chief Executive Officer of Malaysia Transformer Manufacturing Sdn Bhd in 1994. He was appointed as the Chief Executive Officer of Sharikat Permodalan Kebangsaan in 2000. From 2001 until 2011, he was the Chief Executive Officer of Perbadanan Usahawan Nasional Berhad.

Datuk Mohd Nasir was the President of the Malaysian Institute of Accountants from 2011 to 2013 and is currently a Council Member of the Association of Chartered Certified Accountants, UK. He also sits on the Board of Bina Darulaman Berhad, MIMOS Berhad, Sumatec Resources Berhad, Credit Guarantee Corporation Malaysia Berhad, Prokhas Sdn Bhd and UKM Holdings Sdn Bhd.

BOARD OF DIRECTORS' PROFILE CONT'D



ENCIK ASRI HAMIDON

Non-Independent
Non-Executive Director

Encik Asri Hamidon was appointed as a Non-Independent Non-Executive Director of SME Bank on 2 May 2013.

Encik Asri holds a Bachelor of Economics from University of Malaya and a Masters in Economics from Hiroshima University, Japan.

Having served for almost 20 years with the Government, Encik Asri has wide experience in the financial sector and particularly in the economic development sector. He has held numerous important positions, especially in the Economic Planning Unit, Prime Minister's Office and Ministry of Finance, Malaysia.

Encik Asri began his career as Assistant Director of the Economic Planning Unit in the Prime Minister's Department. He was then appointed as Assistant Director of Malaysian Anti-Corruption Commission before serving as Administrative and Diplomatic Officer in Public Service Department. Soon after, he was appointed Principal Assistant Secretary in the Ministry of Finance.

Encik Asri is currently the Deputy Secretary Commercial Sector, Government Investment Companies Division, Minister of Finance Incorporated and a member of the Administrative and Diplomatic Officer Association. He also sits on the Board of Bina Darulaman Berhad, Sarawak Hidro Sdn Berhad, Syarikat Perumahan Negara Berhad, and the Malaysia Convention and Exhibition Bureau.



DATO' JAMELAH JAMALLUDIN

Independent
Non-Executive Director

Dato' Jamelah Jamalludin, an experienced Islamic banker with more than 30 years of experience in the financial services industry. Prior to joining 3P Capital Partners Sdn Bhd, she was with Kuwait Finance House (Labuan) Berhad, played a pivotal role as the new Managing Director of the Bank's offshore arm, in delivering the strategy for the Bank's operations in the country and in the Asia-Pacific region.

Dato' Jamelah was previously attached to Kuwait Finance House (Malaysia) Berhad (KFHMB) and held the distinction of being the first woman to head KFHMB as Chief Executive Officer, representing a special milestone and significant breakthrough within the Kuwait Finance House Group. She was in charge for driving business opportunities within the Asian region for KFHMB. Her main responsibilities included sourcing investors, to subscribe to Islamic capital market instruments for KFHMB's investments around the world, as well as looking after the provision of financial advisory and structuring services to clients. She also spearheaded the execution of deals with the aim of achieving financial close, and led the treasury management and operations for the Bank. Her tremendous achievement was after 3 years of managing the Bank, managed to turn around KFHMB into profitability. She was in the pioneer team of KFHMB in 2005 as the Deputy Chief Executive Officer, and also headed the Corporate & Investment Banking division ("CIB").

Prior to her position with KFHMB, Dato' Jamelah was the Managing Director at RHB Islamic Bank Berhad. She led the operations of the Bank and the overall strategy for RHB Banking Group, in relation to the Group's Islamic business.

Dato' Jamelah was also Principal Officer of Macquarie Malaysia Sdn Bhd and Division Director of Macquarie Bank Limited (Labuan Branch) where she was involved in advisory and fund management.

Throughout her illustrious professional career, Dato' Jamelah has held various key positions in the financial sector including as COO of RHB Sakura Merchant Bankers Berhad and Perwira Affin Merchant Bankers Berhad.

Dato' Jamelah holds a Masters in Business Administration in Finance from Central Michigan University, and a Bachelor of Business Administration in Finance from Western Michigan University, United States of America.

BOARD OF DIRECTORS' PROFILE CONT'D



DATO' ABD MAJID KUTIRAN

Non-Independent
Non-Executive Director

Dato' Abd Majid Kutiran was appointed as Non Independent Non-Executive Director of SME Bank on 1 October 2014.

Dato' Abd Majid holds a Bachelor of Arts (Hons) in Social Sciences from University of Malaya and a Masters in Development Economics from Williams College, USA.

In 2014 Dato' Abd Majid was appointed as Senior Director of the Entrepreneur Development Division of the Ministry of International Trade And Industry (MITI), having previously held a various positions at MITI between 1996 and 2014. These included as Senior Director of the Sectoral Policy Division, Senior Director of the Management Services Division and Director of the Human Capital Division. Prior to this, he has served as an Administrative and Diplomatic Officer, first at the Ministry of Housing and Local Government, then at the Ministry of Nation and Rural Development.

Currently, Dato' Abd Majid is a Board member of Perbadanan Kemajuan Negeri Kedah Malaysia Automotive Institute and Halal Industry Development Corporation



SME BANK

SME BANK

999 TALIAN KECEMASAN ANDA

SME BANK

SENIOR MANAGEMENT



FROM LEFT TO RIGHT

DATUK MOHD RADZIF MOHD YUNUS

Group Managing Director

DATO' MOHD RIZAL MOHD JAAFAR

Group Chief Operating Officer
– Finance & Corporate Services

DATUK KAMALUDDIN ISMAIL

Chief Operating Officer
– Banking

DATO' RAZMAN MOHD NOOR

Chief Risk Officer

DR. SHEIKH GHAZALI SHEIKH ABOD

Chief Operating Officer
– CEDAR

ENCIK ASBULLAH ADNAN

Director
– Development Banking & Liaison



FROM LEFT TO RIGHT

ENCIK MOHAMAD SABIR MOHAMAD SABRI

Director
– Group Financial Management

ENCIK ISMAIL KAMARUDDIN

Group Chief Internal Auditor / Director

ENCIK SHAHRIR AMRAN

Acting Director
– Group Human Capital Management

ENCIK ABD KARIM AHMAD

Director
– Enterprise Banking

ENCIK MOHAMMAD HARDEE IBRAHIM

Director
– Treasury, Investment and Corporate Finance

PUAN ROKIAH RAJAK

Director
– Operations

PUAN HASMAH RAZALI

Group Company Secretary

SHARIAH COMMITTEE MEMBERS

1 PROF. DR. ABDUL BASIR MOHAMAD
Chairman

2 PROF. MADYA DR. AHMAD BASRI IBRAHIM
Member

3 HAJI JALIL HAJI SAID
Member

4 PROF. MADYA DR. YUSOF RAMLI
Member

5 PROF. DR. NORHASHIMAH MOHD YASIN
Member

6 DR. ASMAK AB RAHMAN
Member



2

3

4

1

5

6



SME BANK



CHAIRMAN'S STATEMENT



TAN SRI AB AZIZ KASIM
CHAIRMAN



BUSINESS FINANCING REMAINED HEALTHY, WITH GROWTH IN OUTSTANDING LOANS TO BUSINESSES INCREASING TO 9.0% FROM 7.9% IN 2013, AND THERE WAS A FURTHER DOUBLE-DIGIT RISE IN SME LOANS WHICH ADVANCED TO 13.3% COMPARED WITH 12.7% THE YEAR BEFORE.

THE MALAYSIAN ECONOMY 2014

On the back of the slower global economic recovery in 2014, Malaysia showed its resilient by registering a commendable gross domestic product growth of 6.0% compared to 4.7% in 2013. Specifically, our SMEs sustained their momentum and strengthened their contribution to the domestic market.

Business financing for the SMEs remained healthy, with growth in outstanding loans to businesses increasing to 9.0% from 7.9% in 2013, and there was a further double-digit rise in SME loans which advanced to 13.3% compared with 12.7% the year before.

Meanwhile, in other parts of Asia, economic growth moderated in several regional economies mainly due to policy measures introduced to address country-specific issues especially in China and India.

THE POSITION OF SMEs

In 2014, the Bank continued to focus on supporting the SME Master Plan 2012 - 2020 by aggressively promoting the SME Development Programme. The programme enables entrepreneurs to increase their productivity and use innovation to achieve significant growth. This will eventually propel SME entrepreneurs to the higher end of the value chain and boost their contribution to the nation's GDP to 41.0% by 2020. Through these concerted efforts and with SMEs representing over 97.0% of all businesses in the manufacturing, services and agricultural sectors and providing 57.5% of total employment in the country, the SMEs will continue to play a pivotal role as the engine of growth in the domestic economy.

CHAIRMAN'S STATEMENT CONT'D



2015 PROSPECTS

On the global front, economic growth looks likely to expand at a moderate pace. Projections for global growth have been revised to 3.5% for 2015 and 3.7% for 2016 respectively. The combination of weak prospects for the global economy, relatively low commodity prices and the softer domestic demand expected for 2015 has made Bank Negara Malaysia (BNM) to revise Malaysia's economic outlook.

For 2015, BNM anticipates a GDP growth of between 4.5% - 5.5% (2014: 6.0%), in line with the revised projection by the Ministry of Finance in January 2015. Growth is likely to be driven mainly by the domestic economy, led by private consumption (6.0%) and private

investment (9.0%), while exports moderate, expanding at a slower pace of 3.0%.

Nevertheless, private consumption will be supported by steady labour market conditions and relatively easy access to credit, and private investment will be sustained through broad capital expenditure despite a slowdown in the oil and gas sector.

On a positive note, inflation is anticipated to drop to 2.0% - 3.0% in 2015 from 3.2% in 2014. BNM attributes the fall in inflation largely to the decline in global energy and food prices and lower domestic fuel prices. And although the implementation of the Goods and Services Tax will result in higher prices for some goods and services, the impact on overall headline inflation is expected to be

contained. Given the prospect of slower growth and lower inflation, BNM's monetary policy will focus mainly on ensuring sustainable expansion in a stable price environment to counteract the downside risk posed by current global growth prospects.

With the economy expected to grow steadily, in 2015, the interest rate should stay unchanged at 3.3% while the unemployment rate is forecast to remain stable at 3.0%, compared to 2.9% in 2014.

Going forward, the SME segment is set to be a key loan growth driver, especially as household loan growth is expected to moderate due to the various macro-prudential measures that have been introduced, while the current uncertain economic environment will probably have an impact on corporate lending activities.

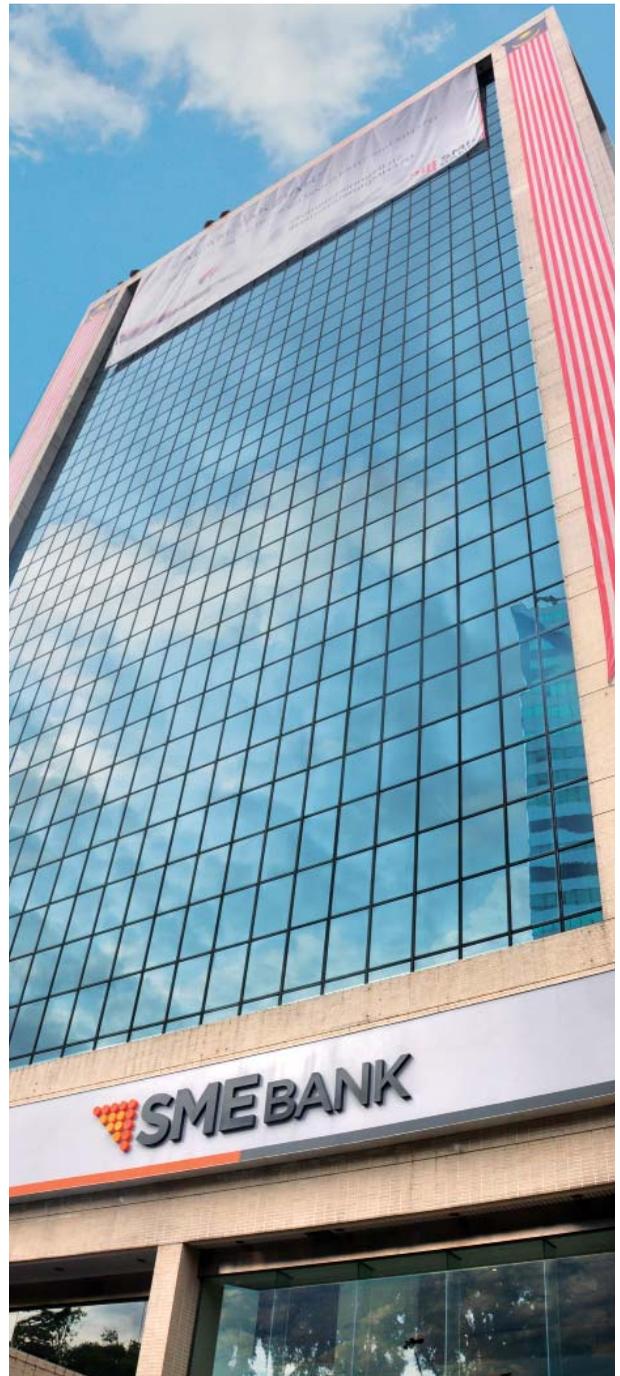
I am also pleased to see that the banking sector remains optimistic about the SME segment, with several banks reporting robust lending to the SMEs. The numbers suggest that banks' efforts to focus on SMEs may be starting to bear fruit.

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TAN SRI AB AZIZ KASIM

CHAIRMAN



GROUP MANAGING DIRECTOR'S REVIEW



DATUK MOHD RADZIF MOHD YUNUS
GROUP MANAGING DIRECTOR

IN 2014, THE BANK REMAINED TIRELESS IN ITS BACKING FOR MALAYSIA'S SMEs. DURING THE YEAR, THE BANK HAS APPROVED FINANCING TO 1,570 SME CUSTOMERS AMOUNTING TO RM2.9 BILLION OR 5.6% MORE THAN THE YEAR BEFORE.

FINANCIAL PERFORMANCE 2014

2014 was another year of positive performance by SME Bank, with operating profit reaching RM212.8 million, 97.4% higher than targeted. As for profit before tax, the Bank recorded RM29.3 million during the year under review. This was largely due to the substantial allowance for impairment. Meanwhile, gross income from Islamic banking business hit RM245.8 million or 17.4% increased compared to 2013, reflecting the Bank's rapidly increasing Islamic financing portfolio.

OPERATIONAL REVIEW

In 2014, the Bank remained tireless in its backing for Malaysia's SMEs. During the year, the Bank has approved financing to 1,570 SME customers amounting to RM2.9 billion or 5.6% more than the year before. We also disbursed RM2.5 billion in financing, with the percentage distributed to merit-based customers rising to 68.4% from 60.3% in 2013. As at 31 December 2014, our financing portfolio stood at RM4.8 billion, and the amount of our gross impaired financing had almost halved since the end of the previous year. The Bank's three largest financing portfolios by industry were Wholesale & Retail Trade, and Restaurants & Hotels (26.7%); Manufacturing (18.8%); and Education, Health & Others (16.3%).

The National Budget 2014 again demonstrated the Government's ongoing commitment to supporting SME development and growth by instituting three new funds to be disbursed by the Bank. The Graduate

Entrepreneurship Fund (TUS) 2 was allocated RM50.0 million, of which RM22.6 million of financing has been approved. The Bumiputera Equity Fund (Equibumi) received RM300.0 million of which RM258.0 million of financing has been approved while the Malay Reserve Development Fund (MRDF) was granted RM200.0 million and approval for this fund amounted to RM34.8 million.

Meanwhile, the year also witnessed a healthy response to the various programmes offered by SME Bank. The Entrepreneur Premises Programme (EPP) recorded an 88.8% occupancy rate for the 454 factory units available. During the year, ten tenants graduated from the programme and moved their operations to their own premises. In addition, 184 clients of the Specific Intervention Programme achieved upward migration under various aspects, namely Need to Merit migration, improvement in risk/SCORE rating, turnaround of delinquent/impaired to performing accounts, expansion of market from domestic to export, and Non-Teras (BEST) to Teras companies.

In 2014, the IQ Dagang programme scored similar successes, with 101 inquiries being received and 457 participants benefitting from the business engagement and business coaching sessions. These sessions were conducted by our subsidiary, the Centre for Development and Research Sdn Bhd (CEDAR) under the Leaders Entrepreneurship Acceleration Programme (LEAP).



Customers engagement also continued to be a top priority. In September and October, we held a series of Customers Open Day at all our Entrepreneur Centres throughout Malaysia, delivering talks on the Goods and Services Tax, business start-up and takaful protection as well as conducting a series of business consultations. Some 3,102 existing clients and potential entrepreneurs participated in the 18 sessions.

As part of its customer outreach programme, the Bank also provides both local and international platforms for entrepreneurs to voice their concerns and to share their knowledge, experience and successes. To this end, during the year the Bank played a significant role in two forums namely the Forum Keusahawanan Malaysia (FOKEM) conducted by the Ministry of International Trade and Industry (MITI) and its agencies on 18 February 2014; and the *ADFIMI-SME Bank International Development Forum*, a collaboration with the Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI) on 20-21 October 2014.

HUMAN CAPITAL DEVELOPMENT

In line with our vision to be an international benchmark for nurturing SME excellence, we invested heavily in human capital development, providing a variety of training programmes to upgrade staff capabilities, skills and knowledge.

To support our specific aspiration to become a full-fledged Shariah Compliant Development Financial Institution, we organised a Certificate in Islamic Development Banking & Finance (CIDBF) Programme for middle and upper level executives. This programme builds knowledge and competency in Islamic finance and banking with an emphasis on developmental roles. In 2014, 305 employees participated in the programme with 94.1% passing the exam.

Under our Talent Management Framework (TMF) Phase II, we have created a Succession Plan, a High Performance Staff Programme and a Middle Management Development Programme. The TMF also identifies a pool of talents with the potential to be groomed to become professional bankers.

Meanwhile, we ran a nine-month Graduate Trainee Programme (GTP) which was successfully completed by all 30 participants, who were then inducted into the Bank.

MOVING FORWARD 2015

2015 will see both the Bank and the Government creating fresh opportunities designed to spur the evolution of Malaysian SMEs.

As part of the 5 years Transformation Plan, the Bank will be establishing a new subsidiary, SMEB Asset Management Sdn Bhd (SAM). SAM will focus on the management of the financing without eroding the developmental aspect by optimizing its capability in identifying projects which can be rehabilitated into viable businesses and also by optimizing its recovery efforts by adopting a more proactive approach towards resolving issues related to impaired financing.

To help empower the women entrepreneurs especially in the small and medium size industry, the Bank will be unveiling the Women Entrepreneur Financing Programme (WEP). The WEP is tied to CEDAR's Women Leaders Entrepreneurship Acceleration Programme (Women LEAP), a holistic entrepreneurship development programme that manages the whole entrepreneur system from pre-commercialisation to commercialisation.

As an initiative to improve the service delivery, the Bank will be launching its Mobile Apps that among others offers internet banking and mobile banking facilities. The Mobile Apps can be accessible both in the Apple iOS and Android platforms. These applications will enable SME Bank's customers to access information such as their financing details, bulletins and reminders.

In addition to this, we have been given the responsibility to implement two new financing initiatives in the 2015 National Budget. The SME Investment Partner (SIP) programme received RM250.0 million to provide financing via loans and equity participation, particularly at the start-up stage; and the Sustainable Mobility Fund was allocated RM70.0 million to develop the electric vehicle manufacturing industry, initially by introducing 50 electric buses. This is in line with the



Government's aim to promote electric vehicles, with a target of 2,000 electric buses and 100,000 electric cars on the road by 2020.

Meanwhile, the Special Relief Fund amounting RM500.0 million announced by Bank Negara Malaysia is providing financing assistance to the SMEs whose businesses have recently been hit by the floods in several Malaysian states. The fund is available until 30 June 2015 via various financial institutions, including SME Bank.

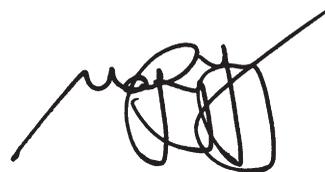
As part of its plans to stimulate the growth of exports by Malaysian SMEs, the Government has also initiated the SME-Go financing programme. Developed by the Malaysian External Trade Development Corporation (MATRADE), SME-GO supports MATRADE's Going-Export (Go-Ex) programme and targets both export-ready companies and companies with high export potential which are venturing into new products or new markets. SME-GO aims to help the SMEs significantly improve their export performance by providing customised advisory and marketing assistance through the appointment of Market Advisors and Market Linkers.

ACKNOWLEDGEMENT

For SME Bank, 2014 was a year of considerable progress as was demonstrated both by our strong support for the nation's SMEs through funding, outreach and targeted programmes, and by the further upgrading of our human resource capabilities via training and development.

Many people, both inside and outside the Bank contributed to these achievements, and we offer our heartfelt thanks to all our stakeholders, be they customers, management, staff or business partners, as well as to the Ministry of Finance, the Ministry of International Trade and Industry and Bank Negara Malaysia.

For business. For growth. For life.



DATUK MOHD RADZIF MOHD YUNUS

GROUP MANAGING DIRECTOR





**MOVING
TOWARDS
SHARIAH
COMPLIANT
DFI**

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Small Medium Enterprise Development Bank Malaysia Berhad is committed to high standards of Corporate Governance and subscribes to the Bank Negara Malaysia (BNM) Guidelines on Corporate Governance Standards on Directorship for Development Financial Institutions (BNM/RH/GL 005-14) in achieving an optimal governance framework and maximising the shareholder value of the Bank.

A. BOARD OF DIRECTORS

The Board is governed by nine (9) members of the Board of Directors consisting of one (1) Non-Executive Chairman, one (1) Non-Independent Executive Director who is the Bank's Group Managing Director, two (2) Non-Independent Non-Executive Directors representing Minister of Finance Incorporated (MOF) and the Ministry of International Trade and Industry (MITI) respectively and five (5) Independent Non-Executive Directors.

The diversity of the Directors' backgrounds from the fields of Management, Banking, Finance, Accounting, Legal and Entrepreneur Development, and their experience accumulated while serving both in the private and government sectors, brings to the Board the necessary range of expertise and experience required by the Board to effectively perform its functions.

The Chairman and all the Directors are experts in their respective fields and contribute significantly to the Board's decision-making process. The Group Managing Director executes the policies of the Board and manages the day-to-day affairs of the Bank.

The Board is responsible for ensuring the effectiveness of the Bank's operations. This includes the responsibility for determining the Bank's overall strategic direction, approval of performance targets, monitoring of management achievements, providing overall policy guidance and ensuring that policies and procedures for the internal control system and for succession planning are in place.

The Board of Directors meets at least once a month to discuss, amongst others matters relating to policies, strategies, performance, resources, the overall conduct of the Bank's business and financial matters as well as to monitor the Bank's overall performance.

The appointment of the Chairman and all the Directors is in accordance with the Guidelines on Corporate Governance for Development Financial Institutions and the Bank's Articles of Association.

The composition of the Board of Directors during the year 2014 was:

NAME OF DIRECTOR	DESIGNATION
1. Tan Sri Ab. Aziz Kasim	Non Executive Chairman (appointed w.e.f. 1 May 2014)
2. Datuk Mohd Radzif Mohd Yunus	Group Managing Director (Non-Independent Executive Director)
3. Dato' Abd Majid Kutiran	Non-Independent Non-Executive Director (representing MITI) (appointed w.e.f. 1 October 2014)
4. Encik Asri Hamidon	Non-Independent Non-Executive Director (representing MOF)
5. Datuk Mohd Nasir Ahmad	Independent Non-Executive Director
6. Dato' Adzmy Abdullah	Independent Non-Executive Director
7. Encik Ishak Ismail	Independent Non-Executive Director
8. Encik Khairuzzaman Muhammad	Independent Non-Executive Director
9. Dato' Jamelah Jamaluddin	Independent Non-Executive Director (appointed w.e.f. 1 February 2014)
10. Dato' Abdul Ghafar Musa	Non-Independent Non-Executive Director (representing MITI) (ceased w.e.f. 1 May 2014)

For the year 2014, fifteen (15) meetings were held. The record of attendance by the Board of Directors at the Board Meetings for 2014 is as follows:

NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
1. Tan Sri Ab. Aziz Kasim	9/9 (appointed w.e.f. 1 May 2014)
2. Datuk Mohd Radzif Mohd Yunus	15/15
3. Dato' Abd Majid Kutiran	2/2 (appointed w.e.f. 1 October 2014)
4. Encik Asri Hamidon	14/15
5. Datuk Mohd Nasir Ahmad	15/15
6. Dato' Adzmy Abdullah	14/15
7. Encik Ishak Ismail	15/15
8. Encik Khairuzzaman Muhammad	14/15
9. Dato' Jamelah Jamaluddin	12/13 (appointed w.e.f. 1 February 2014)
8. Dato' Abdul Ghafar Musa	*4/5 (Ceased w.e.f. 1 May 2014)

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

B. SUPPLY OF INFORMATION

Directors are provided with notices and Board papers prior to Board Meetings to give Directors time to deliberate on issues raised at meetings.

All Directors have direct access to the services of the Group Company Secretary and the Senior Management. Independent professional advice is also made available to Directors in the furtherance of their duties in the event that such services are required.

C. TRAINING OF DIRECTORS

It is the Bank's practice that each new Director is given a Board Kit and attends an on-boarding session to brief him/her on the Bank's history, operations and financial performance to give him/her a first-hand understanding of the Bank's operations.

The members of the Board keep abreast of developments in the banking industry by attending conferences and seminars held in Malaysia and abroad.

The Bank also organises talks on the AMLA (Anti Money Laundering Act) and other relevant topics and encourages Directors to attend talks, training programmes and seminars to update themselves on new developments in the business environment.

The Directors of the Bank in 2014 attended the Financial Institutions Directors' Education (FIDE) Programme organised by The ICLIF Leadership and Governance Centre.

D. BOARD COMMITTEES

There are five Board Committees established to assist the Board in discharging its duties and responsibilities, namely the Audit Committee (AC), Risk Management Committee (RMC), Nomination Committee (NC), Remuneration Committee (RC) and Asset Quality Review Committee (AQRC) (established effective 28 October 2014).

NOMINATION COMMITTEE

A. OBJECTIVE

The primary objective of the Nomination Committee (NC) is to establish a documented, formal and transparent procedure for the appointment of Directors, the Managing Director and Senior Management (Management Director and above) and to assess the effectiveness of individual Directors, the Board of Directors and the various committees of the Board, the Group Managing Director and Senior Management.

B. COMPOSITION

The composition of the NC during the year 2014 was:

NAME OF DIRECTOR	DESIGNATION
1. Dato' Adzmy Abdullah	Chairman
2. Encik Asri Hamidon	Member
3. Dato' Abd Majid Kutiran	Member (Appointed w.e.f. 29 November 2014)
4. Datuk Mohd Nasir Ahmad	Member
5. Encik Ishak Ismail	Member
6. Datuk Mohd Radzif Mohd Yunus	Member
7. Dato' Abdul Ghafar Musa	Member (Ceased w.e.f. 1 May 2014)

C. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the NC are:

- To carry out an annual assessment to evaluate the effectiveness of each individual Director, the Board as a whole, and the various committees of the Board, the Managing Director and Senior Management (Management Director and above);
- To carry out an annual assessment of the overall composition of the Board in terms of appropriate size, the balance between Executive Directors, Non-Executive Directors and Independent Directors, the mix of skills, experience and required core competencies within the Board of Directors;
- To recommend and assess nominees for directorships, Directors to sit on Board Committees, and nominees for the Managing Director's position. This includes assessing Directors and the Managing Director proposed for reappointment before an application is submitted to Bank Negara Malaysia;

- To 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 Managing Director;
- To recommend to the board the removal of a Director/Managing Director if he/she is ineffective, errant or negligent in discharging his/her responsibilities;
- To oversee the appointment, management succession planning and performance evaluation of Senior Management (Management Director and above), and to recommend to the Board the removal of members of Senior Management (Management Director and above) if they are ineffective, errant or negligent in discharging their responsibilities;
- To ensure that members of the Board of Directors attend continuous training programmes; and
- To ensure that new Directors and reappointed Directors who have yet to attend the mandatory training programmes prescribed by Malaysia Securities Exchange Berhad for listed companies or the Companies Commission of Malaysia (CCM) attend the said programmes within six (6) months of their appointment.

D. COMMITTEE MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2014, the NC held seven (7) meetings. The record of attendance of the Committee Members at the NC Meetings is as follows:

NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
1. Dato' Adzmy Abdullah	7/7
2. Encik Asri Hsmidon	7/7
3. Datuk Mohd Nasir Ahmad	7/7
4. Encik Ishak Ismail	7/7
5. Datuk Mohd Radzif Mohd Yunus	7/7
6. Dato' Abdul Ghafar Musa	*4/4 (Ceased w.e.f. 1 May 2014)

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

REMUNERATION COMMITTEE

A. OBJECTIVE

The primary objective of the Remuneration Committee (RC) is to provide a formal and transparent procedure for developing a remuneration policy for Directors, the Managing Director and Senior Management (Management Director and above) and to ensure that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

B. COMPOSITION

The composition of the RC for the year 2014 was:

NAME OF DIRECTOR	DESIGNATION
1. Encik Khairuzzaman Muhammad	Chairman
2. Encik Asri Hamidon	Member
3. Datuk Mohd Nasir Ahmad	Member
4. Encik Ishak Ismail	Member
5. Dato' Jamelah Jamaluddin	Member (Appointed w.e.f. 27 February 2014)

C. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the RC are:

- i. To recommend a framework of remuneration for Directors, the Managing Director and Senior Management (Management Director and above). The remuneration policy should:
 - Be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
 - Reflect the experience and level of responsibility borne by individual Directors, the Managing Director and Senior Management (Management Director and above);
 - Be sufficient to attract and retain Directors, the Managing Director and Senior Management (Management Director and above) of a calibre needed to manage the Bank successfully; and
 - Be balanced against the need to ensure that the funds of the Bank are not used to subsidise excessive remuneration packages.
- ii. To recommend specific remuneration packages for Directors, the Managing Director and Senior Management (Management Director and above). The remuneration packages should:

- Be based on an objective consideration and approved by the full Board;
 - Take due consideration of the assessments by the RC of the effectiveness and contribution of the Director, Managing Director and/or Senior Management (Management Director and above) concerned;
 - Not be decided by the exercise of sole discretion or any one individual or restricted group of individuals; and
 - Be competitive and consistent with the Bank's culture, objectives and strategy.
- iii. To endorse any changes deemed necessary to the schemes, terms of service and new terms for executives and staff of SME Bank before submission to the Board of Directors for final approval.

D. COMMITTEE MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2014, the RC held seven (7) meetings. The record of attendance of the Committee Members at the RC Meetings is as follows:

NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
1. Encik Khairuzzaman Muhammad	7/7
2. Encik Asri Hamidon	7/7
3. Datuk Mohd Nasir Ahmad	7/7
4. Encik Ishak Ismail	7/7
5. Dato' Jamelah Jamaluddin	5/5 (appointed w.e.f. 27 February 2014)

RISK MANAGEMENT COMMITTEE

A. OBJECTIVE

The primary objective of the Risk Management Committee (RMC) is to oversee the Senior Management's activities in managing the key risk areas of SME Bank and to ensure that the risk management process is in place and running effectively.

B. COMPOSITION

The composition of the RMC during the year 2014 was:

NAME OF DIRECTOR	DESIGNATION
1. Encik Ishak Ismail	Chairman
2. Encik Asri Hamidon	Member
3. Dato' Adzmy Abdullah	Member
4. Encik Khairuzzaman Muhammad	Member
5. Dato' Jamelah Jamaluddin	Member (Appointed w.e.f. 27 February 2014)
6. Dato' Abdul Ghafar Musa	Member (Ceased w.e.f. 1 May 2014)

C. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the RMC are:

- To formulate strategies to manage the overall risks associated with SME Bank's activities;
- To recommend appropriate risk management policies, procedures and processes in key risk areas such as market risk, credit risk, investment risk and operational risk in line with the Bank's mandated role as a Developmental Bank;
- To review the adequacy of Risk Management policies and systems and the extent to which these are operating effectively;
- To promote an integrated approach to evaluating and monitoring interrelated risks;
- To ensure that the infrastructure, resources and systems are in place to identify, measure, monitor and control risks;
- To review the periodic information provided to management on risk exposure in relation to the Bank's risk tolerance and appetite and risk management activities; and

- To formulate contingency plans, i.e. business continuity plans, for worst-case scenarios.

Additional requirements as specified in the BNM Guidelines on Best Practices for the Management of Credit Risk for Development Financial Institutions (effective from 1 January 2010) are:

- To review the adequacy of strategies to manage the overall credit risk associated with the Bank's activities;
- To oversee the formal development of credit policies within the Bank, encompassing all products and businesses, and to ensure the development of a policy manual and procedures;
- To monitor, assess and advise on the credit risk portfolio composition of the Bank;
- To evaluate risk under stress scenarios and the capacity of the Bank's capital to sustain such risk;
- To assess the risk-return trade-off;
- To review reports on the Bank's credit review process and asset quality, and to ensure that any necessary corrective action is taken; and
- To review and evaluate the various credit products engaged by the Bank to ensure it is are conducted within the standards and policies set by the Board.

D. COMMITTEE MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2014, the RMC held five (5) meetings. The record of attendance of the Committee Members at the RMC Meetings is as follows:

NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
1. Encik Ishak Ismail	5/5
2. Encik Asri Hamidon	5/5
3. Dato' Adzmy Abdullah	5/5
4. Encik Khairuzzaman Muhammad	3/5
5. Dato' Jamelah Jamaluddin	4/4 [Appointed w.e.f. 27 February 2014]
6. Dato' Abdul Ghafar Musa	*1/1 [Ceased w.e.f. 1 May 2014]

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

AUDIT COMMITTEE

A. OBJECTIVE

The objective of the Audit Committee (AC) is to provide the Board of Directors with independent assurance on the adequacy and effectiveness of the risk management system, internal control and governance processes and to ensure checks and balances within the Bank.

B. COMPOSITION AND ATTENDANCE

The Committee is appointed by the Board of Directors and consists of not less than three (3) Board members, none of whom shall be full-time Executive Directors of the Bank.

The details of attendance of each member at the Committee meetings held for the year 2014 are as follows:

NAME OF DIRECTOR	DESIGNATION	NO. OF MEETINGS ATTENDED
1. Datuk Mohd Nasir Ahmad	Chairman/ Independent Non-Executive Director	7/7
2. Dato' Adzmy Abdullah	Independent Non-Executive Director	7/7
3. Encik Khairuzzaman Muhammad	Independent Non-Executive Director	7/7
4. Encik Asri Hamidon	Non-Independent Non-Executive Director	6/7
5. Dato' Abdul Ghafar Musa	Non-Independent Non-Executive Director (Ceased w.e.f. 1 May 2014)	3/3
6. Dato' Abd. Majid Kutiran	Non-Independent Non-Executive Director (Appointed w.e.f. 29 Nov 2014)	-

C. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the AC are:

- i. To recommend to the Board of Directors on the appointment of External Auditors, the fee and other matters pertaining to the resignation or termination or change of External Auditors;
- ii. To review with the External Auditors the following:
 - The scope of the External Auditors' audit plan
 - The system of internal accounting controls

- The External Auditors' audit report
 - The External Auditors' management letter and the management's response
 - The assistance given by management and staff to the External Auditors
- iii. To monitor and assess the External Auditors' performance and their independence and objectivity;
- iv. To carry out the following with regards to the internal audit function:
- Review the adequacy of scope, functions and resources of the Group Audit Division and ensure that it has the necessary authority to carry out its work
 - Review and approve the internal audit plan, audit methodology and audit processes
 - Review audit reports and assess the adequacy of the management's actions taken on audit observations or recommendations
 - Decide on the selection, retention, evaluation and compensation of the Group Chief Internal Auditor
- v. To review and deliberate on reports relating to the perpetration and prevention of fraud;
- vi. To review the Bank's compliance with related Government regulations;
- vii. To review the half-yearly results and the year-end financial statements prior to approval by the Board of Directors;
- viii. To ensure that, with reference to the year-end financial statements, the External Auditors conduct a presentation to the AC with a particular focus on the following:
- Any changes to or implementation of major accounting policies
 - The adequacy of provisions against contingencies and impairment
 - Any significant or unusual events.
 - Compliance with the applicable Financial Reporting Standards and other legal requirements
- ix. To ensure prompt publication of annual accounts;
- x. To discuss issues arising from the interim and final audits and any matters the External Auditors may wish to discuss (in the absence of management where necessary);
- xi. To review any related party transactions and conflict of interest situations that may arise in the Bank or within the Banking group including any transactions, procedures or conduct that raise questions of management integrity; and
- xii. To review and endorse the status and progress of the management's response to and corrective measures taken to address issues raised in the BNM Examination Report before it is tabled to the Board of Directors for approval.

The AC also updates the Board of Directors on audit observations, issues and concerns discussed during its meetings including those raised by the External Auditors and, where appropriate, makes the necessary recommendations to the Board of Directors.

The performance and contribution of the AC is formally assessed by the NC, as stipulated in BNM/RH/GL 005-14 and in line with the terms of reference of the NC. The NC reports its recommendations relating to the AC to the Board of Directors for decision.

D. TRAINING

The conferences, seminars and training programmes attended by the AC members in 2014 are listed below:

- Strategic & Risk - Managing Uncertainty
- Financial Language in the Boardroom
- The Role of the Board in Behavioural Issues - Tools and Techniques for Nomination and Remuneration Committees
- FIDE Core Programmes Module A and B

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

A. INTRODUCTION

The Board of Directors is responsible for the Group's risk management and internal control system and for reviewing its adequacy and integrity. The Board recognises that the practice of good governance is an important and continuous process and has established the RMC, AC and AQRC to ensure the maintenance of a sound system of internal controls and good risk management practices. The processes for risk and control assessments and improvements are ongoing and are regularly reviewed.

For the purposes of this statement, associates are not dealt with as part of the Group, and are therefore not covered by this statement.

B. RESPONSIBILITIES

The Board acknowledges its overall responsibility for the internal control environment and its effectiveness in safeguarding shareholders' interests and the Group's assets. The internal control measures are designed to manage rather than eliminate the risk of failure in the achievement of the goals and objectives of the Group, and therefore only provide reasonable assurance and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The system of internal control that is instituted throughout the Group is updated from time to time to align with the changes in the business environment as well as process improvement initiatives undertaken. The Board confirms that the management of the Group responsibly implements the Board policies, procedures and guidelines on risks and controls via identifying and evaluating the risks faced, and the achievement of business objectives and strategies.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

C. KEY INTERNAL CONTROL PROCESSES

The key internal control processes that are established in reviewing the adequacy and integrity of the system of internal controls are as follows:

i) Risk Management Function

The organisational structure of the Group clearly defines the lines of accountability, authority limits and responsibilities aligned to business and operational requirements within the ambit of supporting the maintenance of a robust control environment. Risk assessment and evaluation is an integral part of the strategic planning cycle of the Group and, in response to the business environment and opportunities, involves identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review.

Management committees are appropriately set up to ensure proper utilisation and investment of the Group's assets for effective risk return rewards or to limit losses.

The Group's Risk Management Function undertakes the implementation of an enterprise and integrated risk management system across the business and support functions so as to create continuous risk awareness and an understanding of procedures and controls, and thus to improve the overall control environment. In establishing and reviewing the risk management and internal control system, the materiality of relevant risks, the likelihood of losses being incurred and the cost of control have been considered.

In line with the Group's aspiration to become a Shariah Based Development Finance Institution, there are internal guidelines established to strengthen the management of potential risk from Shariah non-compliance arising from business activities and operations. These include a clear Shariah non-compliance reporting mechanism in line with the regulatory requirements.

Anti-fraud measures have been established to provide broad principals and strategies for the Group to adopt in order to promote high standards of integrity. The internal guidelines include robust and comprehensive programmes and controls for the Group and determine the roles and responsibilities at every level for preventing and responding to fraud.

Operationally, the Group manages its risk based on the three lines of defence: risk taking functions, risk control functions and internal audit. At the first level, the risk taking functions, which comprise the operating business and support units, are responsible for the day-to-day management of the risks inherent in the Bank's various business activities. Risk control functions, at the second level, are responsible for setting the risk management policies and guidelines including developing relevant tools and methodologies for the identification, measurement, mitigation, monitoring and control of risks. Thirdly, the Group Audit Function complements the Group Risk Management Function by reviewing and evaluating significant exposures to risk and contributing towards the improvement of the risk management and control systems. The Group Audit Function also provides, from an independent perspective, its assessment of the adequacy and effectiveness of the risk management policies and guidelines.

ii) Compliance Function

Group Compliance Division (GCD) is established to provide assurance and oversight of the level of compliance in various functions in the Group which include compliance with operational, regulatory and Shariah requirements. In providing the assurance, the assessment of the level of compliance is undertaken and supported via the establishment of a Group Compliance Programme. The Programme covers operational, regulatory and Shariah compliant requirements. The Programme comprises compliance advisory, periodic communication and engagement session with various stakeholders in the Group, periodic compliance review exercise based on the approved annual review plan and structured review methodology, implementation of self-assessment programme, and training and awareness session. The main objective or desired outcome of the Programme is towards improving and institutionalising robust compliance culture in the Group.

iii) Internal Audit Function

The Group Audit Division (GAD) undertakes periodic reviews of the Group's business and operations to provide independent assurance to the Board that the risk management processes, system of internal controls and governance processes put in place by the management are working effectively. The performance of the reviews is based on the annual Audit Plan approved by the AC, which is derived from the annual risk assessment to identify critical areas to be audited. In formulating the audit plan, close reference is made to the relevant BNM requirements to ensure regulatory compliance.

Audit observations on significant risks and non-compliances impacting the Group together with the recommended solutions are highlighted, discussed and followed-up with the stakeholders until resolution so as to ensure that the controls are effectively implemented to mitigate the risks. The GAD carries out investigative audits where there are improper and/or dishonest acts reported/suspected. Audits of the information systems of the Group are also conducted to ensure that the computing resources are adequately secured to protect data integrity and confidentiality, and there are adequate measures to safeguard and provide for the continued availability of the system to support business operational needs.

As part of consultancy services, the GAD provides advisory functions in the evaluation of the risk exposures of new systems, business products and services in order to assess the controls that should be in place to mitigate the risks identified prior to implementation. Audit reports are also discussed with the management to enhance its oversight function and are further followed-up to ensure that the audit observations are timely resolved.

The AC is a sub-committee of the Board and is chaired by an Independent Non-executive Director of the Board. The AC meets, at minimum, every quarter to deliberate on the internal audit reports and make recommendations to further strengthen the risk management system, system of internal controls and governance processes, where necessary. All the AC's decisions and recommendations are duly cascaded down to the relevant stakeholders for action and followed through until closure. The AC Chairman's reports and Minutes of the AC meetings are subsequently tabled to the Board.

The GAD continues to enhance its capabilities to ensure that it is able to provide the necessary assurance to the Board more effectively and efficiently. This is done through continuous improvements to its internal audit processes benchmarked against industry standards, up-skilling of the internal auditors through various internal and external training, certification of auditors, and engagements with reputable third party service providers when undertaking specific audit assignments.

Apart from discharging its core function of performing audits and reviews, the GAD also undertakes the Group's initiatives towards a "Zero" Tolerance Culture, which is the way forward for the Group to sustain an effective risk management and compliance culture. This includes embarking on self-checking mechanisms by the risk-owners in compliance with internal control procedures and regulatory requirements.

iv) Other Major Internal Controls

- Other Board Committees are also established to assist the Board to perform its oversight function, namely the NC, RC and AQRC. The AQRC is a new committee incorporated by the Group in 2014 to further enhance the oversight of asset quality. Specific responsibilities have been delegated to these Board Committees formalised via terms of reference.

- The Board receives regular reports from the management on key operating statistics, business dynamics, legal matters and regulatory issues. An annual business plan and budget are submitted to the Board for approval. Actual performance is reviewed against the targeted results on a periodic basis, allowing a timely response and corrective actions to be taken to mitigate risk. The Board also approves any changes or amendments to the Group's policies.
- The Group manages its human capital through a rigorous recruitment process, training programmes and a performance appraisal system. Adequate policies and guidelines are in place for the recruitment, promotion and termination of staff.
- The establishment of the Group's Integrity Pledge Ethics is based on the following principals: observance of laws both in letter and in spirit; upholding the reputation for integrity throughout the Group; avoiding possible conflicts of interest; ensuring completeness and accuracy of relevant records; ensuring fair and equitable treatment of all customers; avoiding misuse of position and information; and ensuring confidentiality of information and transactions.

v) Assurance from Management

The Board has also received reasonable assurance from the Group Managing Director and Group Chief Operating Officer – Finance & Corporate Services that the Group's risk management and internal control system for the period ended 2014 is operating adequately and effectively, in all material respects, based on the risk management and internal control system of the Group.

ASSET QUALITY REVIEW COMMITTEE

In addressing the issue of impairment in terms of performance and the Individual Impairment Provision (IIP) and Collective Impairment Provision (CIP), the Board of Directors approved the establishment of Asset Quality Review Committee (AQRC) effective 28 October 2014.

A. OBJECTIVE

The primary objective of the AQRC is to oversee the management and provide strategic direction with regard to the asset quality of the Bank.

B. COMPOSITION

The composition of the AQRC during the year 2014 was:

NAME OF DIRECTOR	DESIGNATION
1. Dato' Jamelah Jamaluddin	Chairman
2. Encik Asri Hamidon	Member
3. Encik Ishak Ismail	Member
4. Encik Khairuzzaman Muhammad	Member (Appointed w.e.f. 29 November 2014)
5. Datuk Mohd Radzif Mohd Yunus	Member

C. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of AQRC include but are not limited to the following:

- To determine and provide input on strategic direction for the management of delinquent and impaired assets;
- To develop appropriate strategies for managing delinquent and impaired assets and to advise on appropriate recourse related thereto;
- To strategise ways to improve/increase the Bank's financing assets;
- To take a forward view of the possibilities of future trends of impairment and delinquency and to deliberate on related issues; and
- To review the report on impaired accounts of Asset Management Company (AMC) as well as the interco financing status.

D. COMMITTEE MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2014, the AQRC held two (2) meetings. The record of attendance of the Committee Members at the AQRC Meetings is as follows:

NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
1. Dato' Jamelah Jamaluddin	2/2
2. Encik Asri Hamidon	2/2
3. Encik Ishak Ismail	2/2
4. Encik Khairuzzaman Muhammad	1/1 (Appointed w.e.f. 29 November 2014)
5. Datuk Mohd Radzif Mohd Yunus	2/2

SHARIAH COMMITTEE

SME Bank governed by Shariah Governance Framework (SGF) for Islamic Financial Institutions issued by BNM as a distinct feature in the organisational structure of the Bank, which includes establishment of the Shariah Committee (SC) in line with the requirement of Section 30 (1) of the Islamic Financial Services Act (IFSA 2013).

A. OBJECTIVE

The primary objective of the Shariah Committee (SC) is to advise and supervise the Bank's Islamic Banking business. The SC also:

- Reviews and approves the Shariah compliant review and the Shariah audit; and
- Oversees the state of Shariah governance of the Bank's Islamic banking activities.

In so doing, and in order to effectively discharge its role, the SC maintains a high level of integrity.

B. COMPOSITION OF THE SC

As at 31 December 2014, the SC consisted of six (6) members from diverse backgrounds in terms of their qualifications, experience and knowledge, including law and economics, so as to support the depth and breadth of the Shariah deliberations. The majority of members are scholars who have qualifications, expertise and experience in Shariah matters, especially Islamic Jurisprudence (Usul al-Fiqh) and Islamic Commercial Law (Fiqh al-Muamalat).

C. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the SC are:

- To provide advice to the Bank's Board of Directors and/or management on Shariah matters in order to ensure that at all times the Islamic Banking business of the Bank adheres to Shariah principals;
- To be well informed of the latest developments in Islamic Banking business, regulatory changes affecting the Bank's business, rulings by the BNM Shariah Advisory Council (SAC), and changes in the latest Shariah research, ijthihad, fatwas or findings;
- To advise the Bank to refer to the BNM SAC on any Shariah matter that requires the SAC's endorsement;
- To review and recommend Shariah policies and procedures for the Bank's Islamic Banking business and to endorse all the Shariah operating manuals and policies governing the Islamic Banking business of the Bank including making recommendations for revisions, improvements and updates whenever necessary;
- To review and recommend Shariah policies and guidelines to allow the Shariah Unit of the Bank to process and decide on submissions from divisions in the Bank;

- To review the Shariah Risk Management Framework to ensure that it is supported by various tools such as the Shariah Compliant Review and Shariah Audit functions of the Bank;
- To engage actively in deliberating Shariah issues presented, and to participate actively by attending meetings, evaluating reports, reading minutes, and undertaking other mandated tasks;
- To ensure a high standard by arriving at Shariah-related decisions through proper and comprehensive Shariah rulings;
- To review and respond to proposals submitted for the Circular Resolution within seven (7) days of the proposals being circulated;
- To demonstrate professionalism so as to reflect the integrity of the Committee; and
- To ensure that each SC member attends at least 75% of all the meetings held in a year. Any SC member who does not meet the minimum requirement may be subjected to a review of his/her service.

D. MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2014, the SC held eleven (11) meetings. The record of attendance of the Committee Members at the SC Meetings is as follows:

SHARIAH COMMITTEE MEMBERS	NO. OF MEETINGS ATTENDED
1. Prof. Dr. Abdul Basir Mohamad (Chairman)	11/11
2. Dr. Asmak Ab Rahman	11/11
3. Prof. Dr. Norhashimah Mohd Yasin	11/11
4. Haji Jalil Haji Said	11/11
5. Prof. Madya Dr. Azman Mohd Noor	11/11 (Resigned w.e.f. 8 December 2014)
6. Prof. Madya Dr. Yusof Ramli	11/11





GIVING BUDDING ENTREPRENEURS A FINANCIAL BOOST

CORPORATE RESPONSIBILITY

SUSTAINABILITY AT SME BANK

Sustainability has been a key driver since the Bank's formation. Over the years, we have improved our performance in many areas. We created a solid foundation on which we can continue to build a sustainable business. In 2014, we identified four key sustainability focus areas that contain both risks to be managed and significant opportunities. These focus areas are aligned with the delivery of our business transformation while also being responsive to stakeholders. Over the coming months, the Bank will continuously improve these areas.

CR STATEMENT

To embark on a comprehensive Corporate Responsibility (CR) programme focusing on entrepreneurship and sustainable activities that will bring impact to the Bank's image and business operations as well as create value for the stakeholders

SME BANK'S FOUR KEY SUSTAINABILITY FOCUS AREAS

COMMUNITY DEVELOPMENT

- Reaching out to the community
- Nation-building

PEOPLE FIRST

- Diversity and Inclusivity
- Training and Development
- Rewarding Achievements
- Health and Safety in the Workplace
- Nurturing Employees' Welfare

INTEGRITY IN THE MARKETPLACE

- Delivering Service Excellence
- Prioritising Customers
- Growing the SME Industry

ENVIRONMENTAL PROTECTION

- Preserving the Environment
- Promoting Environmental Awareness

COMMUNITY DEVELOPMENT

In view of the importance of nurturing and grooming future entrepreneurs, SME Bank embarked on a special initiative under its Corporate Responsibility (CR) programme. The Bank has collaborated for three consecutive years with the Ministry of Education (MoE) and Majlis Rekabentuk Malaysia (MRM) to promote entrepreneurship amongst secondary school students in Malaysia. This Signature CR programme is in the form of a competition entitled "Program Inovasi Usahawan Muda – SME Bank Y-Biz Challenge."

SME Bank Y-Biz Challenge is a platform for students to generate interest in entrepreneurship and provides the opportunity to explore their creativity and innovativeness. The program has exposed the students with the relevant knowledge and experience that could result in realising their entrepreneurial potentials.

The Bank's initiative to nurture young entrepreneurs was recognised by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) with a Plaque of Merit under the category of Corporate Social Responsibility.

The finalists of SME Bank Y-Biz Challenge have also accomplished numerous achievements in national and international competitions. The 2012 Champion from Sekolah Menengah Sains Hulu Selangor has won Gold Medal for Young Inventor Category in the European Exhibition of Creativity and Innovation 2013 (EUROINVENT) in Romania.

The excellent performance achieved by the finalists in the international competition has prompted SME Bank to add a flight ticket worth RM25,000.00 as an incentive for the students to compete in international competition of their choice.

The Bank's social investment spending focuses on worthy social causes through sustainable projects that make a real difference. We enrich lives and fulfil dreams of the underprivileged including orphans. As we operate in a multi-cultural country, we are proud to celebrate many festive seasons throughout the year by sharing the joy with those who are less fortunate.

One example of our signatory Corporate Responsibility activities is the SME Bank Annual Ramadhan Programme. RM5,000 is allocated to each branch network to fund their own Ramadhan programmes including food distribution, zakat and bubur lambok distributions.

PEOPLE FIRST

Our internal equity promotes fair and equitable compensation for all employees with remuneration that is proportionate to their contribution. We also believe in external equity, which delivers remuneration packages that are fair and equitable in comparison with the external market.

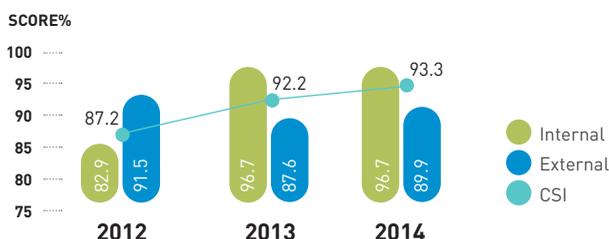
We continue to provide opportunities for employees to develop their careers with us. An average of RM3,900 per employee was invested in training in 2014, which is RM200 increase compared to the previous year. Each employee attended an average of 55 hours training in 2014.

We are committed to providing a safe, healthy and secure workplace to all employees, contractors, visitors and customers. Our commitment to effectively implementing a safety and health policy is integrated into the daily activities of all people frequenting our places of work. We are proud to report that the Bank has sustained a zero injury and fatality rate for the past three years.

INTEGRITY IN THE MARKETPLACE

An internal delivery charter and client charter guide employees in monitoring customer satisfaction. Data from our internal and external customer satisfaction surveys is used to calculate a customer satisfaction index. We support our customers and deal with any concerns or complaints they may have. Our customer service department welcomes feedback in person, by telephone, post or email. We handle requests promptly and reliably without any unnecessary bureaucracy.

SME BANK CUSTOMER SATISFACTION



ENVIRONMENTAL PROTECTION

In 2014, we began implementing a green building concept in the construction of our new office building. Greener options were adopted by evaluating the building's environmental performance, financial metrics, waste reduction and occupant satisfaction. Our assessments were based on Malaysia's Green Building Index (GBI) rating. In order to achieve the GBI rating, our building concept and design covered the six focus areas of indoor environmental quality, sustainable site planning and management, innovation, water efficiency, materials and resources, and energy efficiency.

SUSTAINABILITY AT SME BANK MOVING FORWARD

Our sustainability roadmap begins with active engagement with our stakeholders to understand their priorities. This year, we produced our first sustainability report to illustrate our commitment to superior governance and transparency. In recent years, we have included stakeholders in various corporate events and engagement sessions to understand their perspectives more clearly.

We hope to conduct a materiality study to ascertain stakeholder priority areas and match them against the Bank's business goals. This will help to set a strong foundation for our sustainability strategy.

Understanding the areas which matter the most to our stakeholders helps us focus on delivering exceptional performance which will result in long-term meaningful stakeholder relationships.

SME BANK STAKEHOLDER ENGAGEMENT MODEL







COMPREHENSIVE ENTREPRENEUR DEVELOPMENT

CALENDAR OF EVENTS

JAN
30

MoU signing ceremony between SME Bank & MARA

FEB
12

Visit by YB. Datuk Hj. Ahmad bin Hj. Maslan, Deputy Minister of Finance

MAR
20

Collective Agreement signing ceremony between SME Bank and National Union of Commercial Workers (NUCW)

APR
08

Visit by Libyan & Islamic Development Bank (IDB) Delegation

APR
15

Walkabout by YB. Datuk IR. Hj. Hamim Samuri, Deputy Minister MITI to SME Bank's Entrepreneur Premises Complex Shah Alam

MAY 14



Special Prize Giving Ceremony to SM St. Michael, Penampang Sabah, Winner of SME Bank Y-Biz Challenge 2013

JUL 16



Visit by Minister of Commerce, Republic of Guinea

AUG 05



Visit by YB. Datuk Ir. Dr. Wee Ka Siong, Minister in the Prime Minister's Department

JUN 24



Visit by Saudi Credit and Savings Bank (SCSB)

CALENDAR OF EVENTS CONT'D

AUG
27

Visit by IBFIM (Afghanistan Banks Association)

SEP
19

Visit by delegation from Sri Lanka

SEP
02

Visit by YB. Dato' Lee Chee Leong, Deputy Minister, Ministry of International Trade and Industry (MITI)

OCT
17

Donation for Palestinian Humanitarian Fund at Perdana Global Peace Foundation

OCT 21



The launching ceremony of ADFIMI-SME Bank International Development Forum by YAB. Dato' Sri Mohd Najib Tun Razak, Prime Minister of Malaysia

NOV 05



Visit by delegation from Ministry of Micro Small and Medium Enterprises (MSME) Government of India

DEC 10



Visit by YB. Dato' Noraini Ahmad, Chairman of MATRADE

NOV 20



MoU signing ceremony with Korea Credit Guarantee Fund (KODIT)



	Group As at 31 December 2011	Reclassification RM'000	As restated RM'000
Prior year adjustment RM'000		9,440	5,357,147
		500	65,152
		14,951	120,583
			<u>58,545</u>
		12,140	5,860,000
		14,951	120,583
			<u>1,000,000</u>



FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are those of development banking, both Islamic and conventional and related financial services.

The principal activities of the subsidiaries and associates are described in Note 10 and Note 11 to the financial statements respectively.

There have been no significant changes in the nature of the Group's and the Bank's activities except for the transfer of a portfolio of impaired loans and financing to the Bank's wholly-owned subsidiary as disclosed in Note 36 to the financial statements.

RESULTS

	GROUP RM'000	BANK RM'000
Profit before tax expense and zakat:	28,938	29,326
Taxation	(8,275)	(8,177)
Zakat	(2,267)	(2,267)
Net profit for the year	18,396	18,882
Profit attributable to:		
Owner of the Bank	18,396	18,882
Non-controlling interest	-	-
	18,396	18,882

There were no material transfers to or from reserves or provisions 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 amount of dividend paid by the Bank since 31 December 2013 was as follows:

In respect of the financial year ended 31 December 2013, a final single-tier dividend of 0.50 sen per share on 1,350,000,000 ordinary shares, amounting to a dividend payable of RM6,750,000 was approved and declared at the Annual General Meeting held on 26 June 2014, and paid on 27 June 2014.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2014 of 0.28 sen per share on 1,350,000,000 ordinary shares, amounting to a dividend payable of RM3,780,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2015.

DIRECTORS

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

Y.Bhg. Tan Sri Ab. Aziz bin Kasim (appointed on 1 May 2014) (resigned on 1 May 2015)

Y.Bhg. Dato' Abd Majid bin Kutiran (appointed on 1 October 2014)

En. Asri bin Hamidin @ Hamidon

Y.Bhg. Datuk Mohd Nasir bin Ahmad

Y.Bhg. Dato' Adzmy bin Abdullah

En. Ishak bin Ismail

En. Khairuzzaman Muhammad

Y.Bhg. Dato' Jamelah binti Jamaluddin

Y.Bhg. Datuk Mohd Radzif bin Mohd Yunus

Y.Bhg. Dato' Abdul Ghafar bin Musa (retired on 1 May 2014)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

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

DIRECTORS' REPORT CONT'D

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interest of the Directors in office at the end of the financial year in the ordinary shares of its related corporations during the financial year were as follows:

	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	AT 1.1.2014	ACQUIRED	TRANSFER	AT 31.12.2014
Ordinary shares of the subsidiary company				
Datuk Mohd Radzif bin Mohd Yunus	1	–	(1)	–
Dato' Adzmy bin Abdullah	1	–	(1)	–

None of the other Directors in office at the end of the financial year had any interest in ordinary shares in the Bank or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision 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 provision 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 the 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.

OTHER STATUTORY INFORMATION (CONT'D.)

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

- (i) any charge on the assets of the Group or 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 of the Group or 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 or of the Bank to meet their obligations 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 or of the Bank for the financial year in which this report is made.

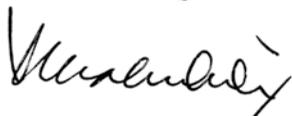
SIGNIFICANT EVENT

Details of significant events are disclosed in Note 36 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 May 2015.



Datuk Mohd Nasir bin Ahmad
Kuala Lumpur, Malaysia



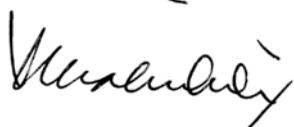
Datuk Mohd Radzif bin Mohd Yunus

STATEMENT BY DIRECTORS

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

We, Datuk Mohd Nasir bin Ahmad and Datuk Mohd Radzif bin Mohd Yunus, being two of the Directors of Small Medium Enterprise Development Bank Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 72 to 271 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2014 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 May 2015.



Datuk Mohd Nasir bin Ahmad
Kuala Lumpur, Malaysia



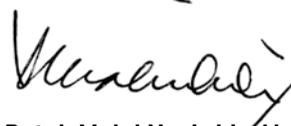
Datuk Mohd Radzif bin Mohd Yunus

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

We, Datuk Mohd Nasir bin Ahmad and Datuk Mohd Radzif bin Mohd Yunus, being the Director and Managing Director respectively, primarily responsible for the financial management of Small Medium Enterprise Development Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 72 to 271 are in our opinion correct and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in the
Federal Territory on 27 May 2015



Datuk Mohd Nasir bin Ahmad



Datuk Mohd Radzif bin Mohd Yunus

Before me,



Level 16, Menara Tokio Marine Life,
9, Jalan Tun Razak, 50400 Kuala Lumpur.

SHARIAH COMMITTEE'S REPORT

In the Name of Allah, The Compassionate, The Most Merciful

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Small Medium Enterprise Development Bank Malaysia Berhad ("the Bank") during the financial year ended 31 December 2014. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia ("BNM"), as well as Shariah decisions made by us.

The management of the Bank is responsible for ensuring that the conducts all of its Islamic Banking operations are in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the Islamic Banking operations of the Bank, and to report to you.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Bank followed by the submission of monthly Shariah Non-compliance Reports for 2014 to BNM.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated the Shariah principles.

In our opinion:

- i) The contracts, transactions and dealings of Islamic banking products entered into by the Bank during the financial year ended 31 December 2014 that we have reviewed are in compliance with the Shariah principles;
- ii) The allocation of profit and charging of losses relating to Islamic investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
- iii) The calculation and distribution of zakat is in compliance with Shariah principles; and
- iv) Any Shariah non-compliance event were rectified accordingly and the Bank has taken preventive measures to avoid the recurrence of such events.

We, Prof Dr. Abdul Basir bin Mohamad and Dr. Asmak bt Ab Rahman, being two of the members of the Shariah Committee of the Bank, do hereby confirm on behalf of the members of the Shariah Committee that, in our level best, the Islamic Banking operations of the Bank for the financial year ended 31 December 2014 have been conducted in conformity with the Shariah principles.

We beg Allah the Almighty to Grant us all the Success and Straight-Forwardness and Allah Knows Best.

On behalf of the Committee:



Prof Dr. Abdul Basir bin Mohamad
Chairman of the Committee



Dr. Asmak bt Ab Rahman
Member of the Committee

Kuala Lumpur, Malaysia
27 May 2015.

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Small Medium Enterprise Development Bank Malaysia Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Bank, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 72 to 271.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

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

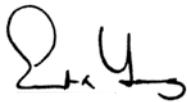
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statement and auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 10 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act

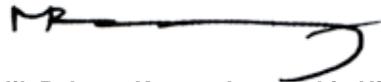
OTHER MATTERS

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



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
27 May 2015



Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No. 1759/02/16(J)
Chartered Accountant

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	NOTE	GROUP		
		AS AT 31 DECEMBER 2014 RM'000	AS AT 31 DECEMBER 2013 RM'000 RESTATED	AS AT 1 JANUARY 2013 RM'000 RESTATED
ASSETS				
Cash and short term funds	4	1,289,069	1,432,878	1,889,654
Deposits and placements with banks and other financial institutions	5	651,266	225,465	525,851
Available-for-sale financial investments	6	1,804,660	1,782,845	937,073
Held-to-maturity financial investments	7	641,423	437,008	263,967
Loans, advances and financing	8	5,193,564	4,707,916	3,819,974
Tax recoverable		13,560	6,573	15,769
Other assets	9	45,956	74,849	74,045
Investments in associates	11	4,840	6,912	7,321
Property, plant and equipment	12	138,913	157,882	138,617
Investment properties	13	160,492	150,825	143,276
Intangible assets	14	17,841	5,937	9,161
Deferred tax	15	174,339	185,313	192,749
TOTAL ASSETS		10,135,923	9,174,403	8,017,457
LIABILITIES				
Deposits from customers	16	3,483,781	3,460,788	2,315,936
Deposits from other financial institutions	17	336,201	386,614	325,524
Medium term note	18	1,520,160	507,040	507,040
Term loans	19	2,731,781	2,905,841	3,111,636
Other liabilities	20	555,432	406,908	238,192
Government funds	21	288,142	306,987	312,574
TOTAL LIABILITIES		8,915,497	7,974,178	6,810,902
EQUITY				
Share capital	22	1,350,000	1,350,000	1,350,000
Accumulated losses		(87,962)	(100,011)	(155,239)
Other reserves	23	(41,612)	(49,764)	11,794
TOTAL EQUITY		1,220,426	1,200,225	1,206,555
TOTAL LIABILITIES AND EQUITY		10,135,923	9,174,403	8,017,457
COMMITMENTS AND CONTINGENCIES	33	1,290,518	1,491,436	1,352,015

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

	NOTE	BANK		
		AS AT 31 DECEMBER 2014 RM'000	AS AT 31 DECEMBER 2013 RM'000 RESTATED	AS AT 1 JANUARY 2013 RM'000 RESTATED
ASSETS				
Cash and short term funds	4	1,287,765	1,431,497	1,889,259
Deposits and placements with banks and other financial institutions	5	651,266	225,465	525,851
Available-for-sale financial investments	6	1,804,660	1,782,845	937,073
Held-to-maturity financial investments	7	641,423	437,008	263,967
Loans, advances and financing	8	4,683,563	4,707,916	3,819,974
Tax recoverable		13,498	6,511	15,769
Other assets	9	558,746	75,944	73,356
Investments in subsidiaries	10	3,582	500	–*
Investments in associates	11	–	750	750
Property, plant and equipment	12	138,874	157,857	138,617
Investment properties	13	160,492	150,825	143,276
Intangible assets	14	17,397	5,437	9,161
Deferred tax	15	174,339	185,313	192,749
TOTAL ASSETS		10,135,605	9,167,868	8,009,802
LIABILITIES				
Deposits from customers	16	3,483,781	3,460,788	2,315,936
Deposits from other financial institutions	17	336,201	386,614	325,524
Medium term note	18	1,520,160	507,040	507,040
Term loans	19	2,731,781	2,905,841	3,111,636
Other liabilities	20	559,480	405,225	237,417
Government funds	21	288,142	306,987	312,574
TOTAL LIABILITIES		8,919,545	7,972,495	6,810,127

* Denotes RM2

STATEMENT OF FINANCIAL POSITION CONT'D

AS AT 31 DECEMBER 2014

	NOTE	BANK		
		AS AT 31 DECEMBER 2014 RM'000	AS AT 31 DECEMBER 2013 RM'000 RESTATED	AS AT 1 JANUARY 2013 RM'000 RESTATED
EQUITY				
Share capital	22	1,350,000	1,350,000	1,350,000
Accumulated losses		(92,328)	(104,863)	(162,119)
Other reserves	23	(41,612)	(49,764)	11,794
TOTAL EQUITY		1,216,060	1,195,373	1,199,675
TOTAL LIABILITIES AND EQUITY		10,135,605	9,167,868	8,009,802
COMMITMENTS AND CONTINGENCIES	33	1,290,518	1,491,436	1,352,015

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	NOTE	GROUP		BANK	
		2014 RM'000	2013 RM'000 RESTATED	2014 RM'000	2013 RM'000 RESTATED
Interest income	24	143,343	133,292	143,343	133,292
Interest expense	25	(77,203)	(102,620)	(77,203)	(102,620)
Net interest income		66,140	30,672	66,140	30,672
Gross income from Islamic banking business	40	245,850	209,316	245,850	209,316
Other operating income	26	20,439	23,209	17,178	23,745
Net income		332,429	263,197	329,168	263,733
Other operating expenses	27	(168,418)	(166,057)	(165,569)	(164,264)
Operating profit		164,011	97,140	163,599	99,469
Allowance for impairment loss:					
- loans, advances and financing	29	(128,273)	(5,498)	(128,273)	(5,498)
- available-for-sale financial investments	30	(6,000)	-	(6,000)	-
		29,738	91,642	29,326	93,971
Share of loss after tax of associates		(800)	(409)	-	-
Profit before tax expense and zakat		28,938	91,233	29,326	93,971
Tax expense	31	(8,275)	(27,015)	(8,177)	(27,725)
Zakat	31	(2,267)	(2,846)	(2,267)	(2,846)
Profit for the year		18,396	61,372	18,882	63,400
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods					
Unrealised gain/(loss) on revaluation of available-for-sale financial investments		11,407	(81,269)	11,407	(81,269)
Income tax relating to components of other comprehensive income		(2,852)	20,317	(2,852)	20,317
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		8,555	(60,952)	8,555	(60,952)
Total comprehensive income for the year, net of tax		26,951	420	27,437	2,448

STATEMENT OF COMPREHENSIVE INCOME CONT'D

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

NOTE	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000 Restated
Profit for the year attributable to the owner of the Bank	18,396	61,372	18,882	63,400
Total comprehensive income attributable to the owner of the Bank	26,951	420	27,437	2,448
Profit per share attributable to the owner of the Bank (sen) - Basic	1.36	4.55	1.40	4.70

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

GROUP	← ATTRIBUTABLE TO THE OWNER OF THE BANK →					TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	NON-DISTRIBUTABLE AVAILABLE-FOR-SALE RESERVE RM'000	NON-DISTRIBUTABLE PROFIT EQUALISATION RESERVE RM'000	DISTRIBUTABLE GENERAL RESERVE RM'000	ACCUMULATED LOSSES RM'000	
At 1 January 2014, as previously stated	1,350,000	(60,281)	403	10,114	(234,805)	1,065,431
Prior year adjustment (Note 41)	-	-	-	-	134,794	134,794
As 1 January 2014, restated	1,350,000	(60,281)	403	10,114	(100,011)	1,200,225
Unrealised gain on revaluation of available-for-sale financial investments	-	8,555	-	-	-	8,555
Net provision of profit equalisation reserve for the year	-	-	(403)	-	403	-
Profit for the year	-	-	-	-	18,396	18,396
Total comprehensive income for the year	-	8,555	(403)	-	18,799	26,951
Transaction with owner: Dividends (Note 39)	-	-	-	-	(6,750)	(6,750)
At 31 December 2014	1,350,000	(51,726)	-	10,114	(87,962)	1,220,426

STATEMENT OF CHANGES IN EQUITY CONT'D

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

GROUP	← ATTRIBUTABLE TO THE OWNER OF THE BANK →					
	SHARE CAPITAL RM'000	NON- DISTRIBUTABLE AVAILABLE- FOR-SALE RESERVE RM'000	NON- DISTRIBUTABLE PROFIT EQUALISATION RESERVE RM'000	DISTRIBUTABLE GENERAL RESERVE RM'000	ACCUMULATED LOSSES RM'000	TOTAL EQUITY RM'000
At 1 January 2013, as previously stated	1,350,000	671	1,009	10,114	(304,839)	1,056,955
Prior year adjustment (Note 41)	-	-	-	-	149,600	149,600
As 1 January 2013, restated	1,350,000	671	1,009	10,114	(155,239)	1,206,555
Unrealised loss on revaluation of available-for- sale financial investments	-	(60,952)	-	-	-	(60,952)
Net provision of profit equalisation reserve for the year	-	-	(606)	-	606	-
Profit for the year	-	-	-	-	61,372	61,372
Total comprehensive income for the year	-	(60,952)	(606)	-	61,978	420
Transaction with owner: Dividends (Note 39)	-	-	-	-	(6,750)	(6,750)
At 31 December 2013	1,350,000	(60,281)	403	10,114	(100,011)	1,200,225

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

BANK	NON-DISTRIBUTABLE AVAILABLE- FOR-SALE RESERVE RM'000	NON-DISTRIBUTABLE PROFIT EQUALISATION RESERVE RM'000	NON-DISTRIBUTABLE GENERAL RESERVE RM'000	ACCUMULATED LOSSES RM'000	TOTAL EQUITY RM'000	
At 1 January 2014, as previously stated	1,350,000	(60,281)	403	10,114	(239,657)	1,060,579
Prior year adjustment (Note 41)	-	-	-	-	134,794	134,794
As 1 January 2014, restated	1,350,000	(60,281)	403	10,114	(104,863)	1,195,373
Unrealised gain on revaluation of available-financial investments	-	8,555	-	-	-	8,555
Net provision of profit equalisation reserve for the year	-	-	(403)	-	403	-
Profit for the year	-	-	-	-	18,882	18,882
Total comprehensive income for the year	-	8,555	(403)	-	19,285	27,437
Transaction with owner: Dividends (Note 39)	-	-	-	-	(6,750)	(6,750)
At 31 December 2014	1,350,000	(51,726)	-	10,114	(92,328)	1,216,060

STATEMENT OF CHANGES IN EQUITY CONT'D

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

BANK	SHARE CAPITAL RM'000	NON- DISTRIBUTABLE AVAILABLE- FOR-SALE RESERVE RM'000	NON- DISTRIBUTABLE PROFIT EQUALISATION RESERVE RM'000	DISTRIBUTABLE GENERAL RESERVE RM'000	ACCUMULATED LOSSES RM'000	TOTAL EQUITY RM'000
At 1 January 2013, as previously stated	1,350,000	671	1,009	10,114	(311,719)	1,050,075
Prior year adjustment (Note 41)	-	-	-	-	149,600	149,600
As 1 January 2013, restated	1,350,000	671	1,009	10,114	(162,119)	1,199,675
Unrealised loss on revaluation of available-for- sale financial investments	-	(60,952)	-	-	-	(60,952)
Net provision of profit equalisation reserve for the year	-	-	(606)	-	606	-
Profit for the year	-	-	-	-	63,400	63,400
Total comprehensive income for the year	-	(60,952)	(606)	-	64,006	2,448
Transaction with owner: Dividends (Note 39)	-	-	-	-	(6,750)	(6,750)
At 31 December 2013	1,350,000	(60,281)	403	10,114	(104,863)	1,195,373

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000 Restated
Cash flows from operating activities				
Profit before tax expense and zakat	28,938	91,233	29,326	93,971
Adjustments for:				
Gain on disposal of quoted investments	(516)	(1,217)	(516)	(1,217)
Gain on disposal of an associate	(750)	-	-	-
Allowance for impairment on value of unquoted securities	6,000	-	6,000	-
Allowance for impairment loss on loans, advances and financing, net of reversal	182,140	(30,370)	182,140	(30,370)
Loans, advances and financing waived	28	1,385	28	1,385
Loans, advances and financing written-off	6,055	82,673	6,055	82,673
Share of loss of associates	800	409	-	-
Depreciation of property, plant and equipment	5,974	5,360	5,964	5,359
Depreciation of investment properties	3,955	3,737	3,955	3,737
Amortisation of intangible assets	5,362	4,990	5,306	4,990
Government funds released	(11,945)	(3,090)	(11,945)	(3,090)
Dividend income	(381)	(18)	(1,652)	(18)
Interest and profit expense	270,311	200,184	270,311	200,184
Interest and profit income	(538,802)	(422,513)	(538,802)	(422,513)
Operating loss before working capital changes	(42,831)	(67,237)	(43,830)	(64,909)
Changes in working capital:				
Other assets	31,745	35,938	(478,915)	35,368
Loans, advances and financing	(675,772)	(963,913)	(165,771)	(963,913)
Deposits and placements with financial institutions	(425,801)	300,386	(425,801)	300,386
Deposits from customers	22,993	1,144,852	22,993	1,144,852
Deposits from other financial institutions	(50,413)	61,090	(50,413)	61,090
Other liabilities	174,145	165,349	174,585	162,079
Cash (used in)/generated from operating activities	(965,934)	676,465	(967,152)	674,953

STATEMENTS OF CASH FLOWS CONT'D

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000 Restated
Cash flows from operating activities (cont'd.)				
Interest and profit paid	(240,870)	(191,179)	(240,870)	(191,179)
Interest and profit received	536,290	414,629	536,290	414,629
Tax refund	1,235	-	1,235	-
Tax paid	(8,275)	-	(8,275)	-
Zakat paid	-	(963)	-	(963)
Net cash (used in)/generated from operating activities	(677,554)	898,952	(678,772)	897,440
Cash flows from investing activities				
Dividend received from investment	381	18	1,652	18
Purchase of bonds	(487,758)	(1,653,498)	(487,758)	(1,653,498)
Purchase of property, plant and equipment	(15,870)	(36,767)	(15,846)	(36,741)
Purchase of investment properties	(2,824)	-	(2,824)	-
Purchase of intangible assets	(435)	(910)	(435)	(410)
Purchase of additional ordinary shares in existing subsidiaries	(500)	(500)	(500)	(500)
Proceeds from redemption of bond	264,081	552,474	264,081	552,474
Proceeds from disposal property, plant and equipment	132	-	132	-
Proceeds from disposal of associate investments	750	-	750	-
Proceeds from disposal of quoted investments	516	2,160	516	2,160
Net cash used in investing activities	(241,527)	(1,137,023)	(240,232)	(1,136,497)
Cash flows from financing activities				
Dividends paid on ordinary shares	(6,750)	(6,750)	(6,750)	(6,750)
Drawdown of term loans	23,507	1,647,060	23,507	1,647,060
Repayment of term loans	(236,485)	(1,859,015)	(236,485)	(1,859,015)
Transfer of government grant	(5,000)	-	(5,000)	-
Proceeds from sukuk issuance	1,000,000	-	1,000,000	-
Net cash generated from/(used in) financing activities	775,272	(218,705)	775,272	(218,705)

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000 Restated
Net decrease in cash and cash equivalents	(143,809)	(456,776)	(143,732)	(457,762)
Cash and cash equivalents at beginning of year	1,432,878	1,889,654	1,431,497	1,889,259
Cash and cash equivalents at end of year	1,289,069	1,432,878	1,287,765	1,431,497
Cash and cash equivalents comprise:				
- Cash and short term funds (Note 4)	1,289,069	1,432,878	1,287,765	1,431,497

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

1. CORPORATE INFORMATION

Small Medium Enterprise Development Bank Malaysia Berhad (“the Bank”) is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Bank is at Level 22, Menara SME Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur. Principal place of business is at Menara SME Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The immediate and ultimate holding company of the Bank during the financial year is Ministry of Finance Incorporated.

The Bank is principally engaged in development banking, both Islamic and conventional and related financial services.

There have been no significant changes in the nature of the principal activities during the financial year except for the transfer of a portfolio of impaired loans and financing to the Bank’s wholly-owned subsidiary as disclosed in Note 36 to the financial statements.

The principal activities of the subsidiaries and associates are described in Note 10 and Note 11, respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 May 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance and basis of preparation

The financial statements of the Bank and its subsidiaries (the “Group”) have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”), and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and the Bank are presented in Ringgit Malaysia (“RM”) and values are rounded to the nearest thousand (RM’000) except when otherwise stated.

The financial statements of the Group and the Bank have been prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies disclosed in Note 2. The Group and the Bank present the statement of financial position in order of liquidity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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 2014, the Group and the Bank adopted the following new and amended MFRSs and Issue Committee ("IC Interpretations") mandatory for annual financial periods beginning on or after 1 January 2014.

MFRSs, Amendments to MFRSs and Interpretations

MFRS 10	Consolidated Financial Statements – Investment Entities (Amendments to MFRS 10)
MFRS 12	Disclosure of Interest in Other Entities – Investment Entities (Amendments to MFRS 12)
MFRS 127	Separate Financial Statements – Investment Entities (Amendments to MFRS 127)
MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)
MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)
MFRS 139	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)

IC Interpretation 21 Levies

Adoption of the above standards and interpretations did not have any effect material on the financial performance or position of the Group and the Bank.

2.3 Standards and annual improvements to standards issued issued but not yet effective

The following are standards and annual improvements to standards issued by Malaysian Accounting Standard Board ("MASB") and International Accounting Standard Board ("IASB"), but not yet effective, up to the date of issuance of the Bank's financial statements. The Bank intends to adopt these standards and annual improvements to standards, if applicable, when they become effective:

Effective for annual period beginning on or after 1 July 2015

MFRS 119	Employee Benefits – Defined Benefits Plans: Employee Contribution (Amendments to MFRS 119)
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Annual Improvements to MFRS 2010 - 2012 Cycle

Annual Improvements to MFRS 2011 - 2013 Cycle

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and annual improvements to standards issued but not yet effective (cont'd.)

Effective for annual period beginning on or after 1 January 2016

MFRS 127	Separate Financial Statements – Equity Method in Separate Financial Statements
MFRS 128	Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)
MFRS 128	Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 128)
MFRS 138	Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 138)
MFRS 141	Agriculture – Agriculture: Bearer Plants (Amendments to MFRS 141)
MFRS 116	Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116)
MFRS 116	Property, Plant and Equipment – Agriculture: Bearer Plants (Amendments to MFRS 116)
MFRS 10	Consolidated Financial Statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10)
MFRS 10	Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10)
MFRS 11	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
MFRS 12	Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 12)
MFRS 14	Regulatory Deferral Accounts
MFRS 101	Presentation of Financial Statements Disclosure Initiative (Amendments to MFRS 101)

Effective for annual period beginning on or after 1 January 2017

MFRS 15 Revenue from Contracts with Customers

Effective for annual period beginning on or after 1 January 2018

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and annual improvements to standards issued but not yet effective (cont'd.)

MFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

(i) Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the assets. Key changes include:

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;
- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- A new asset category for non-traded equity investments measured at FVOCI is introduced.
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at fair value through profit or loss to be presented in other comprehensive income.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's and of the Bank's financial assets, and may have no impact on the classification and measurement of the Group's and of the Bank's financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and annual improvements to standards issued but not yet effective (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

(ii) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss model ("ECL") that replaces the incurred loss model under the current accounting standard. The Group and the Bank will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Group and the Bank. MFRS 9 will change the Group's and the Bank's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

(iii) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

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

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair value relating to previously held interest 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 of the Group's share in the fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

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 that such control ceases.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and

All of the above will be accounted for at the date when control is lost.

2.5 Subsidiaries

Subsidiaries are entities over which 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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Subsidiaries (cont'd.)

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 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 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.

In the Bank's separate financial statements, investment in subsidiaries is stated at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

2.6 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment and is included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Associates (cont'd.)

In the Bank's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.7 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Furniture and equipment	3 - 10 years
Office partition	3 years
Motor vehicles	5 years
Electrical and machinery	10 - 15 years

Freehold land has an unlimited useful life and therefore is not depreciated.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Property, plant and equipment and depreciation (cont'd.)

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

An item of property, plant 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 profit or loss in the year the asset is derecognised.

2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss. The Group and the Bank do not have any intangible assets with indefinite useful life.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Computer software were acquired separately and amortised on a straight line basis over the useful lives of 3 to 5 years.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Intangible assets (cont'd.)

- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development; and
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss except for an asset that was previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment loss is also recognised in other comprehensive income up to the amount of the previous revaluation.

An assessment is made 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 profit or loss unless the asset is measured at revalued amount, in which case reversal is treated as revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Financial assets

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

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

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

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

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

(a) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. Financial assets held-for-trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

The Group and the Bank have not designated any financial assets at FVTPL.

(b) Loan and receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Financial assets (cont'd.)

(c) Held-to-maturity investment

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

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

(d) Available-for-sale financial assets

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

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

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

2.11 Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Loans and receivables and other financial assets carried at amortised costs

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Bank consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Impairment of financial assets (cont'd.)

(a) Loans and receivables and other financial assets carried at amortised costs (cont'd.)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is directly reduced by the impairment loss for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When loans and receivables become uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on unquoted equity securities carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

2.13 Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.14 Government funds

Government funds are meant for the following purposes:

- (i) To finance the purchase of investment properties. The funds are initially recognised at their fair values in the statements of financial position as deferred income where there is reasonable assurance that the funds will be received and all attaching conditions will be complied with. Government funds that compensate the Group and the Bank for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government funds that compensate the Group and the Bank for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.
- (ii) To finance loans for specific projects and utilise against credit losses and charges arising from the financing of these projects. The government funds are recognised at the fair value of the consideration received in the statements of financial position. Any credit losses or charges as a result of defaulted loans on the loans financed by the government funds are recognised and utilised against the funds.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Financial liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The Group and the Bank do not have any financial liabilities held for trading or financial liabilities designated upon initial recognition as at fair value through profit or loss as at the reporting date.

(b) Other financial liabilities

The Group's and the Bank's other financial liabilities include deposits from customers and term loans.

Other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Term loans are recognised initially at fair value, net of transaction cost incurred, and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are recognised, and through the amortisation process.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of qualifying asset if they are directly attributable to the acquisition, construction or production of the asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Bank incur in connection with the borrowing of funds.

2.17 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leaves are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

2.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.18 Fair value measurement (cont'd.)

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liability
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.19 Revenue

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 receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Revenue (cont'd.)

(a) Interest/profit income from loans, advances and financing

Interest/profit income is recognised in the profit or loss for all interest/profit bearing assets on an accrual basis using the effective interest/profit rate method.

When an account becomes impaired, interest/profit shall be recognised only to the extent that they are recoverable.

(b) Interest/profit income from deposits and other placement of fund

Interest/profit income is recognised on accrual basis using the effective interest/profit rate method.

(c) Dividend income

Dividend income is recognised when the Group's and the Bank's right to receive payment are established.

(d) Fee income

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

(e) Rental income

Rental income is accounted for on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.20 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Income taxes (cont'd.)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax liabilities are recognised for all temporary differences, except;

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.21 Zakat

This represents business zakat. It is an obligatory amount payable by the Group and the Bank to comply with the principles of Shariah. Zakat is computed 2.5% on assets and liabilities eligible for zakat, as determined using the adjusted growth method.

2.22 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on the settlement of monetary items or on translating monetary items at the reporting date. All foreign currency losses out of the foreign currency loans are underwritten by the Government of Malaysia. Accordingly, these loans are carried as amount recoverable in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Bank after deducting all of its liabilities. Ordinary share is an equity instrument.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.25 Investment properties

Investment properties are investments in land and buildings which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. The policy for recognition and measurement of impairment losses is disclosed in Note 2.9.

The freehold element of an investment property is not depreciated due to the unlimited useful life and the building element is depreciated at an annual rate of 2%. Buildings which are situated on leasehold land are also depreciated at annual rate of 2%.

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 gains or losses on the disposal of an investment property are recognised in profit or loss in the year in which they arise.

2.26 Profit equalisation reserves ("PER")

PER is the amount appropriated out of the total gross income in order to maintain a certain level of return to depositors in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return" (BNM/GP2-i). PER is appropriated from and written back to the total gross income in deriving the net distributable gross income. The amount appropriated is shared by the depositors and the Bank. The PER is deducted at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. PER is maintained up to the maximum of 30% of total capital fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.26 Profit equalisation reserves ("PER") (cont'd.)

The PER is accounted for as follows:

- (i) The creation of PER establishes an obligation to manage distribution to the Investment Account Holder ("IAH") from a Shariah perspective. The PER of the IAH is to be classified as liability and recognised at cost and subsequent apportionments will be treated as liability and recognised at cost. Subsequent apportionments will be recognised in the profit or loss. The eventual distribution of PER as profit distributable to IAH will be treated as an outflow of funds due to the settlement of obligation to the IAH.
- (ii) The PER of the Islamic Banking Institution ("IBI") is to be classified as a separate reserve in equity. Subsequent apportionments from and distributions to retained profits will be treated as transfers between reserves.

In 2014, the Bank has converted all its deposits acceptance from mudharabah deposits to commodity murabahah, hence the PER will no longer be required.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgement made in applying accounting policies

In the process of applying the Bank's accounting policies, management has exercised judgement, apart from those involving estimations, which has the most significant effect on the estimates in determining the amounts recognised in the financial statements.

(a) Going concern

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

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

3.1 Judgement made in applying accounting policies (cont'd.)

(b) Impairment assessment of available-for-sale investments

The Bank reviews the securities portfolio and assesses at each reporting date whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the assets are subject to impairment review.

The impairment review comprises the following judgement made by management:

- (i) Determination whether its investment is impaired following certain indicators or triggers such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers of obligors; and
- (ii) Determination of "significant" or "prolonged" requires judgement and management evaluates various factors, such as historical fair value movement and the significant reduction in fair value.

(c) Allowance for losses on loans, advances and financing

The Group and the Bank review the doubtful loans, advances and financing at each reporting date to assess whether allowances for impairment should be recorded in the financial statements. In particular, judgement is required in the identification of impaired loans. The considerations applied by the Bank in order to determine the classification of impaired loans are disclosed in Note 38 ((e)(a)(ix)) to the financial statements.

The Bank assesses at the end of each reporting period whether there is objective evidence that a loan is impaired under the requirement of MFRS 139. Loans and advances that are individually significant are assessed individually. Those not individually significant are grouped together based on similar credit risks and assessed as a portfolio.

(d) Impairment of investments in subsidiaries and associates

The Bank assesses whether there is any indication that an investment in subsidiaries and associates may be impaired at each reporting date.

If indicators are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgements made by management in the process of applying the Bank's accounting policies in respect of investments in subsidiaries and associates are as follows:

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

3.1 Judgement made in applying accounting policies (cont'd.)

(d) Impairment of investments in subsidiaries and associates (cont'd.)

- (i) The Bank determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse defects on the investment and deteriorating financial performance of the investment due to observed changes and fundamentals; and
- (ii) Depending on their nature and industries in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted cash flow and realisable net asset value.

3.2 Key sources of estimation uncertainty

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 amount of assets and liabilities within the next financial year are discussed below:

(a) Income and deferred taxes

The Group and the Bank are subject to income taxes in Malaysia and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking expert advice where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

(b) Fair value estimation of available-for-sale financial investments

The fair value of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the reporting date, including reference to quoted market prices and independent dealer quotes for similar securities.

(c) Impairment of investments in subsidiaries and associates

Management makes certain assumptions concerning the future to estimate the recoverable amount of the investment once a suitable method of valuation is selected. These assumptions and other key sources of estimation uncertainty at the reporting date, may have significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for the purpose of discounting future cash flow which incorporates the relevant risks, and expected future outcome of certain past events.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

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

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

(d) Allowance for losses on loans, advances and financing

Under MFRS 139, collective assessment is performed on loans, advances and financing which are not individually significant based on the incurred loss approach. Loans, advances and financing which are individually assessed and where there is no objective evidence of impairment are also included in the group of loans, advances and financing for collective assessment. These loans, advances and financing are pooled into groups with similar credit risk characteristics and the expected cash flows for each group is based on the historical loss experience for such assets. Collective assessment allowance is made on any shortfall in the expected cash flows against the carrying value of the group of loans, advances and financing.

4. CASH AND SHORT TERM FUNDS

	GROUP			BANK		
	31.12.2014 RM'000	31.12.2013 RM'000 RESTATED	1.01.2013 RM'000 RESTATED	31.12.2014 RM'000	31.12.2013 RM'000 RESTATED	1.01.2013 RM'000 RESTATED
Cash at banks and on hand	33,387	41,762	39,464	32,083	40,381	39,069
Short term deposits and maturing within three months:						
- Licensed banks	1,098,168	1,391,116	1,782,076	1,098,168	1,391,116	1,782,076
- Other financial institutions	157,514	-	68,114	157,514	-	68,114
Cash and bank balances	1,289,069	1,432,878	1,889,654	1,287,765	1,431,497	1,889,259

Cash at banks is placed in non-interest bearing accounts. Short-term deposit placements are made between one day to three months depending on the Group's and the Bank's cash requirements, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate and weighted average remaining maturity as at 31 December 2014 for the Group and the Bank was 3.80% per annum and 12 days respectively. (31.12.2013: 3.33% per annum and 39 days, 1.01.2013: 3.26% per annum and 39 days).

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP AND BANK		
	31.12.2014 RM'000	31.12.2013 RM'000 Restated	1.01.2013 RM'000 Restated
Licensed banks	532,706	225,465	494,265
Other financial institutions	118,560	–	31,586
	651,266	225,465	525,851

Included in deposits and placements with licensed banks is a negotiable instrument of debt certificate ("NIDC") amounting to RM150 million (31.12.2013: RM150 million, 1.01.2013: RM150 million). The profit rate on the NIDC is a minimum guaranteed return of 1% plus a variable profit rate that is based on the performance of a basket of underlying commodities. As at 31 December 2014, the fair value of the return on the variable profit rate is RMnil (31.12.2013: RMnil, 1.01.2013: RMnil).

The maturity structure of deposits and placements are as follows:

	GROUP AND BANK		
	31.12.2014 RM'000	31.12.2013 RM'000 RESTATED	1.01.2013 RM'000 RESTATED
Three months to six months	580,054	32,680	82,296
Six months to one year	71,212	41,886	219,577
One to five years	–	150,899	223,978
	651,266	225,465	525,851

The weighted average effective interest rate for deposits and placements with banks and other financial institutions is 3.30% (31.12.2013: 4.17%, 1.01.2013: 3.45%) per annum.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

6. AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

At fair value

Money market instruments:

Malaysian Government Investment Issues	690,478	746,867
Malaysian Government Securities	197,370	251,355
Commercial papers	89,234	123,466

Private debt securities

Quoted Securities

Shares	3,021	4,100
Less: Allowance for impairment	(3,021)	(4,100)

At cost

Unquoted securities

Shares	3,123	9,123
Total at cost	3,123	9,123

Total available-for-sale financial investments

Note (i)

Movement in allowance for impairment

At 1 January	4,100	4,100
Reversal of impairment	(1,079)	-
At 31 December	3,021	4,100

NOTE	GROUP AND BANK	
	2014 RM'000	2013 RM'000
	690,478	746,867
	197,370	251,355
	89,234	123,466
	977,082	1,121,688
	824,455	652,034
	1,801,537	1,773,722
	3,021	4,100
(i)	(3,021)	(4,100)
	-	-
	3,123	9,123
	3,123	9,123
	1,804,660	1,782,845
	4,100	4,100
	(1,079)	-
	3,021	4,100

6. AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS (CONT'D.)

The maturity structure of available-for-sale money market instruments and private debt securities are as follows:

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Within one year	144,375	143,437
More than one year to three years	49,562	60,109
More than three years to five years	168,628	104,522
More than five years	1,438,972	1,465,654
	1,801,537	1,773,722

7. HELD-TO-MATURITY FINANCIAL INVESTMENTS

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
<u>Money market instruments</u>		
Malaysian Government Investment Issues	60,233	90,283
Malaysian Government Securities	50,355	50,483
Cagamas bonds	–	10,038
	110,588	150,804
Private debt securities	530,835	286,204
Total held-to-maturity financial investments	641,423	437,008

The maturity structure of held-to-maturity money market instruments and private debt securities are as follows:

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Within one year	10,010	40,052
More than one year to three years	70,533	30,334
More than three years to five years	225,130	55,511
More than five years	335,750	311,111
	641,423	437,008

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

7. HELD-TO-MATURITY FINANCIAL INVESTMENTS (CONT'D.)

The indicative market values of held-to-maturity money market instruments and private debt securities are as follows:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Malaysian Government Investment Issues	60,038	90,627
Malaysian Government Securities	50,399	50,710
Cagamas bonds	-	10,083
Private debt securities	524,118	278,960

8. LOANS, ADVANCES AND FINANCING

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Term loans				
- Hire purchase	316,500	260,771	274,769	260,771
- Leasing	264,014	258,712	236,546	258,712
- Other term loans	4,404,788	3,953,221	3,872,945	3,953,221
Revolving credits	464,902	353,489	445,814	353,489
Staff loans	29,313	34,633	29,313	34,633
Gross loans, advances and financing	5,479,517	4,860,826	4,859,387	4,860,826
Less: Allowance for impairment on loans, advances and financing				
- Individual assessment allowance	(168,122)	(63,023)	(95,581)	(63,023)
- Collective assessment allowance	(117,831)	(89,887)	(80,243)	(89,887)
Net loans, advances and financing	5,193,564	4,707,916	4,683,563	4,707,916
Gross impaired loans, advances and financing (Note 8(viii))	988,168	654,772	379,287	654,772
Net impaired loans, advances and financing	820,046	591,749	283,706	591,749

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

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM98,090,000 (2013: RM219,077,000) financed by the Government funds. The treatment of the credit losses incurred for these loans, advances and financing are as disclosed in Note 2.14.

(i) The maturity structure of gross loans, advances and financing are as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Within one year	720,170	1,125,693	451,528	1,125,693
More than one year to three years	457,287	481,155	408,721	481,155
More than three years to five years	973,298	867,668	927,895	867,668
More than five years	3,328,762	2,386,310	3,071,243	2,386,310
	5,479,517	4,860,826	4,859,387	4,860,826

(ii) Gross loans, advances and financing analysed by type of customers are as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Domestic business enterprise	5,450,204	4,826,193	4,830,074	4,826,193
Individual	29,313	34,633	29,313	34,633
	5,479,517	4,860,826	4,859,387	4,860,826

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

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

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Import, export, wholesale, retail trade, restaurants and hotels	1,625,035	1,443,278	1,291,050	1,443,278
Manufacturing	1,072,870	985,408	908,854	985,408
Community, social and personal services	832,793	699,005	787,959	699,005
Transportation and communication	839,517	797,870	773,457	797,870
Financial, insurance, real estate and business services	434,267	306,545	427,713	306,545
Constructions	577,921	514,042	574,819	514,042
Mining and quarrying	38,321	38,370	38,321	38,370
Electricity, gas and water supply	18,371	28,624	17,112	28,624
Agriculture, forestry and fishing	11,109	13,051	10,789	13,051
Others	29,313	34,633	29,313	34,633
	5,479,517	4,860,826	4,859,387	4,860,826

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

(iv) Gross loans, advances and financing analysed by location and sector are as follows:

GROUP	2014					BALANCE		
	PERLIS RM'000	KEDAH RM'000	PENANG RM'000	PERAK RM'000	SELANGOR RM'000	KUALA LUMPUR RM'000	MELAKA RM'000	C/F RM'000
Import, export, wholesale, retail trade, restaurants and hotels	5,093	90,325	149,367	117,276	364,026	226,396	52,006	1,004,489
Manufacturing	3,839	57,567	60,720	46,537	436,003	67,075	42,582	714,323
Community, social and personal services	642	45,717	57,291	24,837	218,858	109,030	130,712	587,087
Transportation and communication	3,154	82,161	21,927	31,226	204,575	103,849	16,504	463,396
Financial, insurance, real estate and business services	58,528	4,026	16,404	2,666	175,208	95,657	7,754	360,243
Constructions	442	6,960	4,993	221	148,474	145,696	24,568	331,354
Mining and quarrying	-	-	-	-	9,248	10,573	-	19,821
Electricity, gas and water supply	-	-	-	-	11,757	2,598	1,883	16,238
Agriculture, forestry and fishing	-	-	-	-	-	1,501	-	1,501
Others	-	-	-	-	-	29,313	-	29,313
At 31 December 2014	71,698	286,756	310,702	222,763	1,568,149	791,688	276,009	3,527,765

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

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

(iv) Gross loans, advances and financing analysed by location and sector are as follows: (cont'd.)

GROUP	BALANCE		NEGERI		JOHOR RM'000	PAHANG RM'000	KELANTAN RM'000	TERENG- GANU		SABAH & SARAWAK RM'000	TOTAL RM'000
	B/F RM'000	SEMILAN RM'000	SEMILAN RM'000	SEMILAN RM'000							
2014											
Import, export, wholesale, retail trade, restaurants and hotels	1,004,489	96,020	46,895	40,192	37,911	168,058	231,470	1,625,035			
Manufacturing	714,323	38,342	112,243	10,989	15,434	74,827	106,712	1,072,870			
Community, social and personal services	587,087	25,512	16,005	81,915	45,489	23,820	52,965	832,793			
Transportation and communication	463,396	11,716	65,029	10,141	15,539	103,649	170,047	839,517			
Financial, insurance, real estate and business services	360,243	3,933	6,122	6,967	8,209	6,616	42,177	434,267			
Constructions	331,354	80,891	70,723	6,167	1,583	16,178	71,025	577,921			
Mining and quarrying	19,821	37	27	11,176	656	2,250	4,355	38,321			
Electricity, gas and water supply	16,238	242	1,660	-	-	48	183	18,371			
Agriculture, forestry and fishing	1,501	-	-	320	35	6,438	2,815	11,109			
Others	29,313	-	-	-	-	-	-	29,313			
At 31 December 2014	3,527,765	256,693	318,704	167,867	124,856	401,884	681,749	5,479,517			

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

(iv) Gross loans, advances and financing analysed by location and sector are as follows: (cont'd.)

BANK	2014						BALANCE	
	PERLIS RM'000	KEDAH RM'000	PENANG RM'000	PERAK RM'000	SELANGOR RM'000	KUALA LUMPUR RM'000	MELAKA RM'000	C/F RM'000
Import, export, wholesale, retail trade, restaurants and hotels	5,093	79,211	65,152	99,081	271,641	207,355	50,605	778,138
Manufacturing	3,839	48,474	49,368	34,980	413,770	57,197	41,999	649,627
Community, social and personal services	587	45,484	56,784	15,524	211,146	97,933	130,175	557,633
Transportation and communication	3,154	76,316	20,447	13,051	201,112	103,119	16,069	433,268
Financial, insurance, real estate and business services	58,219	4,026	16,405	1,737	171,781	94,963	7,700	354,831
Constructions	442	6,812	4,599	221	147,501	145,647	24,568	329,790
Mining and quarrying	-	-	-	-	9,248	10,573	-	19,821
Electricity, gas and water supply	-	-	-	-	11,757	2,598	1,883	16,238
Agriculture, forestry and fishing	-	-	-	-	-	1,501	-	1,501
Others	-	-	-	-	-	29,313	-	29,313
At 31 December 2014	71,334	260,323	212,755	164,594	1,437,956	750,199	272,999	3,170,160

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

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

(iv) Gross loans, advances and financing analysed by location and sector are as follows: (cont'd.)

BANK	BALANCE		NEGERI		JOHOR RM'000	PAHANG RM'000	KELANTAN RM'000	TERENGGANU		SABAH & SARAWAK		TOTAL RM'000
	B/F RM'000	SEMILAN RM'000	SEMILAN RM'000	SEMILAN RM'000				SEMILAN RM'000	SEMILAN RM'000			
2014												
Import, export, wholesale, retail trade, restaurants and hotels	778,138	36,458	29,387	37,808	36,500	159,157	213,602	1,291,050				
Manufacturing	649,627	22,273	101,156	6,825	14,885	53,913	60,175	908,854				
Community, social and personal services	557,633	24,882	14,272	81,900	45,299	22,618	41,355	787,959				
Transportation and communication	433,268	8,329	63,906	9,376	14,870	100,854	142,854	773,457				
Financial, insurance, real estate and business services	354,831	3,933	5,788	6,384	8,161	6,616	42,000	427,713				
Constructions	329,790	80,891	70,349	6,167	1,583	16,076	69,963	574,819				
Mining and quarrying	19,821	37	27	11,176	656	2,250	4,355	38,321				
Electricity, gas and water supply	16,238	242	401	-	-	48	183	17,112				
Agriculture, forestry and fishing	1,501	-	-	-	35	6,438	2,815	10,789				
Others	29,313	-	-	-	-	-	-	29,313				
At 31 December 2014	3,170,160	177,045	285,286	159,636	121,989	367,970	577,302	4,859,387				

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

(iv) Gross loans, advances and financing analysed by location and sector are as follows: (cont'd.)

GROUP AND BANK	2013					BALANCE		
	PERLIS RM'000	KEDAH RM'000	PENANG RM'000	PERAK RM'000	SELANGOR RM'000	KUALA LUMPUR RM'000	MELAKA RM'000	C/F RM'000
Import, export, wholesale, retail trade, restaurants and hotels	6,969	106,560	118,921	86,786	302,595	239,852	46,472	908,155
Manufacturing	11,030	58,589	66,455	43,206	278,703	149,959	53,447	661,389
Community, social and personal services	1,150	28,748	42,273	24,770	51,280	176,853	142,569	467,643
Transportation and communication	9,395	98,834	37,843	27,203	170,807	95,699	13,798	453,579
Financial, insurance, real estate and business services	61,901	5,129	9,869	1,887	73,774	90,254	6,385	249,199
Constructions	26,293	37,652	7,846	2,818	151,545	66,304	26,947	319,405
Mining and quarrying	-	-	-	-	9,635	12,218	-	21,853
Electricity, gas and water supply	-	-	-	-	10,297	4,314	1,969	16,580
Agriculture, forestry and fishing	-	-	-	-	-	2,082	-	2,082
Others	-	-	-	-	-	34,633	-	34,633
At 31 December 2013	116,738	335,512	283,207	186,670	1,048,636	872,168	291,587	3,134,518

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

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate				
- Staff loan/financing	29,313	34,633	29,313	34,633
- Hire purchase receivables	289,176	256,151	247,452	256,151
- Leasing receivables	255,271	257,534	227,803	257,534
- Revolving credits	457,752	334,104	438,720	334,104
- Other term loans/financing	2,485,668	2,786,394	2,054,696	2,786,394
Variable rate				
- Hire purchase receivables	27,324	4,620	27,317	4,620
- Leasing receivables	8,743	1,178	8,743	1,178
- Revolving credits	7,150	19,385	7,094	19,385
- Other term loans/financing	1,919,120	1,166,827	1,818,249	1,166,827
	5,479,517	4,860,826	4,859,387	4,860,826

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

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

(vi) Impaired loans, advances and financing analysed by industry are as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Import, export, wholesale, retail trade, restaurants and hotels	484,435	319,147	151,351	319,147
Manufacturing	256,892	169,801	99,628	169,801
Community, social and personal services	111,950	46,312	69,227	46,312
Transportation and communication	85,143	73,809	20,221	73,809
Financial, insurance, real estate and business services	15,057	30,159	8,850	30,159
Constructions	33,057	2,523	29,954	2,523
Electricity, gas and water supply	1,314	12,694	56	12,694
Agriculture, forestry and fishing	320	327	-	327
	988,168	654,772	379,287	654,772

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

(vii) Impaired loans, advances and financing analysed by location and sector are as follows:

GROUP	PERLIS RM'000	KEDAH RM'000	PENANG RM'000	PERAK RM'000	SELANGOR RM'000	KUALA		BALANCE	
						LUMPUR RM'000	MELAKA RM'000	C/F	RM'000
2014									
Import, export, wholesale, retail trade, restaurants and hotels	237	18,884	84,444	22,564	136,306	48,966	1,640	313,041	
Manufacturing	646	15,920	11,830	13,272	64,316	10,030	14,385	130,399	
Community, social and personal services	55	355	47,946	10,023	7,967	11,347	538	78,231	
Transportation and communication	-	5,846	1,587	18,013	17,320	1,511	435	44,712	
Financial, insurance, real estate and business services	436	334	479	648	8,697	1,634	966	13,194	
Constructions	-	708	943	-	4,558	14,214	3,111	23,534	
Electricity, gas and water supply	-	-	-	-	-	-	-	-	
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	
At 31 December 2014	1,374	42,047	147,229	64,520	239,164	87,702	21,075	603,111	

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

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

(vii) Impaired loans, advances and financing analysed by location and sector are as follows: (cont'd.)

GROUP	BALANCE		NEGERI		JOHOR RM'000	PAHANG RM'000	KELANTAN RM'000	TERENG- GANU		SABAH & SARAWAK		TOTAL RM'000
	B/F RM'000	SEMILAN RM'000	SEMILAN RM'000	SEMILAN RM'000				SEMILAN RM'000	SEMILAN RM'000			
2014												
Import, export, wholesale, retail trade, restaurants and hotels	313,041	59,676	18,781	2,707	2,267	61,649	26,314	484,435				
Manufacturing	130,399	16,434	32,498	4,163	1,975	24,315	47,108	256,892				
Community, social and personal services	78,231	629	1,733	64	18,335	1,285	11,673	111,950				
Transportation and communication	44,712	3,555	1,335	2,267	1,387	4,136	27,751	85,143				
Financial, insurance, real estate and business services	13,194	-	334	751	371	138	269	15,057				
Constructions	23,534	9	8,218	132	-	101	1,063	33,057				
Electricity, gas and water supply	-	-	1,258	-	-	-	56	1,314				
Agriculture, forestry and fishing	-	-	-	320	-	-	-	320				
At 31 December 2014	603,111	80,303	64,157	10,404	24,335	91,624	114,234	988,168				

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

(vii) Impaired loans, advances and financing analysed by location and sector are as follows: (cont'd.)

BANK	2014					BALANCE		
	PERLIS RM'000	KEDAH RM'000	PENANG RM'000	PERAK RM'000	SELANGOR RM'000	KUALA LUMPUR RM'000	MELAKA RM'000	C/F RM'000
Import, export, wholesale, retail trade, restaurants and hotels	237	7,819	229	4,368	43,946	29,926	239	86,764
Manufacturing	646	13,321	478	1,716	42,315	151	13,801	72,428
Community, social and personal services	-	124	47,438	710	2,367	250	-	50,889
Transportation and communication	-	-	150	28	13,857	781	-	14,816
Financial, insurance, real estate and business services	126	335	479	68	5,270	940	912	8,130
Constructions	-	560	549	-	3,586	14,165	3,111	21,971
Electricity, gas and water supply	-	-	-	-	-	-	-	-
At 31 December 2014	1,009	22,158	49,323	6,890	111,341	46,213	18,063	254,997

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

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

(vii) Impaired loans, advances and financing analysed by location and sector are as follows: (cont'd.)

BANK	BALANCE		NEGERI		JOHOR RM'000	PAHANG RM'000	KELANTAN RM'000	TERENG- GANU		SABAH & SARAWAK		TOTAL RM'000
	B/F RM'000	SEMILAN RM'000	SEMILAN RM'000	SEMILAN RM'000				SEMILAN RM'000	SEMILAN RM'000			
2014												
Import, export, wholesale, retail trade, restaurants and hotels	86,764	113	1,274	323	1,672	52,748	8,457	151,351				
Manufacturing	72,428	365	21,438	-	1,425	3,402	571	99,628				
Community, social and personal services	50,889	-	-	48	18,145	83	63	69,227				
Transportation and communication	14,816	168	212	1,591	731	1,342	1,361	20,221				
Financial, insurance, real estate and business services	8,130	-	-	167	324	138	92	8,850				
Constructions	21,971	9	7,844	132	-	-	-	29,954				
Electricity, gas and water supply	-	-	-	-	-	-	56	56				
At 31 December 2014	254,997	655	30,768	2,261	22,296	57,712	10,600	379,287				

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

(vii) Impaired loans, advances and financing analysed by location and sector are as follows: (cont'd.)

GROUP AND BANK	2013					BALANCE		
	PERLIS RM'000	KEDAH RM'000	PENANG RM'000	PERAK RM'000	SELANGOR RM'000	KUALA LUMPUR RM'000	MELAKA RM'000	C/F RM'000
Import, export, wholesale, retail trade, restaurants and hotels	35	9,764	75,795	17,321	74,513	37,021	1,370	215,819
Manufacturing	49	10,387	11,739	12,247	30,531	9,955	765	75,673
Community, social and personal services	54	267	519	10,266	6,449	13,556	506	31,617
Transportation and communication	-	602	11,510	17,098	3,497	765	430	33,902
Financial, insurance, real estate and business services	292	14	43	690	8,413	333	56	9,841
Constructions	-	148	465	-	496	49	-	1,158
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-
Electricity, gas and water supply	-	-	-	-	1,380	-	-	1,380
At 31 December 2013	430	21,182	100,071	57,622	125,279	61,679	3,127	369,390

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

(viii) Movements in impaired loans, advances and financing (“impaired loans”) are as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	654,772	720,618	654,772	720,618
Impaired during the year	533,220	297,093	533,220	297,093
Reclassified as non-impaired	(106,609)	(121,613)	(106,609)	(121,613)
Amount recovered	(38,063)	(59,303)	(38,063)	(59,303)
Amount written-off	(55,152)	(182,023)	(55,152)	(182,023)
Transfer to subsidiary company	-	-	(608,881)	-
At 31 December	988,168	654,772	379,287	654,772

Net impaired loans as % of net loans, advances and financing (excluding staff loans) are as follows:

	GROUP		BANK	
	2014	2013	2014	2013
Net impaired loans as %	15.53%	12.42%	5.99%	12.42%

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

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

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Individual assessment allowance				
At 1 January	63,023	163,748	63,023	163,748
Amount written-off	(45,150)	(90,943)	(45,150)	(90,943)
Transfer from collective allowance	18,582	-	18,582	-
Allowance made during the year	153,326	105,162	153,326	105,162
Writeback made during the year	(21,659)	(114,944)	(21,659)	(114,944)
Transfer to subsidiary company	-	-	(72,541)	-
At 31 December	168,122	63,023	95,581	63,023
Collective assessment allowance				
At 1 January	89,887	118,882	89,887	118,882
Amount written-off	(3,947)	(8,407)	(3,947)	(8,407)
Transfer to individual allowance	(18,582)	-	(18,582)	-
Allowance made during the year	104,710	166,363	104,710	166,363
Writeback made during the year	(54,237)	(186,951)	(54,237)	(186,951)
Transfer to subsidiary company	-	-	(37,588)	-
At 31 December	117,831	89,887	80,243	89,887

9. OTHER ASSETS

		GROUP	
NOTE		2014 RM'000	2013 RM'000
	Fair value of financial guarantee from the Government of Malaysia	(i) 7,528	12,939
	Other receivables and prepayments	15,870	41,863
	Interest receivables	22,558	20,047
		45,956	74,849

		BANK	
NOTE		2014 RM'000	2013 RM'000
	Amount due from subsidiaries	(ii) 517,312	5,035
	Less: Allowance for impairment	(iii) (1,943)	(3,248)
		515,369	1,787
	Fair value of financial guarantee from the Government of Malaysia	(i) 7,528	12,939
	Other receivables and prepayments	13,291	41,171
	Interest receivables	22,558	20,047
		558,746	75,944

(i) The amount relates to fair value of financial guarantee from the Government of Malaysia on the foreign exchange loss suffered by the Bank on retranslation of Japanese Yen term loans that the Bank received from Japan International Cooperation Agency ("JICA").

(ii) The amount due from subsidiaries are unsecured, interest free and repayable on demand except for amount owing from AMC to finance the purchase of a portfolio of impaired loans and financing from the Bank as disclosed in Note 36 to the financial statements. The Bank extended unsecured Bai' Inah facility at the profit rate range from 2.75% to 6.00% per annum. Principal and profit are repayable over a period of 8 years commencing 31 December 2016, after a grace period of 2 years. The facility will mature on 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

9. OTHER ASSETS (CONT'D.)

(iii) Movement in allowance for impairment is as follows:

	BANK	
	2014 RM'000	2013 RM'000
At 1 January	(3,248)	(3,248)
Reversal of impairment	1,305	-
At 31 December	(1,943)	(3,248)

10. INVESTMENTS IN SUBSIDIARIES

	BANK	
	2014 RM'000	2013 RM'000
Unquoted shares		
At cost		
At 1 January	500	—*
Addition during the year	3,082	500
At 31 December	3,582	500
Accumulated impairment losses		
At 1 January	-	-
Charge for the year	-	-
At 31 December	-	-
Carrying amount		
At 31 December	3,582	500

* Denotes RM2

10. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

The subsidiaries, all of which are incorporated and having principal place of business in Malaysia are as follows:

NAME OF COMPANIES	PRINCIPAL ACTIVITIES	EFFECTIVE OWNERSHIP INTEREST (%)	
		2014	2013
Held by the Bank:			
SMEB Asset Management Sdn. Bhd.	Asset management	100	100
Centre For Entrepreneur Development And Research Sdn. Bhd.	Training services	100	100
BI Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
BI Nelayan Malaysia Berhad	Dormant	100	100
BI Walden Ventures ke Lima Sdn. Bhd.	Dormant	100	100
Guardmont Industries Sdn. Bhd.	Dormant	100	100
Malaysian Technology Investments (L) Bhd.*	Dormant	100	100
Metro Maple Sdn. Bhd.	Dormant	100	100
Metro Prominent Sdn. Bhd.	Dormant	100	100

* Audited by a firm other than Ernst & Young.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

11. INVESTMENTS IN ASSOCIATES

	GROUP		BANK	
	2014 RM	2013 RM	2014 RM	2013 RM
At cost:				
Unquoted shares in Malaysia	6,826	7,576	6,826	7,576
	6,826	7,576	6,826	7,576
Share of post-acquisition reserves	4,840	6,162	-	-
	11,666	13,738	6,826	7,576
Less: Accumulated impairment losses of unquoted shares	(6,826)	(6,826)	(6,826)	(6,826)
	4,840	6,912	-	750

The associates, all of which are incorporated and having principal place of business in Malaysia are as follows:

NAME OF COMPANIES	PRINCIPAL ACTIVITIES	EFFECTIVE PERCENTAGE OF OWNERSHIP (%)		ACCOUNTING MODEL APPLIED
		2014	2013	
Held by the Bank:				
Celcure Chemical Sdn. Bhd.	Manufacturing of wood preservative	-	28	Equity method
Capatronics (M) Sdn. Bhd.	Manufacturing of ceramic capacitor	30	30	Equity method

11. INVESTMENTS IN ASSOCIATES (CONT'D)

(i) Summarised statements of financial position

	CELCURE CHEMICAL SDN. BHD.		CAPATRONICS (M) SDN. BHD.		TOTAL	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets	-	2,299	23,862	23,118	23,862	25,417
Current assets	-	5,618	1,462	4,379	1,462	9,997
Total assets	-	7,917	25,324	27,497	25,324	35,414
Current liabilities	-	2,292	8,386	8,007	8,386	10,299
Non-current liabilities	-	-	-	-	-	-
Total liabilities	-	2,292	8,386	8,007	8,386	10,299
Net assets as at 31 December	-	5,625	16,938	19,490	16,938	25,115

(ii) Summarised statements of comprehensive income

	CELCURE CHEMICAL SDN. BHD.		CAPATRONICS (M) SDN. BHD.		TOTAL	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	6,968	1,644	2,356	1,644	9,324
Loss before tax	-	(514)	(805)	(1,206)	(805)	(1,720)
Loss for the year	-	(531)	(805)	(1,206)	(805)	(1,737)
Total comprehensive loss for the year	-	(531)	(805)	(1,206)	(805)	(1,737)

* On 23 October 2014, the Bank has disposed off its shares in Celcure Chemical Sdn Bhd at RM750,000.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

11. INVESTMENTS IN ASSOCIATES (CONT'D)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associates

	CELCURE CHEMICAL SDN. BHD.		CAPATRONICS (M) SDN. BHD.		TOTAL	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net asset at 1 January	-	5,625	16,938	19,490	16,938	25,115
Loss for the year	-	(531)	(805)	(1,206)	(805)	(1,737)
Net assets as at 31 December	-	5,094	16,133	18,284	16,133	23,378
Interest in associates	-	28%	30%	30%	-	-
Carrying value of Group's interest in associates	-	1,426	4,840	5,485	4,840	6,912

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	LONG TERM LEASEHOLD LAND		FURNITURE AND EQUIPMENT			ELECTRICAL AND MACHINERY			MOTOR VEHICLES		WORK-IN-PROGRESS		TOTAL
	RM'000	RM'000	BUILDING	EQUIPMENT	PARTITION	OFFICE	MOTOR VEHICLES	MACHINERY	AND	WORK-IN-PROGRESS	RM'000	RM'000	
2014													
Cost													
At 1 January	4,017	34,752	84,976	28,671	31,198	3,681	7,840	32,694	227,829				
Additions	-	-	-	14,489	1,124	-	257	-	15,870				
Written off	-	-	-	(3,693)	(19,124)	(933)	(971)	(564)	(25,285)				
Reclassification	-	-	-	(9,183)	4,292	-	-	(22,738)	(27,629)				
At 31 December	4,017	34,752	84,976	30,284	17,490	2,748	7,126	9,392	190,785				
Accumulated depreciation													
At 1 January	-	3,831	9,855	22,978	22,916	3,365	7,002	-	69,947				
Charge for the year (Note 27)	-	640	1,826	1,538	1,453	182	335	-	5,974				
Written off	-	-	-	(3,532)	(18,613)	(933)	(971)	-	(24,049)				
At 31 December	-	4,471	11,681	20,984	5,756	2,614	6,366	-	51,872				
Net carrying amount	4,017	30,281	73,295	9,300	11,734	134	760	9,392	138,913				

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	FREEHOLD LAND		LONG TERM LEASEHOLD LAND		BUILDING		FURNITURE AND EQUIPMENT		OFFICE PARTITION		MOTOR VEHICLES		ELECTRICAL AND MACHINERY		WORK-IN-PROGRESS		TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
BANK																	
2014																	
Cost																	
At 1 January	4,017	34,752	84,976	28,645	31,198	3,681	7,840	32,694	227,803								
Additions	-	-	-	14,465	1,124	-	257	-	15,846								
Written off	-	-	-	(3,693)	(19,124)	(933)	(971)	(564)	(25,285)								
Reclassification	-	-	-	(9,183)	4,292	-	-	(22,738)	(27,629)								
At 31 December	4,017	34,752	84,976	30,234	17,490	2,748	7,126	9,392	190,735								
Accumulated depreciation																	
At 1 January	-	3,831	9,855	22,977	22,916	3,365	7,002	-	69,946								
Charge for the year (Note 27)	-	640	1,826	1,528	1,453	182	335	-	5,964								
Written off	-	-	-	(3,532)	(18,613)	(933)	(971)	-	(24,049)								
At 31 December	-	4,471	11,681	20,973	5,756	2,614	6,366	-	51,861								
Net carrying amount																	
	4,017	30,281	73,295	9,261	11,734	134	760	9,392	138,874								

13. INVESTMENT PROPERTIES

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
At cost		
At 1 January	199,352	188,066
Transfer from property, plant and equipment	10,798	11,286
Addition for the year	2,824	–
At 31 December	212,974	199,352
Accumulated depreciation		
At 1 January	48,527	44,790
Charge for the year (Note 27)	3,955	3,737
At 31 December	52,482	48,527
Carrying amount		
At 31 December	160,492	150,825
Estimated fair value		
At 31 December	248,221	248,221

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

13. INVESTMENT PROPERTIES (CONT'D.)

The carrying amount of the investment properties is represented by:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Building	143,491	133,490
Land	17,001	17,335
	160,492	150,825

The investment properties comprise of land and building. The valuation of the properties were conducted in 2013 by Messrs IM Global Property Consultants Sdn. Bhd., a registered and licensed property consultant. Fair value amount is determined using the comparison method.

Based on this method, sales and listings of comparable properties recorded in the areas are compiled. From the compiled data, adjustments are made between the subject property and those similar properties. The adjustments are made in relation to location, size, shape of the lot, physical features, legal and legislative constraints, building design and condition, time element, planning provision, improvements and renovation works made if any, surrounding developments, facilities and amenities available and other factors that may affect the value of the subject property.

The Bank is of the view that there is no changes in the fair value of the investment properties as there is no factor identified by the Bank which is likely to affect the value of the investment properties.

13. INVESTMENT PROPERTIES (CONT'D.)

The investment properties are at its highest and current best use.

As at 31 December 2014, the Group and the Bank held the following investment properties:

	GROUP AND BANK			
	AT COST RM'000	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000
31 December 2014				
Building	191,413	-	230,330	-
Land	21,561	-	17,891	-
	212,974	-	248,221	-
31 December 2013				
Building	177,791	-	230,330	-
Land	21,561	-	17,891	-
	199,352	-	248,221	-

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

14. INTANGIBLE ASSETS

	GROUP	
	SOFTWARE RM'000	TOTAL RM'000
At cost:		
At 1 January 2013	16,047	16,047
Additions	910	910
Transfer from property, plant and equipment (Note 12)	856	856
At 31 December 2013	17,813	17,813
Additions	435	435
Transfer from property, plant and equipment (Note 12)	16,831	16,831
At 31 December 2014	35,079	35,079
Accumulated amortisation		
At 1 January 2013	6,886	6,886
Charge for the year (Note 27)	4,990	4,990
At 31 December 2013	11,876	11,876
Charge for the year (Note 27)	5,362	5,362
At 31 December 2014	17,238	17,238
Carrying amount		
At 31 December 2014		17,841
At 31 December 2013		5,937

14. INTANGIBLE ASSETS (CONT'D.)

	BANK	
	SOFTWARE RM'000	TOTAL RM'000
At cost:		
At 1 January 2013	16,047	16,047
Additions	410	410
Transfer from property, plant and equipment (Note 12)	856	856
At 31 December 2013	17,313	17,313
Additions	435	435
Transfer from property, plant and equipment (Note 12)	16,831	16,831
At 31 December 2014	34,579	34,579
Accumulated amortisation		
At 1 January 2013	6,886	6,886
Charge for the year (Note 27)	4,990	4,990
At 31 December 2013	11,876	11,876
Charge for the year (Note 27)	5,306	5,306
At 31 December 2014	17,182	17,182
Carrying amount		
At 31 December 2014		17,397
At 31 December 2013		5,437

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

15. DEFERRED TAX

At 1 January, as previously stated

Prior year adjustment (Note 41)

At 1 January, as restated

Recognised in profit or loss

Recognised in equity

At 31 December

Presented before appropriate offsetting as follows:

Deferred tax assets

Deferred tax liabilities

GROUP AND BANK		
31.12.2014	31.12.2013	1.01.2013
RM'000	RM'000	RM'000
	RESTATED	RESTATED
50,519	43,149	58,046
134,794	149,600	149,600
185,313	192,749	207,646
(8,122)	(27,753)	(15,292)
(2,852)	20,317	395
174,339	185,313	192,749
189,880	195,170	201,794
(15,541)	(9,857)	(9,045)
174,339	185,313	192,749

15. DEFERRED TAX (CONT'D.)

The components and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group and Bank:

	COLLECTIVE IMPAIRMENT ALLOWANCE RM'000	UNABSORBED BUSINESS LOSSES AND CAPITAL ALLOWANCE RM'000	PROVISION RM'000	MTM REVALUATION ON BONDS RM'000	TOTAL RM'000
Group and Bank					
At 1 January 2014, as previously stated	22,472	12,246	5,341	20,317	60,376
Prior year adjustment (Note 41)	-	134,794	-	-	134,794
At 1 January 2014, as restated	22,472	147,040	5,341	20,317	195,170
Recognised in profit or loss	(22,472)	20,569	(311)	-	(2,214)
Recognised in equity	-	-	-	(3,076)	(3,076)
At 31 December 2014	-	167,609	5,030	17,241	189,880
At 1 January 2013, as previously stated	29,721	17,824	4,649	-	52,194
Prior year adjustment (Note 41)	-	149,600	-	-	149,600
At 1 January 2013, as restated	29,721	167,424	4,649	-	201,794
Recognised in profit or loss	(7,249)	(20,384)	692	-	(26,941)
Recognised in equity	-	-	-	20,317	20,317
At 31 December 2013	22,472	147,040	5,341	20,317	195,170

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

15. DEFERRED TAX (CONT'D.)

Deferred tax liabilities of the Group and Bank:

	MTM REVALUATION ON BONDS RM'000	PROPERTY PLANT AND EQUIPMENT RM'000	TOTAL RM'000
At 1 January 2014	(224)	(9,633)	(9,857)
Recognised in profit or loss	-	(5,908)	(5,908)
Recognised in equity	224	-	224
At 31 December 2014	-	(15,541)	(15,541)
At 1 January 2013	(224)	(8,821)	(9,045)
Recognised in profit or loss	-	(812)	(812)
Recognised in equity	-	-	-
At 31 December 2013	(224)	(9,633)	(9,857)

16. DEPOSITS FROM CUSTOMERS

Term deposit:
 - Deposits acceptance
 - Commodity murabahah

GROUP AND BANK	
2014 RM'000	2013 RM'000
-	363,843
3,483,781	3,096,945
3,483,781	3,460,788

(i) The deposits are source from the following types of customers:

GROUP AND BANK	
2014 RM'000	2013 RM'000
Government and statutory bodies	3,046,450
Business enterprise	336,846
Others	100,485
	3,460,788
3,483,781	3,460,788

16. DEPOSITS FROM CUSTOMERS (CONT'D.)

(ii) The deposits maturity structure are as follows:

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Less than three months	2,300,622	2,172,887
Three months to six months	956,561	1,094,624
Six months to one year	226,598	193,277
	3,483,781	3,460,788

17. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Licensed banks	336,201	386,614

(i) The deposit maturity structure is as follows:

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Less than three months	336,201	336,366
Three months to six months	-	50,248
	336,201	386,614

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

18. MEDIUM TERM NOTE

Islamic medium term note ("IMTN")

GROUP AND BANK	
2014	2013
RM'000	RM'000
1,520,160	507,040

The IMTN is guaranteed by the Government of Malaysia and details of issuance are as follows:

	ISSUANCE DATE
RM250,000,000 3.60% maturing at 13 August 2019	13 August 2012
RM250,000,000 3.69% maturing at 12 August 2022	13 August 2012
RM600,000,000 3.70% maturing at 30 March 2017	20 March 2014
RM400,000,000 4.06% maturing at 20 March 2019	20 March 2014

(i) The maturity structure of medium term note is as follows:

GROUP AND BANK	
2014	2013
RM'000	RM'000
Within 1 year	7,040
More than three years to five years	-
More than 5 years	500,000
1,520,160	507,040

19. TERM LOANS

NOTE	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Term loans - Unsecured	(a) 2,694,835	2,850,533
Term loans - Secured	(b) 36,946	55,308
	2,731,781	2,905,841

The maturity structure of the term loans is as follows:

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Within twelve months	295,636	459,333
More than twelve months	2,436,145	2,446,508
	2,731,781	2,905,841

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

19. TERM LOANS (CONT'D.)

(a) Term loans - Unsecured

The unsecured term loans denominated in RM are sourced from the following:

	NOTE	GROUP AND BANK	
		2014 RM'000	2013 RM'000
Loans from:			
- Government of Malaysia	(i)	1,632,962	1,638,890
- Other institutions	(ii)	1,061,873	1,211,643
		2,694,835	2,850,533

(i) Loans from Government of Malaysia

The loans from the Government of Malaysia are repayable as follows:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Maturity structure:		
Due within one year	221,491	229,486
Due after one year	1,411,471	1,409,404
	1,632,962	1,638,890

The interest rates on the loans from the Government of Malaysia range from 0% to 4% (2013: 0% to 4%) per annum during the year.

(ii) Loans from other institutions

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Bank Negara Malaysia	248,262	405,159
Employee Provident Fund	813,611	806,484
	1,061,873	1,211,643

19. TERM LOANS (CONT'D.)

(a) Term loans - Unsecured (cont'd.)

(ii) Loans from other institutions (cont'd.)

The loans from other institutions are repayable as follows:

Maturity structure:

Due within one year

Due after one year

GROUP AND BANK	
2014	2013
RM'000	RM'000
37,199	174,539
1,024,674	1,037,104
1,061,873	1,211,643

The interest rates on the loans from other institutions range from 1.50% to 5.23% (2013: 1.50% to 5.23%) per annum.

(b) Term loans - Secured

The secured term loans represent the remaining loan balance from Japan International Cooperation Agency ("JICA") denominated in Japanese Yen which have been retranslated into RM based on the exchange rate at the reporting date. Details of the loans are as follows:

- (i) Initial loan of ¥4,660,000,000 (approximately RM165,784,160) principal repayable over a period of 18 years commencing 20 May 2002, after a grace period of 7 years. The loan will mature on 20 May 2017.
- (ii) Loans received for Small and Medium Industry Promotion Program ("SMIPP") which is repayable in semi-annual instalments of Ringgit Malaysia equivalent of ¥125,945,000 each commencing from May 1999 respectively.

The principal loan balance and foreign exchange fluctuation loss on these loans are guaranteed by the Government of Malaysia.

The interest rates on long term loans from JICA range from 3.0% to 3.5% (2013: 3.0% to 3.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

20. OTHER LIABILITIES

Group	31.12.2014	31.12.2013	1.01.2013
	RM'000	RM'000	RM'000
		RESTATED	RESTATED
Other payables and accruals (Note a)	346,310	192,849	148,613
Islamic margin account (Note b)	178,710	180,934	54,151
Other provisions	22,738	25,402	23,574
Rental and security deposits	5,285	3,971	3,846
Profit equalisation reserve			
- depositors	69	1,813	5,049
Provision for zakat	2,320	1,939	2,959
	555,432	406,908	238,192
Bank			
Other payables and accruals (Note a)	342,240	191,166	147,838
Amount due to subsidiaries company	8,118	-	-
Islamic margin account (Note b)	178,710	180,934	54,151
Other provisions	22,738	25,402	23,574
Rental and security deposits	5,285	3,971	3,846
Profit equalisation reserve			
- depositors	69	1,813	5,049
Provision for zakat	2,320	1,939	2,959
	559,480	405,225	237,417

Note a

Included in other payables and accruals are undisbursed funds amounting to RM96.73 million (31.12.2013: RM64.33 million, 1.01.2013: RM72.89 million) provided by Small and Medium Enterprise Corporation Malaysia ("SME Corp"). Under the arrangement with SME Corp, the Bank acts as an agent to administer the said funds to be channelled as financial assistance to companies within the small and medium size industry.

Note b

Islamic margin account refers to the cash collateral pledged by the customers of the Bank. The amount will be repaid to the customers at the end of the loan tenure or will be offset with any overdue amount. The Bank will pay profit rate at overnight profit rate minus 0.25% to the customers.

21. GOVERNMENT FUNDS

	NOTE	GROUP AND BANK	
		2014 RM'000	2013 RM'000
To finance:			
Investment properties	(a)	133,093	136,689
Loans, advances and financing	(b)	155,049	170,298
		288,142	306,987

(a) To finance the purchase of investment properties:

GROUP AND BANK	NURSERY FACTORY SCHEME RM'000	NURSERY FACTORY SCHEME (RMK8) RM'000	NURSERY FACTORY SCHEME (RMK9) RM'000	TOTAL RM'000
	2014			
At 1 January	100,504	228	35,957	136,689
Utilised to offset depreciation charge for the year	(236)	(2,914)	(446)	(3,596)
Utilised to offset expenses	-	-	-	-
Reclassification	(33,489)	33,489	-	-
At 31 December	66,779	30,803	35,511	133,093
2013				
At 1 January	100,740	3,156	36,343	140,239
Utilised to offset depreciation charge for the year	(236)	(2,916)	(230)	(3,382)
Utilised to offset expenses	-	(12)	(156)	(168)
At 31 December	100,504	228	35,957	136,689

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

21. GOVERNMENT FUNDS (CONT'D.)

(b) To finance loans, advances and financing:

GROUP AND BANK	SOFT LOAN	TABUNG	TABUNG	TABUNG	DANA	SPED	BALANCE
	SCHEME	USAHAWAN	INKUBATOR	USAHAWAN	USAHAWAN		
	RM'000	PAHANG	PERTANIAN	SISWAZAH	NEGERI	RM'000	C/F
	RM'000	RM'000	KELANTAN	RM'000	TERENGGANU	RM'000	RM'000
At 1 January 2014	36,637	288	2,669	23,403	7,785	-	70,782
Refund to the Government	-	-	-	-	-	-	-
Write-off	-	-	-	(3,119)	(776)	-	(3,895)
Recoveries from loans written-off	79	-	-	1,015	22	-	1,116
Muqasah	-	-	-	-	(1,745)	-	(1,745)
At 31 December 2014	36,716	288	2,669	21,299	5,286	-	66,258

BALANCE	PROGRAM	BASIS	SKIM	SKIM	PROGRAM	TOTAL	
	DAN SKIM	CAPITAL	PEMBANGUNAN	PERUSAHAAN	DAN SKIM		
B/F	USAHAWAN	SCHEME	EKONOMI	KAPAL	USAHAWAN	RM'000	
RM'000	BATIK	(SMA)	DESA-ISLAMIC	TRADISIONAL	KRAF	RM'000	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2014	70,782	4,099	31,599	56,107	3,000	4,711	170,298
Refund to the Government	-	-	-	(5,000)	-	-	(5,000)
Write-off	(3,895)	-	(2,895)	(3,950)	-	-	(10,740)
Recoveries from loans written-off	1,116	22	345	878	-	29	2,390
Muqasah	(1,745)	-	-	(154)	-	-	(1,899)
At 31 December 2014	66,258	4,121	29,049	47,881	3,000	4,740	155,049

21. GOVERNMENT FUNDS (CONT'D.)

(b) To finance loans, advances and financing: (cont'd.)

GROUP AND BANK	SOFT LOAN	TABUNG	TABUNG	TABUNG	DANA	SPED	BALANCE
	SCHEME	USAHAWAN	INKUBATOR	USAHAWAN	USAHAWAN		
	RM'000	PAHANG	PERTANIAN	SISWAZAH	NEGERI	RM'000	C/F
	RM'000	RM'000	KELANTAN	RM'000	TERENGGANU	RM'000	RM'000
At 1 January 2013	36,637	288	2,669	23,916	9,440	1,000	73,950
Refund to the Government	-	-	-	-	-	(1,000)	(1,000)
Write-off	-	-	-	(1,083)	(28)	-	(1,111)
Recoveries from loans written-off	-	-	-	570	198	-	768
Muqasah	-	-	-	-	(1,825)	-	(1,825)
At 31 December 2013	36,637	288	2,669	23,403	7,785	-	70,782

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

21. GOVERNMENT FUNDS (CONT'D.)

(b) To finance loans, advances and financing: (cont'd.)

GROUP AND BANK	BALANCE	PROGRAM	BASIS	SKIM	SKIM	PROGRAM	TOTAL
	B/F	DAN SKIM	CAPITAL	PEMBANGUNAN	PERUSAHAAN	DAN SKIM	
	RM'000	USAHAWAN	SCHEME	EKONOMI	KAPAL	USAHAWAN	RM'000
		BATIK	(SMA)	DESA-ISLAMIC	TRADISIONAL	KRAF	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January							
2013	73,950	4,064	29,936	56,719	3,000	4,666	172,335
Received	-	-	-	899	-	-	899
Refund to the Government	(1,000)	-	-	-	-	-	(1,000)
Write-off	(1,111)	(3)	(50)	(1,762)	-	(6)	(2,932)
Recoveries from loans written-off	768	38	1,713	955	-	51	3,525
Expenses	-	-	-	(134)	-	-	(134)
Muqasah	(1,825)	-	-	(570)	-	-	(2,395)
At 31 December 2013	70,782	4,099	31,599	56,107	3,000	4,711	170,298

21. GOVERNMENT FUNDS (CONT'D.)

Summary of the government funds are as follows:

TYPES OF FUNDS	PURPOSE OF FUNDS	SOURCE	GRANT RECEIVED RM'000
(a) Soft Loan Scheme	To provide soft loans to Bumiputera entrepreneurs	Ministry of International Trade and Industry (MITI)	34,400
(b) Tabung Usahawan Pahang	To provide loans for furniture industry in Temerloh, Pahang	Pahang State Government	1,000
(c) Tabung Inkubator Pertanian Kelantan	To support the livestock industry in Jeli, Kelantan	Ministry of International Trade and Industry	2,992
(d) Tabung Usahawan Siswazah	To encourage graduates into entrepreneurship	Ministry of International Trade and Industry	62,000
(e) Dana Usahawan Negeri Terengganu	To promote Bumiputera entrepreneurs in Terengganu	Ministry of International Trade and Industry	30,000
(f) Program dan Skim Usahawan Batik	To promote Bumiputera entrepreneurs in the batik industry	Ministry of International Trade and Industry	5,000
(g) Basic Capital Scheme	To promote Bumiputera entrepreneurs with basic capital	Ministry of International Trade and Industry	75,835
(h) Skim Pembangunan Ekonomi Desa	To promote Bumiputera entrepreneurs in the rural area	Ministry of Rural & Regional Development (MRRD)	124,227
(i) Skim Perusahaan Kapal Tradisional	To promote ships making in Terengganu	Ministry of International Trade and Industry	3,000
(j) Program dan Skim Usahawan Kraf	To promote Bumiputera entrepreneurs in the craft industry	Ministry of International Trade and Industry	5,000
(k) Kompleks Kilang Bimbingan	To provide premises for Bumiputera entrepreneurs	Ministry of International Trade and Industry	220,775

* All the government grants above are non-repayable and the credit risk pertaining to loans, advances and financing are borne by the Government.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

21. GOVERNMENT FUNDS (CONT'D.)

Summary of the performance of the government funds

TYPES OF FUNDS	OUTSTANDING LOAN/ FINANCING RM'000	NO. OF BORROWER ASSISTED
(a) Soft Loan Scheme	-	-
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah	23,185	229
(e) Dana Usahawan Negeri Terengganu & Skim Perusahaan Kapal Tradisional	6,564	61
(f) Program dan Skim Usahawan Batik	88	1
(g) Basic Capital Scheme	40,225	57
(h) Skim Pembangunan Ekonomi Desa	27,939	510
(j) Program dan Skim Usahawan Kraf	90	2
(k) Kompleks Kilang Bimbingan	160,492	-

22. SHARE CAPITAL

GROUP AND BANK	NUMBER OF ORDINARY SHARES OF RM1 EACH		AMOUNT	
	2014	2013	2014	2013
	UNIT '000	UNIT '000	RM'000	RM'000
Authorised: At 31 December	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid: At 31 December	1,350,000	1,350,000	1,350,000	1,350,000

23. OTHER RESERVES

GROUP AND BANK	NON- DISTRIBUTABLE	NON- DISTRIBUTABLE	NON- DISTRIBUTABLE	TOTAL RM'000
	AVAILABLE-FOR- SALE-RESERVE	PROFIT EQUALISATION RESERVE	GENERAL RESERVE	
	RM'000	RM'000	RM'000	
At 1 January 2014	(60,281)	403	10,114	(49,764)
Movement in revaluation reserve of available-for-sale financial investments	8,555	-	-	8,555
Movement in profit equalisation reserves	-	(403)	-	(403)
At 31 December 2014	(51,726)	-	10,114	(41,612)
At 1 January 2013	671	1,009	10,114	11,794
Movement in revaluation reserve of available-for-sale financial investments	(60,952)	-	-	(60,952)
Movement in profit equalisation reserves	-	(606)	-	(606)
At 31 December 2013	(60,281)	403	10,114	(49,764)

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

23. OTHER RESERVES (CONT'D.)

(a) Distributable general reserve

Distributable general reserve arises from the merger between Bank Pembangunan Berhad and Bank Industry Berhad in 2005.

(b) Non-distributable available-for-sale reserve

Non-distributable available-for-sale reserve represents the cumulative fair value changes, net of tax, of available-for-sale securities until they are disposed of or impaired.

(c) Non-distributable profit equalisation reserve

Non-distributable profit equalisation reserve represents Bank's portion of profit equalisation reserve. Subsequent apportionments from and distributions to retained earnings will be treated as transfers between reserves.

24. INTEREST INCOME

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Interest income from loans, advances and financing	121,111	93,660
Deposits and placements with banks and other financial institutions	10,983	30,757
Available-for-sale financial investments	9,843	6,829
Held-to-maturity financial investments	1,406	2,046
	143,343	133,292

Included in interest income from loans, advances and financing is interest on impaired loans amounting to RM10,164,068 (2013: RM15,494,233).

25. INTEREST EXPENSE

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Deposits from customers	9,458	33,702
Deposits from other financial institutions	7,647	7,579
Term loans	60,098	61,339
	77,203	102,620

26. OTHER OPERATING INCOME

	GROUP	
	2014 RM'000	2013 RM'000
Fee income	4,500	1,021
Income from available-for-sale financial investments:		
- gain on disposal of quoted investments	516	1,217
- gross dividend income from quoted investments	-	18
- gross dividend income from unquoted investments	381	-
	897	1,235
Other income:		
Government funds released	3,543	3,533
Government compensation	9,810	16,419
Others	939	1,001
Gain on disposal of an associate	750	-
	15,042	20,953
Total other operating income	20,439	23,209

	BANK	
	2014 RM'000	2013 RM'000
Fee income	635	834
Income from available-for-sale financial investments:		
- gain on disposal of quoted investments	516	1,217
- gross dividend income from quoted investments	-	18
- gross dividend income from unquoted investments	381	-
	897	1,235
Investment in associates:		
- gross dividend income	1,271	-
	1,271	-

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

26. OTHER OPERATING INCOME (CONT'D.)

Other income:

Government funds released

Government compensation

Others

Total other operating income

	BANK	
	2014 RM'000	2013 RM'000
	3,543	3,533
	9,810	16,419
	1,022	1,724
	14,375	21,676
	17,178	23,745

27. OTHER OPERATING EXPENSES

		GROUP	
NOTE		2014 RM'000	2013 RM'000
	Personnel expenses	(i) 109,530	102,013
	Establishment related expenses	(ii) 31,138	31,089
	Promotion and marketing expenses	(iii) 2,623	4,796
	Administration and general expenses	(iv) 25,127	28,159
		168,418	166,057
	(i) Personnel expenses		
	Salaries, allowances and bonuses	89,285	82,075
	Social security cost	623	569
	Contribution to Employee Provident Fund	11,436	10,133
	Other staff related expenses	8,186	9,236
		109,530	102,013
	(ii) Establishment related expenses		
	Depreciation of property, plant and equipment (Note 12)	5,974	5,360
	Depreciation of investment properties (Note 13)	3,955	3,737
	Amortisation of intangible assets (Note 14)	5,362	4,990
	Rental of premises	3,557	2,845
	Repairs and maintenance of property, plant and equipment	12,290	14,157
		31,138	31,089
	(iii) Promotion and marketing expenses		
	Advertisement and publicity	2,623	4,796
	(iv) Administration and general expenses		
	Administrative expenses	10,535	10,073
	Auditors' remuneration		
	- Statutory audit	354	327
	- Regulatory related services	11	11
	- Other assurance services	185	214
	General expenses	14,042	17,534
		25,127	28,159

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

27. OTHER OPERATING EXPENSES (CONT'D.)

	NOTE	BANK	
		2014 RM'000	2013 RM'000
Personnel expenses	(i)	106,436	100,564
Establishment related expenses	(ii)	30,829	31,074
Promotion and marketing expenses	(iii)	2,540	4,677
Administration and general expenses	(iv)	25,764	27,949
		165,569	164,264
(i) Personnel expenses			
Salaries, allowances and bonuses		86,717	80,614
Social security cost		610	561
Contribution to Employee Provident Fund		11,119	9,973
Other staff related expenses		7,990	9,416
		106,436	100,564
(ii) Establishment related expenses			
Depreciation of property, plant and equipment (Note 12)		5,964	5,359
Depreciation of investment properties (Note 13)		3,955	3,737
Amortisation of intangible assets (Note 14)		5,306	4,990
Rental of premises		3,557	2,845
Repairs and maintenance of property, plant and equipment		12,047	14,143
		30,829	31,074
(iii) Promotion and marketing expenses			
Advertisement and publicity		2,540	4,677
(iv) Administration and general expenses			
Administrative expenses		10,240	9,892
Auditors' remuneration			
- Statutory audit		323	303
- Regulatory related services		11	11
- Other assurance services		185	214
General expenses		15,005	17,529
		25,764	27,949

28. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Group and Bank during the year are as follows:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Directors of the Bank		
Executive director/managing director:		
Salaries, other emoluments and defined contribution plan	1,206	1,215
Total	1,206	1,215
Non-executive directors:		
Fees	712	651
Total directors' remuneration of the Bank	1,918	1,866

The number of directors of the Group and the Bank whose total remuneration fell within the following bands are analysed below:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Number of executive director:		
RM1,000,000 to RM1,500,000	1	1
Number of non-executive directors:		
RM100,001 to RM120,000	2	7
RM1 to RM100,000	7*	-
	9	7

* Includes one former non-executive director of the Bank who retired on 1 May 2014.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

29. ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS, ADVANCES AND FINANCING

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Allowance for impaired loans, advances and financing made during the year		
- Individual assessment allowance	153,326	105,162
- Collective assessment allowance	104,710	166,363
	258,036	271,525
Write back/recoveries of allowance for impaired loans, advances and financing made during the year		
- Individual assessment allowance	(21,659)	(114,944)
- Collective assessment allowance	(54,237)	(186,951)
	(75,896)	(301,895)
Loans, advances and financing written-off	6,055	82,673
Loans, advances and financing waived	28	1,385
Recoveries from bad loans, advances and financing written-off	(59,950)	(48,190)
Total allowance for impairment in loans, advances and financing	128,273	5,498

30. ALLOWANCE FOR IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Allowance for impairment - unquoted securities	6,000	-
	6,000	-

31. TAX EXPENSE AND ZAKAT

	GROUP		BANK	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
	RESTATED		RESTATED	
Income tax:				
Tax expense for the year	98	3	-	-
Under/(over) provision in prior year	55	(741)	55	(28)
	153	(738)	55	(28)
Deferred income tax:				
Origination or reversal of temporary differences	8,122	27,753	8,122	27,753
	8,122	27,753	8,122	27,753
Total tax expense for the year	8,275	27,015	8,177	27,725
Zakat:				
Zakat for the year	2,000	1,600	2,000	1,600
Under provision of zakat in prior year	267	1,246	267	1,246
Total zakat for the year	2,267	2,846	2,267	2,846

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

31. TAX EXPENSE AND ZAKAT (CONT'D.)

The reconciliation between tax expense and accounting profit of the Group and the Bank multiplied by the applicable corporate tax rate is as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000 RESTATED	2014 RM'000	2013 RM'000 RESTATED
Profit before tax and zakat	28,938	91,233	29,326	93,971
Income tax at 25% (2013: 25%)	7,235	22,783	7,332	23,493
Non-deductible expenses	1,401	10,458	1,406	10,458
Non-taxable income	(616)	(309)	(616)	(309)
Effect of change in tax rate	-	(5,889)	-	(5,889)
Effects of share of associates' post-tax loss included in Group's profit before taxation	200	102	-	-
Deferred tax assets not recognised due to business loss	-	611	-	-
Under/(over) provision of income tax in prior year	55	(741)	55	(28)
Total tax expense for the year	8,275	27,015	8,177	27,725

Tax savings during the financial year arising from:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Utilisation of capital allowances	8,184	2,202
Utilisation of tax lossess brought forward from previous year	8,007	18,759
	16,191	20,961

32. EARNINGS PER SHARE

Basic earnings per share amount is calculated by dividing profit for the year net of tax, attributable to owner of the Bank by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the profit and share data used in the computation of basic earnings per share for the year ended 31 December:

	GROUP		BANK	
	2014 RM'000	2013 RM'000 RESTATED	2014 RM'000	2013 RM'000 RESTATED
Profit for the year attributable to owner of the Bank	18,396	61,372	18,882	63,400
Earnings per share attributable to owner of the Bank (sen) - Basic	1.36	4.55	1.40	4.70

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Number of ordinary shares for basic profit per share computation	1,350,000	1,350,000

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

33. COMMITMENT AND CONTINGENCIES

- (i) Loans, advances and financing related commitments and contingencies of the Group and Bank are as follows:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000 RESTATED
Direct credit substitutes	197,861	206,252
Transaction-related-contingent items	234,986	257,013
Irrevocable commitments to extend credit:		
- maturity exceeding one year	107,327	108,611
- maturity not exceeding one year	721,908	875,082
	1,262,082	1,446,958

- (ii) Capital expenditure commitments of the Group and Bank are as follows:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Approved and contracted for:		
Property, plant and equipment	27,432	39,425
IT system	564	5,053
KKB construction	440	-
	28,436	44,478
Total commitments and contingencies	1,290,518	1,491,436

34. CAPITAL ADEQUACY

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 Bank views capital position as an important key barometer of financial health.

34. CAPITAL ADEQUACY (CONT'D.)

Capital management (cont'd.)

Regulatory capital

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

The following table set forth capital resources and capital adequacy for the Bank as at reporting date:

	BANK		
	31.12.2014	31.12.2013	1.01. 2013
	RM'000	RM'000	RM'000
		RESTATED	RESTATED
<u>Tier I Capital</u>			
Paid-up share capital	1,350,000	1,350,000	1,350,000
Accumulated losses	(92,328)	(104,863)	(162,119)
Other reserves	10,114	10,114	10,114
Less: Deferred tax	(174,339)	(185,313)	(192,749)
Total Tier I capital	1,093,447	1,069,938	1,005,246
<u>Tier II Capital</u>			
Collective allowance for loans, advances and financing*	67,523	48,565	86,389
Government funds	288,142	306,987	312,574
Total Tier II capital	355,665	355,552	398,963
Total capital	1,449,112	1,425,490	1,404,209
Less: Investment in subsidiaries	(3,582)	(500)	-
Total capital base	1,445,530	1,424,990	1,404,209

* 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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

34. CAPITAL ADEQUACY (CONT'D.)

Capital management (cont'd.)

Breakdown of risk-weighted assets in the various categories of risk-weights:

	BANK		
	31.12.2014	31.12.2013	1.01. 2013
	RM'000	RM'000	RM'000
		RESTATED	RESTATED
10%	-	1,000	1,000
20%	390,128	326,648	472,770
50%	40,539	43,289	45,302
100%	6,660,787	5,818,890	4,749,376
	7,091,454	6,189,827	5,268,448
Before deducting proposed dividends:			
Core capital ratio	15.42%	17.29%	19.08%
Risk-weighted capital ratio	20.38%	23.02%	26.65%
After deducting proposed dividends:			
Core capital ratio	15.37%	17.18%	18.95%
Risk-weighted capital ratio	20.33%	22.91%	26.53%

Capital monitoring

The Bank's capital is closely monitored and actively managed. Beside the regulatory capital requirement of 8%, the Bank sets an internal capital limit that would act as a trigger to the regulatory capital and as an indicator that affords the Bank a "well capitalised" status. Internal capital limit and regulatory capital requirement shall be closely monitored, regularly reviewed and reported to management and the Board of Directors.

35. RELATED PARTY TRANSACTIONS

(a) Parent entity

The Bank is a Government Linked Corporation, with all shares held by the Ministry of Finance Incorporated on behalf of the Government of Malaysia. All Government of Malaysia controlled entities meet the definition of related parties of the Group and Bank.

(b) Compensation of key management personnel

The compensation of key management personnel other than the directors of the Group and Bank as disclosed in Note 28 is as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Salaries and other emoluments	10,914	9,037	10,914	9,037
Defined contribution plan	1,589	1,348	1,589	1,348
	12,503	10,385	12,503	10,385

(c) Related party transactions

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Long term loans from Ministry of Finance	1,580,104	1,408,633	1,580,104	1,408,633
Interest payable to Ministry of Finance	52,859	31,402	52,859	31,402
Deposit acceptance from government agencies	3,027,826	3,437,186	3,027,826	3,437,186
Interest payable to government agencies	18,624	23,399	18,624	23,399
Government fund from MITI	240,261	250,880	240,261	250,880
Government fund from MRRD	47,881	56,107	47,881	56,107
Forex exchange payable by government agencies	7,528	12,939	7,528	12,939
	4,975,083	5,220,546	4,975,083	5,220,546

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36. SIGNIFICANT EVENTS DURING THE YEAR

- (i) On 4 June 2014, the Bank received approval from the Minister of Finance ("MoF") pursuant to section 15(1) of the Development Financial Institutions Act ("DFIA") for the proposed disposal of selected impaired loans and financing of the Bank to a wholly owned subsidiary, SMEB Asset Management Sdn. Bhd. ("AMC"). The Bank disposed off a portfolio of mostly legacy accounts that have been classified as impaired as at 31 December 2013 comprising approximately 1,108 accounts with gross loan amount of RM1.1 billion to AMC at a net book value of RM510 million.

MOF also granted approval pursuant to section 122 of DFIA for the Bank to be exempted from the provision under section 28(3)(b) of DFIA, which allows the Bank to extend credit facilities to AMC as a connected party, to finance the above purchase.

The disposal does not have any material effect to the Group's and the Bank's earnings.

- (ii) During the year 2014, the Bank had disposed of its investment in an associate company, Celcure Chemical Sdn Bhd with a total proceeds of RM750,000. The carrying amount before disposal was at RMNil. There was no gain or loss on disposal at the Bank level.

However, at the Group level gain on disposal of RM750,000 is recorded.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. The fair value of a financial instrument is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

For loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with MFRS132 comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in associate, property, plant and equipment, government funds and deferred taxation.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statements of financial position, except for the following financial assets and liabilities:

	GROUP		BANK	
	CARRYING AMOUNT RM'000	FAIR VALUE RM'000	CARRYING AMOUNT RM'000	FAIR VALUE RM'000
31 December 2014				
Financial assets:				
Financial investments:				
Available-for-sale				
- Unquoted shares, at cost*	3,123	3,123	3,123	3,123
Held-to-maturity, at cost	641,423	634,555	641,423	634,555
Loans, advances and financing	5,193,564	4,534,820	4,683,563	4,081,041
Investment properties	160,492	248,221	160,492	248,221
Financial liabilities:				
Term loans	2,731,781	2,503,589	2,731,781	2,503,589
31 December 2013				
Financial assets:				
Financial investments:				
Available-for-sale				
- Unquoted shares, at cost*	9,123	9,123	9,123	9,123
Held-to-maturity, at cost	437,008	430,380	437,008	430,380
Loans, advances and financing	4,707,916	4,134,620	4,707,916	4,134,620
Investment properties	150,825	248,221	150,825	248,221
Financial liabilities:				
Term loans	2,905,841	2,244,846	2,905,841	2,244,846

* Available-for-sale unquoted shares are stated at their carrying amounts as their fair value cannot be reliably measured in view that they do not have a quoted price in an active market, the range of reasonable fair value estimates is significant and the probabilities of various estimates cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

The methods and assumptions used in estimating the fair values of other financial instruments are as follows:

(a) Cash and bank balances, deposits and placements with banks and other financial institutions, and deposits from customers

The carrying amount approximates fair value due to the relatively short maturity of these financial instruments.

(b) Quoted equity instruments and quoted government bonds

The fair value is determined directly by reference to their published market bid price at the reporting date.

(c) Loans, advances and financing

The fair values of variable and fixed rate loans with remaining maturity of less than one year are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at balance sheet date offered for similar loans to new borrowers with similar credit profiles, where applicable. For impaired loans, the fair values are deemed to approximate the carrying values, net of impairment allowance.

(d) Term loans

The fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at the reporting date obtained for similar loans with similar maturities, where applicable.

(e) Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : Quoted (unadjusted) prices in active markets of identical asset or liabilities;

Level 2 : Other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 : Techniques which use inputs which have significant effect on the fair value that are not based on observable market data.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)**(e) Determination of fair value and fair value hierarchy (cont'd.)****Financial investment - Available-for-sale**

Available-for-sale financial assets valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities.

(i) Private debt securities, Malaysian Government Securities and Malaysian Government Investment Issues

The fair values of private debt securities, Malaysian government securities and Malaysian government investment issues are determined by reference to the market value of these instruments published by pricing agency in Malaysia.

(ii) Quoted shares

The fair value of quoted shares is determined directly by reference to their published market bid price at the reporting date.

The following table provides the fair value measurement hierarchy of the Group's and Bank's assets and liabilities.

	GROUP			
	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000	TOTAL RM'000
31 December 2014				
<u>Assets measured at fair value:</u>				
Financial assets:				
Financial investments:				
Available-for-sale				
- Private debt securities	-	824,455	-	824,455
- Malaysian Government Investment Issues	-	690,478	-	690,478
- Malaysian Government Securities	-	197,370	-	197,370
- Commercial papers	-	89,234	-	89,234

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

The following table provides the fair value measurement hierarchy of the Group's and Bank's assets and liabilities. (cont'd.)

	GROUP			TOTAL RM'000
	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000	
31 December 2014				
Assets and liabilities for <u>which fair values are disclosed</u>				
Financial assets:				
Loans, advances and financing	-	4,534,820	-	4,534,820
Investment properties	-	248,221	-	248,221
Financial liabilities:				
Term loans	-	2,503,589	-	2,503,589
31 December 2013				
<u>Assets measured at fair value:</u>				
Financial assets:				
Financial investments:				
Available-for-sale				
- Private debt securities	-	652,034	-	652,034
- Malaysian Government Investment Issues	-	746,867	-	746,867
- Malaysian Government Securities	-	251,355	-	251,355
- Commercial papers	-	123,466	-	123,466

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

The following table provides the fair value measurement hierarchy of the Group's and Bank's assets and liabilities. (cont'd.)

	GROUP			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	RM'000	RM'000	RM'000	RM'000
31 December 2013				
Assets and liabilities for				
<u>which fair values are disclosed</u>				
Financial assets:				
Loans, advances and financing	-	4,134,620	-	4,134,620
Investment properties	-	248,221	-	248,221
Financial liabilities:				
Term loans	-	2,244,846	-	2,244,846

There were no transfers between Level 1 and Level 2 during the current and previous financial year.

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37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

The following table provides the fair value measurement hierarchy of the Group's and Bank's assets and liabilities. (cont'd.)

	BANK			TOTAL RM'000
	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000	
31 December 2014				
<u>Assets measured at fair value:</u>				
Financial assets:				
Financial investments:				
Available-for-sale				
- Private debt securities	-	824,455	-	824,455
- Malaysian Government Investment Issues	-	690,478	-	690,478
- Malaysian Government Securities	-	197,370	-	197,370
- Commercial papers	-	89,234	-	89,234
<u>Assets and liabilities for which fair values are disclosed</u>				
Financial assets:				
Loans, advances and financing	-	4,081,041	-	4,081,041
Investment properties	-	248,221	-	248,221
Financial liabilities:				
Term loans	-	2,503,589	-	2,503,589

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

The following table provides the fair value measurement hierarchy of the Group's and Bank's assets and liabilities. (cont'd.)

	BANK			TOTAL RM'000
	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000	
31 December 2013				
<u>Assets measured at fair value:</u>				
Financial assets:				
Financial investments:				
Available-for-sale				
- Private debt securities	-	652,034	-	652,034
- Malaysian Government Investment Issues	-	746,867	-	746,867
- Malaysian Government Securities	-	251,355	-	251,355
- Commercial papers	-	123,466	-	123,466
<u>Assets and liabilities for which fair values are disclosed</u>				
Financial assets:				
Loans, advances and financing	-	4,134,620	-	4,134,620
Investment properties	-	248,221	-	248,221
Financial liabilities:				
Term loans	-	2,244,846	-	2,244,846

There were no transfers between Level 1 and Level 2 during the current and previous financial year.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policies have been established with the objective to enhance shareholder's value. The Group focuses on the enterprise wide risk exposure, which include credit risk, market risk, operational risk and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management principles and strategies. Separate independent bodies and functions have been established and are responsible in assisting the Board of Directors in managing and monitoring risks, which are elaborated as follows:

(a) Board Risk Management Committee

The Board Risk Management Committee has the overall responsibilities for the development of the risk strategies and implementing principles, frameworks, policies and limits. The Risk Management Committee is responsible for managing risk decisions and monitoring risk levels.

(b) Risk Management and Compliance

The Risk Management and Compliance is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained.

Risk Management and Compliance is also responsible for monitoring and review of compliance with risk principles, policies and limits across the Bank as well as applicable laws and regulations. The function ensures the completeness of risk identification, measurement, monitoring and reporting.

(c) Treasury and Balance Sheet Management and Fund Administration

Treasury and Balance Sheet Management and Fund Administration are responsible for managing the Bank's assets and liabilities and the overall financial structure. Treasury and Balance Sheet Management and Fund Administration are also responsible for the funding and liquidity of the Bank.

(d) Internal Audit

The Internal Audit function provides an on-going focus on the internal control systems and periodic reviews of the risk management processes. It also reviews compliance with approved policies, as well as applicable laws and regulations.

Internal Audit also evaluates the independence and overall effectiveness of the risk management systems. Internal Audit's assessment on the adequacy of internal controls will involve understanding, documenting, evaluating and testing the Bank's internal control system and follow-up on corrective actions and review of management's action to address material weaknesses.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented to various committee at management level before submitting to the Board Risk Management Committee ("BRMC") and Board of Directors. The monthly report provides aggregate credit exposure, limit exceptions, liquidity ratios and risk profile changes including detailed reporting of industry and customer risks. Senior Management Committee ("SMC") assesses the appropriateness of the provision for credit losses on a monthly basis. The BRMC receives a comprehensive risk report which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

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

(a) Credit risk

Credit risk is the potential loss arising from customers or counterparties failing to meet their financial contractual obligations. Management of credit risk is principally through lending directions and policies, which are instituted based on prevailing business and economic conditions. Credit processes are also structured to ensure adherence of credit policies and to establish impartiality in loan/financing origination, approval, documentation, disbursement and settlement.

The Bank's Credit and Risk Management manages and reviews asset quality, reviews concentration limits, according to various categories such as customer, economic segment and product types and monitors credit portfolio risk. Industry risk is also evaluated and monitored as dynamic changes in the economic environment has a direct impact on the Bank's assets quality.

The internal credit risk rating system has been established to measure the credit worthiness of each customer. The primary objectives are to provide a consistent approach in risk grading of the Bank's borrowers.

The Bank adopts best practices as set out in BNM's Guidelines on Best Practices for the Management of Credit Risk for Development Financial Institutions. Credit Risk Management Framework has also been established in line with the best practices.

Internal single customer limits are regularly monitored to minimise the risk of over-concentration. The overall risk management is subjected to an on-going process for review and enhancement.

Credit reviews on loan applications before being approved by the approving authorities are performed. Various Credit Committees have been established to review all financing to be submitted for the approval of the respective approving authorities and Board of Directors of the Bank and subsidiaries. The respective credit committees have approving authority up to a specified limit.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(i) Credit exposure

The credit risk exposure of the Group and the Bank at the reporting date are as follows:

	GROUP	
	2014 RM'000	2013 RM'000
On balance sheet:		
Cash and short term funds	1,289,069	1,432,878
Deposits and placements with banks and other financial institutions	651,266	225,465
Available-for-sale financial investments	1,804,660	1,782,845
Held-to-maturity financial investments	641,423	437,008
Loans, advances and financing	5,193,564	4,707,916
Interest receivables	22,558	20,047
	9,602,540	8,606,159
On balance sheet:	533,383	568,244
Other assets not subject to credit risk	10,135,923	9,174,403
Off balance sheet:		
Commitments and contingency (Note 33)	1,290,518	1,491,436
	11,426,441	10,665,839

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(i) Credit exposure (cont'd.)

	BANK	
	2014 RM'000	2013 RM'000
On balance sheet:		
Cash and short term funds	1,287,765	1,431,497
Deposits and placements with banks and other financial institutions	651,266	225,465
Available-for-sale financial investments	1,804,660	1,782,845
Held-to-maturity financial investments	641,423	437,008
Loans, advances and financing	4,683,563	4,707,916
Interest receivables	22,558	20,047
	9,091,235	8,604,778
Other assets not subject to credit risk	1,044,370	563,090
	10,135,605	9,167,868
Off balance sheet:		
Commitments and contingency (Note 33)	1,290,518	1,491,436
	11,426,123	10,659,304

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(ii) Gross loans, advances and financing are rated based on internal rating by the Bank:

GROUP 31 DECEMBER 2014	NEITHER PAST DUE NOR IMPAIRED RM'000	PAST DUE BUT NOT IMPAIRED RM'000	TOTAL RM'000
	Risk rating category		
Highest safety *	831,447	42,834	874,281
Moderate safety**	2,744,968	250,854	2,995,822
High risk***	61,864	45,881	107,745
Non-rated	467,834	45,667	513,501
	4,106,113	385,236	4,491,349

GROUP 31 DECEMBER 2013	NEITHER PAST DUE NOR IMPAIRED RM'000	PAST DUE BUT NOT IMPAIRED RM'000	TOTAL RM'000
	Risk rating category		
Highest safety *	121,849	89,792	211,641
Moderate safety**	643,930	147,183	791,113
High risk***	2,365,568	735,875	3,101,443
Non-rated	56,894	44,963	101,857
	3,188,241	1,017,813	4,206,054

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)
(e) Risk measurement and reporting systems (cont'd.)
(a) Credit risk (cont'd.)
(ii) Gross loans, advances and financing are rated based on internal rating by the Bank: (cont'd.)

BANK 31 DECEMBER 2014	NEITHER PAST DUE NOR IMPAIRED RM'000	PAST DUE BUT NOT IMPAIRED RM'000	TOTAL RM'000
Risk rating category			
Highest safety *	831,447	42,833	874,280
Moderate safety**	2,743,438	248,310	2,991,748
High risk***	55,901	45,749	101,650
Non-rated	466,755	45,667	512,422
	4,097,541	382,559	4,480,100

BANK 31 DECEMBER 2013	NEITHER PAST DUE NOR IMPAIRED RM'000	PAST DUE BUT NOT IMPAIRED RM'000	TOTAL RM'000
Risk rating category			
Highest safety *	121,849	89,792	211,641
Moderate safety**	643,930	147,183	791,113
High risk***	2,365,568	735,875	3,101,443
Non-rated	56,894	44,963	101,857
	3,188,241	1,017,813	4,206,054

* Strong capacity to meet financial commitments

** Moderate capacity to meet financial commitments

*** Poor credit quality and high risk of default

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(ii) Gross loans, advances and financing are rated based on internal rating by the Bank: (cont'd.)

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

Non-rated risk relates to I-Cash-payment and I-Splash which are managed through salary deduction by Angkasa and secured by contract from government respectively.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances):

GROUP	31 DECEMBER 2014						TOTAL RM'000	COMMITMENTS RM'000
	SHORT-TERM FUNDS, AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM'000	AVAILABLE- FOR-SALE FINANCIAL INVESTMENTS RM'000	HELD-TO- MATURITY FINANCIAL INVESTMENTS RM'000	LOANS, ADVANCES AND FINANCING RM'000	OTHER ASSETS RM'000	TOTAL RM'000		
Government	-	887,848	110,588	-	-	998,436	-	
Agriculture, forestry and fishing	-	-	-	11,109	-	11,109	-	
Constructions	-	-	-	577,921	-	577,921	-	
Community, social and personal services	-	-	-	832,793	-	832,793	-	
Electricity, gas and water supply	-	-	-	18,371	-	18,371	-	
Financial, insurance, real estate and business services	1,940,335	916,812	530,835	434,267	22,558	3,844,807	-	
Import, export, wholesale and retail trade and restaurant and hotels	-	-	-	1,625,035	-	1,625,035	-	
Manufacturing	-	-	-	1,072,870	-	1,072,870	-	
Mining and quarrying	-	-	-	38,321	-	38,321	-	
Transportation and communication	-	-	-	839,517	-	839,517	-	
Others	-	-	-	29,313	-	29,313	1,290,518	
Gross total	1,940,335	1,804,660	641,423	5,479,517	22,558	9,888,493	1,290,518	
Less: Allowances for impairment	-	-	-	(285,953)	-	(285,953)	-	
Other assets not subject to credit risk	1,940,335	1,804,660	641,423	5,193,564	22,558	9,602,540	1,290,518	
	1,940,335	1,804,660	641,423	5,193,564	555,941	10,135,923	1,290,518	

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31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances): (cont'd.)

GROUP	SHORT-TERM FUNDS, AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM'000	AVAILABLE- FOR-SALE FINANCIAL INVESTMENTS RM'000	HELD-TO- MATURITY FINANCIAL INVESTMENTS RM'000	LOANS, ADVANCES AND FINANCING RM'000	OTHER ASSETS RM'000	TOTAL RM'000	COMMITMENTS RM'000
31 DECEMBER 2013							
Government	-	998,222	140,766	-	-	1,138,988	-
Agriculture, forestry and fishing	-	-	-	13,051	-	13,051	-
Constructions	-	-	-	514,042	-	514,042	-
Community, social and personal services	-	-	-	699,005	-	699,005	-
Electricity, gas and water supply	-	-	-	28,624	-	28,624	-
Financial, insurance, real estate and business services	1,658,343	784,623	296,242	306,545	20,047	3,065,800	-
Import, export, wholesale and retail trade and restaurant and hotels	-	-	-	1,443,278	-	1,443,278	-
Manufacturing	-	-	-	985,408	-	985,408	-
Mining and quarrying	-	-	-	38,370	-	38,370	-
Transportation and communication	-	-	-	797,870	-	797,870	-
Others	-	-	-	34,633	-	34,633	1,491,436
Gross total	1,658,343	1,782,845	437,008	4,860,826	20,047	8,759,069	1,491,436
Less: Allowances for impairment	-	-	-	(152,910)	-	(152,910)	-
Other assets not subject to credit risk	1,658,343	1,782,845	437,008	4,707,916	20,047	8,606,159	1,491,436
	1,658,343	1,782,845	437,008	4,707,916	588,244	9,174,403	1,491,436

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iii) The following table sets out the credit risk concentration by industry sector (gross balances): (cont'd.)

BANK	31 DECEMBER 2014	SHORT-TERM FUNDS, AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM'000	AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS RM'000	HELD-TO-MATURITY FINANCIAL INVESTMENTS RM'000	LOANS, ADVANCES AND FINANCING RM'000	OTHER ASSETS RM'000	TOTAL RM'000	COMMITMENTS RM'000
Government	-	887,848	110,588	-	-	-	998,436	-
Agriculture, forestry and fishing	-	-	-	10,789	-	-	10,789	-
Constructions	-	-	-	574,819	-	-	574,819	-
Community, social and personal services	-	-	-	787,959	-	-	787,959	-
Electricity, gas and water supply	-	-	-	17,112	-	-	17,112	-
Financial, insurance, real estate and business services	1,939,031	916,812	530,835	427,713	22,558	-	3,836,949	-
Import, export, wholesale and retail trade and restaurant and hotels	-	-	-	1,291,050	-	-	1,291,050	-
Manufacturing	-	-	-	908,854	-	-	908,854	-
Mining and quarrying	-	-	-	38,321	-	-	38,321	-
Transportation and communication	-	-	-	773,457	-	-	773,457	-
Others	-	-	-	29,313	-	-	29,313	1,290,518
Gross total	1,939,031	1,804,660	641,423	4,859,387	22,558	-	9,267,059	1,290,518
Less: Allowances for impairment	-	-	-	(175,824)	-	-	(175,824)	-
Other assets not subject to credit risk	1,939,031	1,804,660	641,423	4,683,563	22,558	1,044,370	9,091,235	1,290,518
	-	-	-	-	1,044,370	1,066,928	1,044,370	-
	1,939,031	1,804,660	641,423	4,683,563	1,066,928	10,135,605	10,135,605	1,290,518

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)
(e) Risk measurement and reporting systems (cont'd.)
(a) Credit risk (cont'd.)

(iv) Analysis of gross loans, advances and financing that are past due but not impaired and past due and impaired of the Group and the Bank is as follows:

GROUP	PAST DUE BUT NOT IMPAIRED				PAST DUE AND IMPAIRED RM'000	TOTAL RM'000
	CURRENT RM'000	1 MONTH RM'000	>2 - 3 MONTHS RM'000	>3 - 6 MONTHS RM'000		
31 December 2014						
Term loans						
- Hire purchase	239,808	1,599	14,492	16,400	44,201	316,500
- Leasing	222,813	1,199	4,587	7,999	27,416	264,014
- Other term loans	3,245,719	62,319	167,469	57,507	871,774	4,404,788
Revolving credits	397,773	146	17,485	4,721	44,777	464,902
Staff loan	-	-	-	29,313	-	29,313
	4,106,113	65,263	204,033	115,940	988,168	5,479,517
31 December 2013						
Term loans						
- Hire purchase	169,700	39,576	7,481	2,577	41,437	260,771
- Leasing	186,839	24,541	4,125	2,724	40,483	258,712
- Other term loans	2,535,505	619,878	135,810	100,590	561,438	3,953,221
Revolving credits	296,197	21,613	13,744	10,521	11,414	353,489
Staff loan	-	-	-	34,633	-	34,633
	3,188,241	705,608	161,160	151,045	654,772	4,860,826

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(iv) Analysis of gross loans, advances and financing that are past due but not impaired and past due and impaired of the Group and the Bank is as follows: (cont'd.)

BANK	PAST DUE BUT NOT IMPAIRED				PAST DUE AND IMPAIRED RM'000	TOTAL RM'000
	CURRENT RM'000	1 MONTH RM'000	>2 - 3 MONTHS RM'000	>3 - 6 MONTHS RM'000		
31 December 2014						
Term loans						
- Hire purchase	236,323	1,468	14,302	16,374	6,302	274,769
- Leasing	220,306	1,198	3,783	7,999	3,260	236,546
- Other term loans	3,243,136	60,847	167,469	57,458	344,035	3,872,945
Revolving credits	397,776	144	17,483	4,721	25,690	445,814
Staff loan	-	-	-	29,313	-	29,313
	4,097,541	63,657	203,037	115,865	379,287	4,859,387
31 December 2013						
Term loans						
- Hire purchase	169,700	39,576	7,481	2,577	41,437	260,771
- Leasing	186,839	24,541	4,125	2,724	40,483	258,712
- Other term loans	2,535,505	619,878	135,810	100,590	561,438	3,953,221
Revolving credits	296,197	21,613	13,744	10,521	11,414	353,489
Staff loan	-	-	-	34,633	-	34,633
	3,188,241	705,608	161,160	151,045	654,772	4,860,826

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(v) Collateral and credit enhancement

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral and credit enhancement obtained are charges over real estate properties, vehicles, plant and machineries, inventories, trade receivables, and guarantees.

Management monitors the market value of collateral and ascertains the market value of collateral obtained during its review for the adequacy of impairment losses.

(vi) Collateral and credit enhancement for loans, advances and financing

Collateral represents the asset pledged by a borrower 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 Bank.

The Bank will 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:

31 DECEMBER 2014	ESTIMATED FAIR VALUE	
	GROSS LOANS RM'000	OF COLLATERAL [%]
Import, export, wholesale, retail trade, restaurants and hotels	1,625,035	82.7
Manufacturing	1,072,870	57.6
Community, social and personal services	832,793	69.6
Transportation and communication	839,517	75.8
Financial, insurance, real estate and business services	434,267	60.5
Constructions	577,921	44.3
Mining and quarrying	38,321	42.0
Electricity, gas and water supply	18,371	70.2
Agriculture, forestry and fishing	11,109	74.0
Others	29,313	-
	5,479,517	

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(vi) Collateral and credit enhancement for loans, advances and financing (cont'd.)

31 DECEMBER 2013		ESTIMATED FAIR VALUE
GROUP	GROSS LOANS RM'000	OF COLLATERAL [%]
Import, export, wholesale, retail trade, restaurants and hotels	1,443,278	82.3
Manufacturing	985,408	60.1
Community, social and personal services	699,005	68.8
Transportation and communication	797,870	76.0
Financial, insurance, real estate and business services	306,545	63.2
Constructions	514,042	49.6
Mining and quarrying	38,370	50.3
Electricity, gas and water supply	28,624	55.7
Agriculture, forestry and fishing	13,051	73.9
Others	34,633	-
	<u>4,860,826</u>	
31 DECEMBER 2014		ESTIMATED FAIR VALUE
BANK	GROSS LOANS RM'000	OF COLLATERAL [%]
Import, export, wholesale, retail trade, restaurants and hotels	1,291,050	78.1
Manufacturing	908,854	55.8
Community, social and personal services	787,959	70.9
Transportation and communication	773,457	76.9
Financial, insurance, real estate and business services	427,713	60.7
Constructions	574,819	44.4
Mining and quarrying	38,321	42.0
Electricity, gas and water supply	17,112	74.3
Agriculture, forestry and fishing	10,789	76.2
Others	29,313	-
	<u>4,859,387</u>	

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(vi) Collateral and credit enhancement for loans, advances and financing (cont'd.)

31 DECEMBER 2013	GROSS LOANS RM'000	ESTIMATED FAIR VALUE OF COLLATERAL [%]
BANK		
Import, export, wholesale, retail trade, restaurants and hotels	1,443,278	82.3
Manufacturing	985,408	60.1
Community, social and personal services	699,005	68.8
Transportation and communication	797,870	76.0
Financial, insurance, real estate and business services	306,545	63.2
Constructions	514,042	49.6
Mining and quarrying	38,370	50.3
Electricity, gas and water supply	28,624	55.7
Agriculture, forestry and fishing	13,051	73.9
Others	34,633	-
	4,860,826	

(vii) Restructured loans/financing

Restructured loans/financing 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 gross of restructured loans/financing held by the Group and the Bank at the reporting date stood at RM726 million (2013: RM541 million).

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(viii) Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposures by the current counterparties' rating:

Group and Bank

Financial investments:

	RATING AGENCY	CREDIT RATING	NOMINAL VALUE 2014 (RM'000)	NOMINAL VALUE 2013 (RM'000)
Corporate bonds	RAM	AAA	190,000	105,000
Corporate bonds	MARC	AAA	90,000	90,000
Corporate bonds	RAM	AA1	115,000	145,000
Corporate bonds	RAM	AA2	85,000	–
Corporate bonds	RAM	AA3	110,000	–
Corporate bonds	MARC	AA+	–	–
Corporate bonds	MARC	AA-	75,000	50,000
Malaysian Government Bonds	N/A	Exempted	260,000	1,340,000
Government Guarantee Bonds	N/A	Exempted	1,380,000	425,000
Non-rated			100,000	–
Total			2,405,000	2,155,000

Deposits and placements with banks and other financial institutions:

RATING FOR COUNTERPARTY	TOTAL PRINCIPAL OUTSTANDING 2014 RM'000	TOTAL PRINCIPAL OUTSTANDING 2013 RM'000
AAA	121,069	37,964
AA	585,720	828,588
A	599,650	271,791
Non-rated	441,740	320,000
Total	1,748,179	1,458,343

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(ix) Impairment assessment

For accounting purposes, the Group and the Bank use an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed.

The main considerations for the loan impairment assessment include:

- (a) whether any payment of principal or interest/profit is overdue by more than 180 days; or
- (b) whether there are any known difficulties in the cash flows of counterparties; or
- (c) when there has been request for a rescheduling or restructuring of loan/ financing by the counterparty; or
- (d) when there has been an infringement of the original terms of the contract.

The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan, advance and financing to a counterparty on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen. The realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans, advances and financing and for held-to-maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Allowances are evaluated separately.

In particular, for loans, advances and financing classified as impaired but which are not individually assessed for impairment, the Bank undertakes an assessment on the adequacy of provisions for such loans, advances and financing. The Bank provides additional collective impairment provisions for these loans, advances and financing.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(a) Credit risk (cont'd.)

(x) Commitment and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank. The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

	BANK	
	2014 RM'000	2013 RM'000
Financial guarantees, Corporate Guarantee Schemes, Letters of Credit and others	197,861	206,252
Performance guarantees	234,986	257,013
Undisbursed commitments	829,235	983,693
	1,262,082	1,446,958

(b) Market risk

Asset and Liability Management Framework has been established in line with the best practices.

(i) Foreign exchange risk

The Group and the Bank are not subject to foreign exchange gain or loss on fluctuation of Japanese Yen ("JPY") exchange rate due to the foreign exchange gain or loss on settlement of the JPY term loans is compensated by the Government of Malaysia.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(e) Risk measurement and reporting systems (cont'd.)****(b) Market risk (cont'd.)****(i) Foreign exchange risk (cont'd.)**

The financial liability of the Group and the Bank that is not denominated in its functional currency and guaranteed by the Government of Malaysia is as follows:

FUNCTIONAL CURRENCY OF THE BANK	FINANCIAL LIABILITIES HELD IN NON-FUNCTIONAL CURRENCIES	
	2014	2013
	RM'000	RM'000
Term loans - Japanese Yen ("JPY")	7,528	12,939

(ii) Interest/profit rate risk

Interest/profit rate risk is the impact to earnings and economic value of Bank due to fluctuations in interest rates.

Interest/profit rate exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest/ profit rate risk management process which is conducted in accordance with the Group's policies as approved by the Board.

The Group and the Bank may be exposed to a loss in earnings due to the interest/ profit rates structure of the statement of financial position arising from interest/ profit rates and yield curves changes. The sensitivity to interest/ profit rates arises from the mismatches in the repricing rates, cash flows and other characteristic of the assets and their corresponding liability funding. The Group and the Bank manage their interest/ profit rate risk exposure through the use of fixed/floating rate debts and financial instruments.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Risk measurement and reporting systems (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest/profit rate risk (cont'd.)

The table below shows the Group's and the Bank's interest income sensitivity based on possible parallel shift in interest/profit rate.

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Impact on loans		
+ 50 basis points	4,879	3,050
- 50 basis points	(4,879)	(3,050)
Impact on bonds		
+ 50 basis points	6,012	10,775
- 50 basis points	(6,012)	(10,775)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

GROUP 31 DECEMBER 2014	NON-TRADING BOOK						NON- INTEREST SENSITIVE RM'000	TOTAL RM'000	EFFECTIVE INTEREST RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	>1-5 YEARS RM'000	OVER 5 YEARS RM'000				
Assets									
Cash and short term funds	33,387	1,255,682	-	-	-	-	1,289,069	3.80	
Deposits and placements with bank and other financial institutions	-	-	651,266	-	-	-	651,266	3.30	
Available-for-sale financial investments	-	-	144,375	218,190	1,438,972	3,123	1,804,660	4.03	
Held-to-maturity financial investments	-	-	10,010	295,663	335,750	-	641,423	4.48	
Loans, advances and financing	4,106,113	269,296	115,940	-	-	702,215	5,193,564	5.66	
Tax recoverable	-	-	-	-	-	13,560	13,560		
Other assets	-	-	-	-	-	45,956	45,956		
Investments in associates	-	-	-	-	-	4,840	4,840		
Property, plant and equipment	-	-	-	-	-	138,913	138,913		
Investment properties	-	-	-	-	-	160,492	160,492		
Intangible assets	-	-	-	-	-	17,841	17,841		
Deferred tax	-	-	-	-	-	174,339	174,339		
	4,139,500	1,524,978	921,591	513,853	1,774,722	1,261,279	10,135,923		

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

GROUP 31 DECEMBER 2014 (CONT'D.)	NON-TRADING BOOK					NON- INTEREST SENSITIVE RM'000	TOTAL RM'000	EFFECTIVE INTEREST RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	>1-5 YEARS RM'000	OVER 5 YEARS RM'000			
Liabilities and shareholder's equity								
Deposits from customers	1,511,970	788,652	1,183,159	-	-	-	3,483,781	3.64
Deposits from other financial institutions	321,141	15,060	-	-	-	-	336,201	3.63
Medium term notes	-	-	20,160	1,250,000	250,000	-	1,520,160	3.76
Term loans	2,474	225,824	67,338	-	2,436,145	-	2,731,781	2.70
Other liabilities	-	-	-	-	-	555,432	555,432	
Government funds	-	-	-	-	-	288,142	288,142	
Total liabilities	1,835,585	1,029,536	1,270,657	1,250,000	2,686,145	843,574	8,915,497	
Share capital	-	-	-	-	-	1,350,000	1,350,000	
Accumulated losses	-	-	-	-	-	(87,962)	(87,962)	
Other reserves	-	-	-	-	-	(41,612)	(41,612)	
Total equity	-	-	-	-	-	1,220,426	1,220,426	
Total liabilities and shareholder's equity	1,835,585	1,029,536	1,270,657	1,250,000	2,686,145	2,064,000	10,135,923	
On-balance sheet interest sensitivity gap	2,303,915	495,442	(349,066)	(736,147)	(911,423)	(802,721)		
Off-balance sheet interest sensitivity gap	-	-	-	-	-	1,290,518		
Total interest sensitivity gap	2,303,915	495,442	(349,066)	(736,147)	(911,423)	487,797		

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

GROUP 31 DECEMBER 2013	NON-TRADING BOOK						EFFECTIVE INTEREST RATE %	
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	>1-5 YEARS RM'000	OVER 5 YEARS RM'000	NON- INTEREST SENSITIVE RM'000		TOTAL RM'000
Assets								
Cash and short term funds	542,662	890,216	-	-	-	-	1,432,878	3.33
Deposits and placements with bank and other financial institutions	-	-	74,566	150,899	-	-	225,465	4.17
Available-for-sale financial investments	-	-	143,437	164,631	1,465,654	9,123	1,782,845	3.83
Held-to-maturity financial investments	-	-	-	125,897	311,111	-	437,008	4.25
Loans, advances and financing	3,188,241	866,768	151,045	-	-	501,862	4,707,916	5.30
Tax recoverable	-	-	-	-	-	6,573	6,573	
Other assets	-	-	-	-	-	74,849	74,849	
Investments in associates	-	-	-	-	-	6,912	6,912	
Property, plant and equipment	-	-	-	-	-	157,882	157,882	
Investment properties	-	-	-	-	-	150,825	150,825	
Intangible assets	-	-	-	-	-	5,937	5,937	
Deferred tax	-	-	-	-	-	185,313	185,313	
	3,730,903	1,756,984	369,048	441,427	1,776,765	1,099,276	9,174,403	

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

GROUP 31 DECEMBER 2013 (CONT'D.)	NON-TRADING BOOK						EFFECTIVE INTEREST RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	>1-5 YEARS RM'000	OVER 5 YEARS RM'000	NON- INTEREST SENSITIVE RM'000	
Liabilities and shareholder's equity							
Deposits from customers	1,425,855	747,032	1,287,901	-	-	-	3,460,788
Deposits from other financial institutions	336,366	50,248	-	-	-	-	386,614
Medium term notes	-	-	-	-	507,040	-	507,040
Term loans	9,479	280,179	169,675	2,446,508	-	-	2,905,841
Other liabilities	-	-	-	-	-	406,908	406,908
Government funds	-	-	-	-	-	306,987	306,987
Total liabilities	1,771,700	1,077,459	1,457,576	2,446,508	507,040	713,895	7,974,178
Share capital	-	-	-	-	-	1,350,000	1,350,000
Accumulated losses	-	-	-	-	-	(100,011)	(100,011)
Other reserves	-	-	-	-	-	(49,764)	(49,764)
Total equity	-	-	-	-	-	1,200,225	1,200,225
Total liabilities and shareholder's equity	1,771,700	1,077,459	1,457,576	2,446,508	507,040	1,914,120	9,174,403
On-balance sheet interest sensitivity gap	1,959,203	679,525	(1,088,528)	(2,005,081)	1,269,725	(814,844)	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	1,491,436	
Total interest sensitivity gap	1,959,203	679,525	(1,088,528)	(2,005,081)	1,269,725	676,592	

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

BANK 31 DECEMBER 2014	NON-TRADING BOOK						EFFECTIVE INTEREST RATE %	
	UP TO 1 MONTH RM'000	>1 - 3 MONTHS RM'000	>3 - 12 MONTHS RM'000	>1 - 5 YEARS RM'000	OVER 5 YEARS RM'000	NON- INTEREST SENSITIVE RM'000		TOTAL RM'000
Assets								
Cash and short term funds	32,083	1,255,682	-	-	-	-	1,287,765	3.80
Deposits and placements with bank and other financial institutions	-	-	651,266	-	-	-	651,266	3.30
Available-for-sale financial investments	-	-	144,375	218,190	1,438,972	3,123	1,804,660	4.03
Held-to-maturity financial investments	-	-	10,010	295,663	335,750	-	641,423	4.48
Loans, advances and financing	4,097,541	266,694	115,865	-	-	203,463	4,683,563	5.66
Tax recoverable	-	-	-	-	-	13,498	13,498	
Other assets	-	-	-	-	-	558,746	558,746	
Investments in subsidiaries	-	-	-	-	-	3,582	3,582	
Investments in associates	-	-	-	-	-	-	-	
Property, plant and equipment	-	-	-	-	-	138,874	138,874	
Investment properties	-	-	-	-	-	160,492	160,492	
Intangible assets	-	-	-	-	-	17,397	17,397	
Deferred tax	-	-	-	-	-	174,339	174,339	
	4,129,624	1,522,376	921,516	513,853	1,774,722	1,273,514	10,135,605	

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

BANK 31 DECEMBER 2014 (CONT'D.)	NON-TRADING BOOK					EFFECTIVE INTEREST RATE %	
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	>1-5 YEARS RM'000	OVER 5 YEARS RM'000		NON- INTEREST SENSITIVE RM'000
Liabilities and shareholder's equity							
Deposits from customers	1,511,970	788,652	1,183,159	-	-	-	3,483,781
Deposits from other financial institutions	321,141	15,060	-	-	-	-	336,201
Medium term notes	-	-	20,160	1,250,000	250,000	-	1,520,160
Term loans	2,474	225,824	67,338	-	2,436,145	-	2,731,781
Other liabilities	-	-	-	-	-	559,480	559,480
Government funds	-	-	-	-	-	288,142	288,142
Total liabilities	1,835,585	1,029,536	1,270,457	1,250,000	2,686,145	847,622	8,919,545
Share capital	-	-	-	-	-	1,350,000	1,350,000
Accumulated losses	-	-	-	-	-	(92,328)	(92,328)
Other reserves	-	-	-	-	-	(41,612)	(41,612)
Total equity	-	-	-	-	-	1,216,060	1,216,060
Total liabilities and shareholder's equity	1,835,585	1,029,536	1,270,457	1,250,000	2,686,145	2,063,682	10,135,605
On-balance sheet interest sensitivity gap	2,294,039	492,840	(349,141)	(736,147)	(911,423)	(790,168)	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	1,290,518	
Total interest sensitivity gap	2,294,039	492,840	(349,141)	(736,147)	(911,423)	500,350	

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

BANK 31 DECEMBER 2013	NON-TRADING BOOK						EFFECTIVE INTEREST RATE %	
	UP TO 1 MONTH RM'000	>1 - 3 MONTHS RM'000	>3 - 12 MONTHS RM'000	>1 - 5 YEARS RM'000	OVER 5 YEARS RM'000	NON- INTEREST SENSITIVE RM'000		TOTAL RM'000
Assets								
Cash and short term funds	541,281	890,216	-	-	-	-	1,431,497	3.33
Deposits and placements with bank and other financial institutions	-	-	74,566	150,899	-	-	225,465	4.17
Available-for-sale financial investments	-	-	143,437	164,631	1,465,654	9,123	1,782,845	3.83
Held-to-maturity financial investments	-	-	40,052	85,845	311,111	-	437,008	4.25
Loans, advances and financing	3,188,241	866,768	151,045	-	-	501,862	4,707,916	5.30
Tax recoverable	-	-	-	-	-	6,511	6,511	
Other assets	-	-	-	-	-	75,944	75,944	
Investments in subsidiaries	-	-	-	-	-	500	500	
Investments in associates	-	-	-	-	-	750	750	
Property, plant and equipment	-	-	-	-	-	157,857	157,857	
Investment properties	-	-	-	-	-	150,825	150,825	
Intangible assets	-	-	-	-	-	5,437	5,437	
Deferred tax	-	-	-	-	-	185,313	185,313	
	3,729,522	1,756,984	409,100	401,375	1,776,765	1,094,122	9,167,868	

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

BANK 31 DECEMBER 2013 (CONT'D.)	NON-TRADING BOOK					NON- INTEREST SENSITIVE RM'000	EFFECTIVE INTEREST RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	>1-5 YEARS RM'000	OVER 5 YEARS RM'000		
Liabilities and shareholder's equity							
Deposits from customers	1,425,855	747,032	1,287,901	-	-	-	3.36
Deposits from other financial institutions	336,366	50,248	-	-	-	-	3.17
Medium term notes	-	-	-	-	507,040	-	3.64
Term loans	9,479	280,179	169,675	2,446,508	-	-	2.63
Other liabilities	-	-	-	-	-	405,225	
Government funds	-	-	-	-	-	306,987	
Total liabilities	1,771,700	1,077,459	1,457,576	2,446,508	507,040	712,212	7,972,495
Share capital	-	-	-	-	-	1,350,000	1,350,000
Accumulated losses	-	-	-	-	-	(104,863)	(104,863)
Other reserves	-	-	-	-	-	(49,764)	(49,764)
Total equity	-	-	-	-	-	1,195,373	1,195,373
Total liabilities and shareholder's equity	1,771,700	1,077,459	1,457,576	2,446,508	507,040	1,907,585	9,167,868
On-balance sheet interest sensitivity gap	1,957,822	679,525	(1,048,476)	(2,045,133)	1,269,725	(813,463)	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	1,491,436	
Total interest sensitivity gap	1,957,822	679,525	(1,048,476)	(2,045,133)	1,269,725	677,973	

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. The liquidity and cash flow risks are managed by maintaining a diversity of funding sources and spreading debt repayments over a range of maturities.

The Bank manages its liquidity requirement on a day-to-day basis to ensure that funds are readily available for its operational needs, withdrawals of deposits and repayments to fund providers. The Bank may raise funds locally through government-to-government arrangements or direct negotiations.

The following table shows the maturity analysis of the Group's assets and liabilities based on undiscounted repayment obligations:

GROUP	NON-TRADING BOOK						NON-INTEREST MATURITY RM'000	TOTAL RM'000
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	>1-5 YEARS RM'000	OVER 5 YEARS RM'000			
31 DECEMBER 2014								
Assets								
Cash and short term funds	33,387	1,256,755	447	-	-	-	1,290,589	
Deposits and placements with bank and other financial institutions	-	-	657,185	3,589	-	-	660,774	
Available-for-sale financial investments	-	-	144,375	218,190	1,451,903	3,123	1,817,591	
Held-to-maturity financial investments	-	-	10,010	295,663	345,377	-	651,050	
Loans, advances and financing	4,106,113	269,296	115,940	-	-	702,215	5,193,564	
Other assets	-	-	-	-	-	45,956	45,956	
	4,139,500	1,526,051	927,957	517,442	1,797,280	751,294	9,659,524	
Liabilities								
Deposits from customers	1,511,970	791,631	1,204,641	437	-	-	3,508,679	
Deposits from other financial institutions	321,141	15,600	-	-	-	-	336,741	
Medium term notes	-	-	20,160	1,404,489	323,825	-	1,748,474	
Term loans	3,482	248,611	100,201	-	2,999,397	-	3,351,691	
Other liabilities	-	-	-	-	-	555,432	555,432	
Total undiscounted financial liabilities	1,836,593	1,055,842	1,325,002	1,404,926	3,323,222	555,432	9,501,017	
Net maturity mismatches	2,302,907	470,209	(397,045)	(887,484)	(1,525,942)	195,862	158,507	

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

GROUP 31 DECEMBER 2013	NON-TRADING BOOK						NON- INTEREST SENSITIVE RM'000	TOTAL RM'000
	UP TO 1 MONTH RM'000	>1 - 3 MONTHS RM'000	>3 - 12 MONTHS RM'000	>1 - 5 YEARS RM'000	OVER 5 YEARS RM'000			
Assets								
Cash and short term funds	542,662	890,216	-	-	4,257	-	1,437,135	
Deposits and placements with bank and other financial institutions	-	-	74,566	150,899	379	-	225,844	
Available-for-sale financial investments	-	-	143,437	164,631	2,072,540	9,123	2,389,731	
Held-to-maturity financial investments	-	-	-	125,897	433,577	-	559,474	
Loans, advances and financing	3,188,241	866,768	151,045	-	-	501,862	4,707,916	
Other assets	-	-	-	-	-	74,849	74,849	
	3,730,903	1,756,984	369,048	441,427	2,510,753	585,834	9,394,949	
Liabilities								
Deposits from customers	1,425,855	747,032	1,287,901	-	22,836	-	3,483,624	
Deposits from other financial institutions	336,366	50,248	-	-	523	-	387,137	
Medium term notes	-	-	-	-	644,115	-	644,115	
Term loans	9,479	303,396	202,168	3,129,112	-	-	3,644,155	
Other liabilities	-	-	-	-	-	406,908	406,908	
Total undiscounted financial liabilities	1,771,700	1,100,676	1,490,069	3,129,112	667,474	406,908	8,565,939	
Net maturity mismatches	1,959,203	656,308	(1,121,021)	(2,687,685)	1,843,279	178,926	829,010	

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

The following table shows the maturity analysis of the Bank's assets and liabilities based on undiscounted repayment obligations.

BANK 31 DECEMBER 2014	NON-TRADING BOOK						NON-INTEREST MATURITY RM'000	TOTAL RM'000
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	>1-5 YEARS RM'000	OVER 5 YEARS RM'000			
Assets								
Cash and short term funds	32,083	1,256,755	447	-	-	-	-	1,289,285
Deposits and placements with bank and other financial institutions	-	-	657,185	3,589	-	-	-	660,774
Available-for-sale financial investments	-	-	144,375	218,190	1,451,903	3,123	-	1,817,591
Held-to-maturity financial investments	-	-	10,010	295,663	345,377	-	-	651,050
Loans, advances and financing	4,097,541	266,694	115,865	-	-	203,463	558,746	4,683,563
Other assets	-	-	-	-	-	-	-	558,746
	4,129,624	1,523,449	927,882	517,442	1,797,280	765,332	-	9,661,009
Liabilities								
Deposits from customers	1,511,970	791,631	1,204,641	437	-	-	-	3,508,679
Deposits from other financial institutions	321,141	15,600	-	-	-	-	-	336,741
Medium term notes	-	-	20,160	1,404,489	323,825	-	-	1,748,474
Term loans	3,482	248,611	100,201	-	2,999,397	-	-	3,351,691
Other liabilities	-	-	-	-	-	559,480	-	559,480
Total undiscounted financial liabilities	1,836,593	1,055,842	1,325,002	1,404,926	3,323,222	559,480	-	9,505,065
Net maturity mismatches	2,293,031	467,607	(397,120)	(887,484)	(1,525,942)	205,852	-	155,944

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

BANK 31 DECEMBER 2013	NON-TRADING BOOK						NON- INTEREST MATURITY RM'000	TOTAL RM'000
	UP TO 1 MONTH RM'000	→1-3 MONTHS RM'000	→3-12 MONTHS RM'000	>1-5 YEARS RM'000	OVER 5 YEARS RM'000			
Assets								
Cash and short term funds	541,281	890,216	-	-	4,257	-	1,435,754	
Deposits and placements with bank and other financial institutions	-	-	74,566	150,899	379	-	225,844	
Available-for-sale financial investments	-	-	143,437	164,631	2,072,540	9,123	2,389,731	
Held-to-maturity financial investments	-	-	40,052	85,845	433,577	-	559,474	
Loans, advances and financing	3,188,241	866,768	151,045	-	-	501,862	4,707,916	
Other assets	-	-	-	-	-	75,944	75,944	
	3,729,522	1,756,984	409,100	401,375	2,510,753	586,929	9,394,663	
Liabilities								
Deposits from customers	1,425,855	747,032	1,287,901	-	22,836	-	3,483,624	
Deposits from other financial institutions	336,366	50,248	-	-	523	-	387,137	
Medium term notes	-	-	-	-	644,115	-	644,115	
Term loans	9,479	303,396	202,168	3,129,112	-	-	3,644,155	
Other liabilities	-	-	-	-	-	405,225	405,225	
Total undiscounted financial liabilities	1,771,700	1,100,676	1,490,069	3,129,112	667,474	405,225	8,564,256	
Net maturity mismatches	1,957,822	656,308	(1,080,969)	(2,727,737)	1,843,279	181,704	830,407	

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

The Bank is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 33. These have been incorporated in the net off-balance sheet position for year ended 31 December 2014. The total outstanding contractual amounts of these items do not represent future cash requirements since the Bank expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

(d) Operational risk

Operational risk, which inherent in all business activities, is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational Risk Management ("ORM") takes place in a day-to-day basis at each business unit level. The Bank mitigates its operational risk by having comprehensive internal controls, conduct risk assessments through Risk Control Self Assessment ("RCSA"), fraud and loss analysis, system and procedures, which are reviewed regularly and subjected to periodical audits by Internal Auditors.

39. DIVIDENDS

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Dividends on ordinary shares:		
Final tax exempt (single-tier) dividend for 2012: 0.50 sen per share	-	6,750
Dividends on ordinary shares:		
Final tax exempt (single-tier) dividend for 2013: 0.50 sen per share	6,750	-
	6,750	6,750

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 December 2014 of 0.28 sen per share on 1,350,000,000 ordinary shares, amounting to a dividend payable of RM3,780,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2014 and results for the financial year then ended under the Islamic Banking business of the Bank and included in the Group and Bank financial statements are summarised as follows:

Statement of Financial Position As at 31 December 2014

		GROUP		
		AS AT 31 DECEMBER 2014 RM'000	AS AT 31 DECEMBER 2013 RM'000 RESTATED	AS AT 1 JANUARY 2013 RM'000 RESTATED
NOTE				
Assets				
	Cash and short-term funds	(a) 1,263,318	1,024,704	1,101,021
	Deposits and placements with financial institutions	(b) 651,209	214,079	333,750
	Available-for-sale financial investments	(c) 1,590,082	1,497,169	871,292
	Held-to-maturity financial investments	(d) 591,679	381,503	208,308
	Advances and financing	(e) 4,105,810	3,458,258	2,407,228
	Other assets	(f) 24,255	22,055	13,232
	Investments in subsidiaries	3,582	500	-
	Property and equipment	82,938	73,994	61,876
	Investment properties (Note 13)	160,492	150,825	143,276
	Deferred tax	(l) 148,293	140,365	146,984
	Total assets	8,621,658	6,963,452	5,286,967
Liabilities				
	Deposits acceptance	(g) 3,483,781	3,139,717	1,197,576
	Deposits from other financial institutions	(h) 250,985	100,103	50,078
	Medium term note (Note 18)	1,520,160	507,040	507,040
	Long term financing	(i) 907,854	987,490	1,063,116
	Other liabilities	(j) 1,611,454	1,395,101	1,636,612
	Government funds	(k) 144,650	159,952	161,005
	Total liabilities	7,918,884	6,289,403	4,615,427
	Islamic general fund	702,774	674,049	671,540
	Total liabilities and Islamic banking funds	8,621,658	6,963,452	5,286,967
	Commitments	(u) 1,238,544	1,396,238	1,233,251

40. ISLAMIC BANKING BUSINESS (CONT'D.)
**Statement of Financial Position
As at 31 December 2014 (cont'd.)**

		BANK		
		AS AT 31 DECEMBER 2014 RM'000	AS AT 31 DECEMBER 2013 RM'000 RESTATED	AS AT 1 JANUARY 2013 RM'000 RESTATED
NOTE				
Assets				
	Cash and short-term funds	(a) 1,263,318	1,024,704	1,101,021
	Deposits and placements with financial institutions	(b) 651,209	214,079	333,750
	Available-for-sale financial investments	(c) 1,590,082	1,497,169	871,292
	Held-to-maturity financial investments	(d) 591,679	381,503	208,308
	Advances and financing	(e) 4,003,358	3,458,258	2,407,228
	Other assets	(f) 539,449	22,055	13,232
	Investments in subsidiaries	3,582	500	-
	Property and equipment	82,938	73,994	61,876
	Investment properties (Note 13)	160,492	150,825	143,276
	Deferred tax	(l) 148,293	140,365	146,984
	Total assets	9,034,400	6,963,452	5,286,967
Liabilities				
	Deposits acceptance	(g) 3,483,781	3,139,717	1,197,576
	Deposits from other financial institutions	(h) 250,985	100,103	50,078
	Medium term note (Note 18)	1,520,160	507,040	507,040
	Long term financing	(i) 907,854	987,490	1,063,116
	Other liabilities	(j) 2,024,196	1,395,101	1,636,612
	Government funds	(k) 144,650	159,952	161,005
	Total liabilities	8,331,626	6,289,403	4,615,427
	Islamic general fund	702,774	674,049	671,540
	Total liabilities and Islamic banking funds	9,034,400	6,963,452	5,286,967
	Commitments	(u) 1,238,544	1,396,238	1,233,251

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

Statement of Comprehensive Income For the financial year ended 31 December 2014

	NOTE	GROUP		BANK	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income from Islamic banking business	(m)	422,636	306,880	422,636	306,880
Profit expense attributable to Islamic banking business	(o)	(178,529)	(100,801)	(178,529)	(100,801)
Net provision for profit equalisation reserve	(p)	1,743	3,237	1,743	3,237
Gross income from Islamic banking business		245,850	209,316	245,850	209,316
Other operating expenses	(q)	(122,818)	(111,688)	(122,818)	(111,688)
Operating profit		123,032	97,628	123,032	97,628
Allowance for impairment on advances and financing	(r)	(107,454)	(21,341)	(107,454)	(21,341)
Profit before taxation and zakat		15,578	76,287	15,578	76,287
Tax expense	(s)	9,800	(22,697)	9,800	(22,697)
Zakat	(t)	(2,267)	(2,846)	(2,267)	(2,846)
Profit for the year		23,111	50,744	23,111	50,744
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods					
Unrealised gain/(loss) on revaluation of available for sale financial investments		7,486	(64,313)	7,486	(64,313)
Income tax relating to components of other comprehensive income		(1,872)	16,078	(1,872)	16,078
Net other comprehensive income/(loss) to be reclassified in profit or loss in subsequent periods		5,614	(48,235)	5,614	(48,235)
Total comprehensive income for the year		28,725	2,509	28,725	2,509

40. ISLAMIC BANKING BUSINESS (CONT'D.)

Statement of Changes In Islamic General Funds For the financial year ended 31 December 2014

GROUP	CAPITAL FUNDS RM'000	NON- DISTRIBUTABLE AVAILABLE- FOR-SALE RESERVE RM'000	NON- DISTRIBUTABLE PROFIT EQUALISATION RESERVE RM'000	RETAINED PROFITS RM'000	TOTAL RM'000
At 1 January 2014, as previously stated	550,564	(47,832)	403	46,507	549,642
Prior year adjustment (Note 41)	-	-	-	124,407	124,407
As 1 January 2014, restated	550,564	(47,832)	403	170,914	674,049
Unrealised gain on revaluation of available-for-sale financial investments	-	5,614	-	-	5,614
Net provision of profit equalisation reserve for the year	-	-	(403)	403	-
Profit for the year	-	-	-	23,111	23,111
Total comprehensive income for the year	-	5,614	(403)	23,514	28,725
At 31 December 2014	550,564	(42,218)	-	194,428	702,774

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

Statement of Changes In Islamic General Funds For the financial year ended 31 December 2014 (cont'd.)

GROUP	CAPITAL FUNDS	NON-DISTRIBUTABLE AVAILABLE-FOR-SALE RESERVE	NON-DISTRIBUTABLE PROFIT EQUALISATION RESERVE	RETAINED PROFITS	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013, as previously stated	550,564	403	1,009	(18,107)	533,869
Prior year adjustment (Note 41)	-	-	-	137,671	137,671
As 1 January 2013, restated	550,564	403	1,009	119,564	671,540
Unrealised loss on revaluation of available-for-sale financial investments	-	(48,235)	-	-	(48,235)
Net provision of profit equalisation reserve for the year	-	-	(606)	606	-
Profit for the year	-	-	-	50,744	50,744
Total comprehensive income for the year	-	(48,235)	(606)	51,350	2,509
At 31 December 2013	550,564	(47,832)	403	170,914	674,049

40. ISLAMIC BANKING BUSINESS (CONT'D.)

Statement of Changes In Islamic General Funds For the financial year ended 31 December 2014 (cont'd.)

BANK	CAPITAL FUNDS RM'000	NON- DISTRIBUTABLE AVAILABLE- FOR-SALE RESERVE RM'000	NON- DISTRIBUTABLE PROFIT EQUALISATION RESERVE RM'000	RETAINED PROFITS RM'000	TOTAL RM'000
At 1 January 2014, as previously stated	550,564	(47,832)	403	46,507	549,642
Prior year adjustment (Note 41)	-	-	-	124,407	124,407
As 1 January 2014, restated	550,564	(47,832)	403	170,914	674,049
Unrealised gain on revaluation of available-for-sale financial investments	-	5,614	-	-	5,614
Net provision of profit equalisation reserve for the year	-	-	(403)	403	-
Profit for the year	-	-	-	23,111	23,111
Total comprehensive income for the year	-	5,614	(403)	23,514	28,725
At 31 December 2014	550,564	(42,218)	-	194,428	702,774

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

Statement of Changes In Islamic General Funds For the financial year ended 31 December 2014 (cont'd.)

BANK	CAPITAL FUNDS	NON-DISTRIBUTABLE AVAILABLE-FOR-SALE RESERVE	NON-DISTRIBUTABLE PROFIT EQUALISATION RESERVE	RETAINED PROFITS	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013, as previously stated	550,564	403	1,009	(18,107)	533,869
Prior year adjustment (Note 41)	-	-	-	137,671	137,671
As 1 January 2013, restated	550,564	403	1,009	119,564	671,540
Unrealised loss on revaluation of available-for-sale financial investments	-	(48,235)	-	-	(48,235)
Net provision of profit equalisation reserve for the year	-	-	(606)	606	-
Profit for the year	-	-	-	50,744	50,744
Total comprehensive income for the year	-	(48,235)	(606)	51,350	2,509
At 31 December 2013	550,564	(47,832)	403	170,914	674,049

40. ISLAMIC BANKING BUSINESS (CONT'D.)

Statements of Cash Flows For the financial year ended 31 December 2014

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	15,578	76,287	15,578	76,287
Adjustments for:				
Allowance for impairment loss of advances and financing	114,674	19,641	114,674	19,641
Advances and financing written-off	8,682	16,734	8,682	16,734
Advances and financing waived	-	313	-	313
Government funds (writeback)/released	(8,402)	443	(8,402)	443
Operating profit before working capital changes	130,532	113,418	130,532	113,418
Changes in working capital:				
Other assets	(2,200)	(26,204)	(536,732)	(26,204)
Advances and financing	(777,805)	(1,072,370)	(675,353)	(1,072,370)
Deposits and placements with financial institutions	(437,130)	119,671	(437,130)	119,671
Deposits from customers	344,064	1,942,141	344,064	1,942,141
Deposits from other financial institutions	150,882	50,025	150,882	50,025
Other liabilities	(743,380)	(891,067)	(311,300)	(891,067)
Cash (used in)/generated from operations	(1,335,037)	235,614	(1,335,037)	235,614
Zakat paid	-	(963)	-	(963)
Net cash (used in)/generated from operations	(1,335,037)	234,651	(1,335,037)	234,651
Cash flow from investing activities				
Purchase of additional ordinary shares in existing subsidiaries	(500)	(500)	(500)	(500)
Purchase of private debt securities	(487,758)	(1,385,664)	(487,758)	(1,385,664)
Proceed from redemption of private debt securities	190,284	522,278	190,284	522,278
Net cash used in investing activity	(297,974)	(863,886)	(297,974)	(863,886)
Cash flows from financing activities				
Drawdown from long-term advances	976,148	705,400	976,148	705,400
Repayment from long-term advances	(104,523)	(152,482)	(104,523)	(152,482)
Proceeds from sukuk issuance	1,000,000	-	1,000,000	-
Net cash generated financing activities	1,871,625	552,918	1,871,625	552,918

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

Statements of Cash Flows

For the financial year ended 31 December 2014 (cont'd.)

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net increase/(decrease) in cash and cash equivalents	238,614	(76,317)	238,614	(76,317)
Cash and cash equivalents at beginning of year	1,024,704	1,101,021	1,024,704	1,101,021
Cash and cash equivalents at end of year	1,263,318	1,024,704	1,263,318	1,024,704

Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents represent the following items in the statements of financial position:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and short term funds	1,263,318	1,024,704	1,263,318	1,024,704

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(a) Cash and short-term funds

	GROUP AND BANK		
	31.12.2014 RM'000	31.12.2013 RM'000 RESTATED	1.01.2013 RM'000 RESTATED
Cash at banks and on hand	29,465	31,495	27,230
Money at call and deposit placements maturing within three months	1,233,853	993,209	1,073,791
	1,263,318	1,024,704	1,101,021

(b) Deposits and placements with banks and other financial institutions

	GROUP AND BANK		
	31.12.2014 RM'000	31.12.2013 RM'000 RESTATED	1.01.2013 RM'000 RESTATED
Licensed banks	532,649	214,079	302,164
Other financial institutions	118,560	–	31,586
	651,209	214,079	333,750

The maturity structure of deposits and placements are as follows:

	GROUP AND BANK		
	31.12.2014 RM'000	31.12.2013 RM'000 RESTATED	1.01.2013 RM'000 RESTATED
Three months to six months	579,997	32,674	82,296
Six months to one year	71,212	30,507	27,476
One to five years	–	150,898	223,978
	651,209	214,079	333,750

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(c) Available-for-sale financial investments

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	691,602	746,867
Commercial papers	89,234	123,466
	780,836	870,333
Private debt securities	809,246	626,836
Total available-for-sale financial investments	1,590,082	1,497,169

The maturity structure of available-for-sale money market instruments are as follows:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Within one year	144,375	138,405
More than one year to three years	49,562	55,072
More than three years to five years	153,751	89,393
More than five years	1,242,394	1,214,299
	1,590,082	1,497,169

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(d) Held-to-maturity financial investments

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	60,233	90,283
Cagamas bonds	-	5,018
	60,233	95,301
<u>Unquoted securities</u>		
Private debt securities	531,446	286,202
	591,679	381,503

The maturity structure of held-to-maturity financial investments are as follows:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Within one year	10,009	35,031
More than one year to three years	20,180	30,334
More than three years to five years	225,130	5,028
More than five years	336,360	311,110
	591,679	381,503

The indicative market value of held-to-maturity financial instruments are as follows:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Malaysian Government Investment Issues	60,038	90,627
Cagamas bonds	-	5,040
Private debt securities	524,119	278,960

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Bai Bithaman Ajil	1,986,255	1,751,919	1,910,141	1,751,919
Ijarah	258,641	255,112	229,597	255,112
Murabahah	259,211	53,390	258,285	53,390
Bai' Dayn	128,200	81,414	127,806	81,414
Istisna	547,554	407,775	535,136	407,775
Ijarah Thumma Al-Bai	318,114	255,976	280,395	255,976
Murabahah Dayn	23,533	188,275	20,527	188,275
Bai' Inah	798,036	585,481	787,913	585,481
Gross advances and financing	4,319,544	3,579,342	4,149,800	3,579,342
Less: Allowance for impairment on advances and financing				
- Individual assessment allowance (Note 40(e)(x))	(124,206)	(56,770)	(75,141)	(56,770)
- Collective assessment allowance (Note 40(e)(x))	(89,528)	(64,314)	(71,301)	(64,314)
Net advances and financing	4,105,810	3,458,258	4,003,358	3,458,258
Gross impaired advances and financing (Note 40(e)(vi))	405,589	218,540	245,759	218,540
Net impaired advances and financing	281,383	161,770	170,618	161,770

Included in advances and financing are gross advances and financing of RM98,047,000 (2013: RM217,682,000) financed by the Government funds. The treatment of the credit losses incurred for these advances and financing are as disclosed in Note 2.14.

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(i) The maturity profile of the gross advances and financing are as follows:

	GROUP		BANK	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	494,869	936,178	423,074	936,178
More than one year to three years	405,287	400,155	372,800	400,155
More than three years to five years	909,639	766,118	876,999	766,118
More than five years	2,509,749	1,476,891	2,476,927	1,476,891
	4,319,544	3,579,342	4,149,800	3,579,342

(ii) Gross advances and financing analysed by type of customers are as follows:

	GROUP		BANK	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprise	3,521,508	2,993,861	3,361,887	3,549,784
Individual	798,036	585,481	787,913	29,558
	4,319,544	3,579,342	4,149,800	3,579,342

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(iii) Gross advances and financing analysed by industry are as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Import, export, wholesale, retail trade, restaurants and hotels	790,119	582,076	778,781	582,076
Manufacturing	959,304	860,409	871,001	860,409
Community, social and personal services	747,684	595,540	720,027	595,540
Transportation and communication	782,816	729,373	747,045	729,373
Financial, insurance, real estate and business services	412,687	280,021	408,497	280,021
Constructions	534,866	434,401	533,328	434,401
Mining and quarrying	38,321	38,370	38,321	38,370
Electricity, gas and water supply	17,739	16,543	17,112	16,543
Agriculture, forestry and fishing	11,109	13,051	10,789	13,051
Others	24,899	29,558	24,899	29,558
	4,319,544	3,579,342	4,149,800	3,579,342

40. ISLAMIC BANKING BUSINESS (CONT'D.)
(e) Advances and financing (cont'd.)

(iv) Gross advances and financing analysed by location and sector are as follows:

GROUP	PERLIS RM'000	KEDAH RM'000	PENANG RM'000	PERAK RM'000	SELANGOR RM'000	KUALA		BALANCE	
						LUMPUR RM'000	MELAKA RM'000	C/F	RM'000
2014									
Import, export, wholesale, retail trade, restaurants and hotels	5,093	28,203	65,321	71,573	159,313	143,974	34,429	507,906	
Manufacturing	3,187	56,640	50,077	46,245	401,605	61,006	42,324	661,084	
Community, social and personal services	642	34,949	55,705	24,061	209,012	80,913	104,776	510,058	
Transportation and communication	3,109	69,368	21,523	13,825	196,116	103,208	16,032	423,181	
Financial, insurance, real estate and business services	58,270	2,233	11,257	2,614	165,460	94,924	7,754	342,512	
Constructions	442	6,961	4,993	221	119,576	145,696	24,415	302,304	
Mining and quarrying	-	-	-	-	9,248	10,573	-	19,821	
Electricity, gas and water supply	-	-	-	-	11,757	2,598	1,883	16,238	
Agriculture, forestry and fishing	-	-	-	-	-	1,501	-	1,501	
Others	-	-	-	-	-	24,899	-	24,899	
At 31 December 2014	70,743	198,354	208,876	158,539	1,272,087	669,292	231,613	2,809,504	

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(iv) Gross advances and financing analysed by location and sector are as follows: (cont'd.)

	BALANCE		NEGERI					SABAH &		TOTAL
	B/F	SEMBAHAN	JOHOR	PAHANG	KELANTAN	TERENGGANU	SARAWAK			
GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2014										
Import, export, wholesale, retail trade, restaurants and hotels	507,906	20,821	20,616	35,110	25,552	57,552	122,562		790,119	
Manufacturing	661,084	31,392	103,269	7,727	15,434	64,392	76,006		959,304	
Community, social and personal services	510,058	24,757	16,005	81,900	44,413	23,820	46,731		747,684	
Transportation and communication	423,181	9,065	61,239	9,482	14,957	103,246	161,646		782,816	
Financial, insurance, real estate and business services	342,512	475	6,068	6,967	8,209	6,616	41,840		412,687	
Constructions	302,304	80,891	57,783	6,167	1,583	16,178	69,960		534,866	
Mining and quarrying	19,821	37	27	11,176	656	2,250	4,354		38,321	
Electricity, gas and water supply	16,238	242	1,028	-	-	48	183		17,739	
Agriculture, forestry and fishing	1,501	-	-	320	35	6,438	2,815		11,109	
Others	24,899	-	-	-	-	-	-		24,899	
At 31 December 2014	2,809,504	167,680	266,035	158,849	110,839	280,540	526,097		4,319,544	

40. ISLAMIC BANKING BUSINESS (CONT'D.)
(e) Advances and financing (cont'd.)

(iv) Gross advances and financing analysed by location and sector are as follows: (cont'd.)

	PERLIS RM'000	KEDAH RM'000	PENANG RM'000	PERAK RM'000	SELANGOR RM'000	KUALA		BALANCE C/F RM'000
						LUMPUR RM'000	MELAKA RM'000	
BANK								
2014								
Import, export, wholesale, retail trade, restaurants and hotels	5,093	27,164	63,570	71,319	155,933	143,152	33,028	499,259
Manufacturing	3,187	48,313	48,516	34,900	390,767	56,515	41,954	624,152
Community, social and personal services	587	34,717	55,247	14,749	205,986	80,913	104,238	496,437
Transportation and communication	3,109	63,880	20,263	13,051	192,663	102,909	15,597	411,472
Financial, insurance, real estate and business services	58,219	2,233	11,257	1,737	163,845	94,385	7,700	339,376
Constructions	442	6,812	4,599	221	119,102	145,647	24,415	301,238
Mining and quarrying	-	-	-	-	9,248	10,573	-	19,821
Electricity, gas and water supply	-	-	-	-	11,757	2,598	1,883	16,238
Agriculture, forestry and fishing	-	-	-	-	-	1,501	-	1,501
Others	-	-	-	-	-	24,899	-	24,899
At 31 December 2014	70,637	183,119	203,452	135,977	1,249,301	663,092	228,815	2,734,393

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(iv) Gross advances and financing analysed by location and sector are as follows: (cont'd.)

BANK	NEGERI										TOTAL
	BALANCE B/F	SEMBILAN	JOHOR	PAHANG	KELANTAN	TERENGGANU	SABAH & SARAWAK			TOTAL	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014											
Import, export, wholesale, retail trade, restaurants and hotels	499,259	20,647	20,503	34,945	24,957	57,286	121,184			778,781	
Manufacturing	624,152	19,867	99,311	3,563	14,885	53,913	55,310			871,001	
Community, social and personal services	496,437	24,658	14,272	81,900	44,222	22,618	35,920			720,027	
Transportation and communication	411,472	8,159	60,609	8,718	14,870	100,854	142,363			747,045	
Financial, insurance, real estate and business services	339,376	475	5,788	6,384	8,161	6,616	41,697			408,497	
Constructions	301,238	80,891	57,411	6,167	1,583	16,076	69,962			533,328	
Mining and quarrying	19,821	37	27	11,176	656	2,250	4,354			38,321	
Electricity, gas and water supply	16,238	242	401	-	-	48	183			17,112	
Agriculture, forestry and fishing	1,501	-	-	-	35	6,438	2,815			10,789	
Others	24,899	-	-	-	-	-	-			24,899	
At 31 December 2014	2,734,393	154,976	258,322	152,853	109,369	266,099	473,788			4,149,800	

40. ISLAMIC BANKING BUSINESS (CONT'D.)
(e) Advances and financing (cont'd.)

(iv) Gross advances and financing analysed by location and sector are as follows: (cont'd.)

GROUP AND BANK	PERLIS	KEDAH	PENANG	PERAK	SELANGOR	KUALA	MELAKA	BALANCE
	RM'000	RM'000	RM'000	RM'000	RM'000	LUMPUR	RM'000	C/F
								RM'000
2013								
Import, export, wholesale, retail trade, restaurants and hotels	6,969	42,895	42,550	40,673	103,361	137,183	27,265	400,896
Manufacturing	10,294	56,166	55,150	42,743	237,136	141,516	53,131	596,136
Community, social and personal services	1,150	15,813	42,226	23,903	39,671	138,971	112,982	374,716
Transportation and communication	9,265	85,144	32,855	10,651	158,857	93,874	12,503	403,149
Financial, insurance, real estate and business services	61,660	2,531	4,476	1,799	63,853	87,038	6,385	227,742
Constructions	26,293	37,652	7,846	2,818	87,504	66,481	26,660	255,254
Mining and quarrying	-	-	-	-	9,635	12,218	-	21,853
Electricity, gas and water supply	-	-	-	-	8,917	4,314	1,969	15,200
Agriculture, forestry and fishing	-	-	-	-	-	2,083	-	2,083
Others	-	-	-	-	-	29,558	-	29,558
At 31 December 2013	115,631	240,201	185,103	122,587	708,934	713,236	240,895	2,326,587

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(iv) Gross advances and financing analysed by location and sector are as follows: (cont'd.)

	BALANCE		NEGERI		PAHANG	KELANTAN	TERENGGANU	SABAH & SARAWAK		TOTAL
	B/F	SEMBAHAN	JOHOR	PAHANG				KELANTAN	TERENGGANU	
GROUP AND BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013										
Import, export, wholesale, retail trade, restaurants and hotels	400,896	3,215	11,647	33,949	19,896	47,812	64,661	582,076		
Manufacturing	596,136	55,207	81,686	6,460	16,977	57,292	46,651	860,409		
Community, social and personal services	374,716	28,907	4,611	79,089	43,418	26,513	38,286	595,540		
Transportation and communication	403,149	9,176	53,232	18,366	10,769	95,072	139,609	729,373		
Financial, insurance, real estate and business services	227,742	248	8,068	6,146	1,427	8,151	28,239	280,021		
Constructions	255,254	11,957	46,895	30,261	221	20,000	69,813	434,401		
Mining and quarrying	21,853	57	53	9,263	1,085	3,103	2,956	38,370		
Electricity, gas and water supply	15,200	-	1,138	-	-	21	184	16,543		
Agriculture, forestry and fishing	2,083	-	-	327	41	7,929	2,671	13,051		
Others	29,558	-	-	-	-	-	-	29,558		
At 31 December 2013	2,326,587	108,767	207,330	183,861	93,834	265,893	393,070	3,579,342		

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(v) Gross advances and financing analysed by profit rate sensitivity are as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate				
- Staff financing	24,899	29,558	24,899	29,558
- Hire purchase receivables	286,373	249,889	245,886	249,889
- Leasing	253,692	254,577	227,308	254,577
- Revolving credits	410,944	323,079	406,618	323,079
- Other term financing	1,658,100	1,878,335	1,560,778	1,878,335
Variable rate				
- Hire purchase receivables	27,317	6,087	27,317	6,087
- Leasing	8,743	535	8,743	535
- Other term financing	1,649,476	837,282	1,648,251	837,282
	4,319,544	3,579,342	4,149,800	3,579,342

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(vi) Impaired financing analysed by industry are as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Import, export, wholesale, retail trade, restaurants and hotels	52,603	20,827	41,351	20,827
Manufacturing	170,734	100,151	88,664	100,151
Community, social and personal services	92,103	28,048	66,556	28,048
Transportation and communication	47,386	41,552	12,753	41,552
Financial, insurance, real estate and business services	10,267	25,686	6,425	25,686
Constructions	31,493	1,336	29,954	1,336
Electricity, gas and water supply	683	613	56	613
Agriculture, forestry and fishing	320	327	-	327
	405,589	218,540	245,759	218,540

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(vii) Impaired advances and financing analysed by location and sector are as follows:

GROUP	PERLIS	KEDAH	PENANG	PERAK	SELANGOR	KUALA	MELAKA	BALANCE
	RM'000	RM'000	RM'000	RM'000	RM'000	LUMPUR	RM'000	C/F
2014								RM'000
Import, export, wholesale, retail trade, restaurants and hotels	237	1,219	1,980	4,548	22,137	5,360	1,470	36,951
Manufacturing	-	15,673	2,039	13,061	42,827	4,643	14,171	92,414
Community, social and personal services	55	355	46,360	10,023	2,147	250	538	59,728
Transportation and communication	-	5,489	1,367	612	10,564	1,081	435	19,548
Financial, insurance, real estate and business services	178	334	479	597	4,460	1,479	966	8,493
Constructions	-	708	943	-	4,060	14,214	3,111	23,036
Electricity, gas and water supply	-	-	-	-	-	-	-	-
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-
At 31 December 2014	470	23,778	53,168	28,841	86,195	27,027	20,691	240,170

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(vii) Impaired advances and financing analysed by location and sector are as follows: (cont'd.)

	BALANCE		NEGERI		JOHOR	PAHANG	KELANTAN	TERENGGANU	SABAH & SARAWAK		TOTAL
	B/F	SEMBILAN	SEMILAN	SEMILAN					SARAWAK	SARAWAK	
GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014											
Import, export, wholesale, retail trade, restaurants and hotels	36,951	288	1,387	488	2,267	6,937	4,285	52,603			
Manufacturing	92,414	11,890	25,145	4,163	1,975	13,880	21,267	170,734			
Community, social and personal services	59,728	99	1,733	48	18,336	1,285	10,874	92,103			
Transportation and communication	19,548	1,074	842	1,608	805	3,733	19,776	47,386			
Financial, insurance, real estate and business services	8,493	-	280	751	371	138	234	10,267			
Constructions	23,036	9	8,216	132	-	100	-	31,493			
Electricity, gas and water supply	-	-	627	-	-	-	56	683			
Agriculture, forestry and fishing	-	-	-	320	-	-	-	320			
At 31 December 2014	240,170	13,360	38,230	7,510	23,754	26,073	56,492	405,589			

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(vii) Impaired advances and financing analysed by location and sector are as follows: (cont'd.)

BANK	PERLIS RM'000	KEDAH RM'000	PENANG RM'000	PERAK RM'000	SELANGOR RM'000	KUALA LUMPUR RM'000	MELAKA RM'000	BALANCE	
								C/F	RM'000
2014									
Import, export, wholesale, retail trade, restaurants and hotels	237	229	229	4,295	18,783	4,538	69	28,380	
Manufacturing	-	13,321	478	1,716	32,220	151	13,801	61,687	
Community, social and personal services	-	124	45,901	710	1,233	250	-	48,218	
Transportation and communication	-	-	150	28	7,112	781	-	8,071	
Financial, insurance, real estate and business services	126	334	479	68	2,845	940	912	5,704	
Constructions	-	560	549	-	3,585	14,164	3,111	21,969	
Electricity, gas and water supply	-	-	-	-	-	-	-	-	
At 31 December 2014	363	14,568	47,786	6,817	65,778	20,824	17,893	174,029	

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(vii) Impaired advances and financing analysed by location and sector are as follows: (cont'd.)

	BALANCE		NEGERI					SABAH & SARAWAK		TOTAL
	B/F	SEMILAN	JOHOR	PAHANG	KELANTAN	TERENGGANU	SARAWAK	TOTAL		
BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2014										
Import, export, wholesale, retail trade, restaurants and hotels	28,380	113	1,274	323	1,671	6,672	2,918		41,351	
Manufacturing	61,687	365	21,214	-	1,425	3,402	571		88,664	
Community, social and personal services	48,218	-	-	48	18,145	83	62		66,556	
Transportation and communication	8,071	168	212	933	731	1,342	1,296		12,753	
Financial, insurance, real estate and business services	5,704	-	-	168	324	138	91		6,425	
Constructions	21,969	9	7,844	132	-	-	-		29,954	
Electricity, gas and water supply	-	-	-	-	-	-	56		56	
At 31 December 2014	174,029	655	30,544	1,604	22,296	11,637	4,994		245,759	

40. ISLAMIC BANKING BUSINESS (CONT'D.)
(e) Advances and financing (cont'd.)

(iv) Impaired advances and financing analysed by location and sector are as follows: (cont'd.)

GROUP AND BANK	PERLIS	KEDAH	PENANG	PERAK	SELANGOR	KUALA	MELAKA	BALANCE
	RM'000	RM'000	RM'000	RM'000	RM'000	LUMPUR	RM'000	C/F RM'000
2013								
Import, export, wholesale, retail trade, restaurants and hotels	35	979	1,995	258	11,026	1,190	1,370	16,853
Manufacturing	49	9,040	2,272	11,885	19,890	5,165	505	48,806
Community, social and personal services	54	267	473	10,266	2,019	978	506	14,563
Transportation and communication	-	260	7,185	634	3,486	315	430	12,310
Financial, insurance, real estate and business services	51	14	43	602	4,401	188	56	5,355
Constructions	-	148	465	-	237	49	-	899
Electricity, gas and water supply	-	-	-	-	-	-	-	-
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-
At 31 December 2013	189	10,708	12,433	23,645	41,059	7,885	2,867	98,786

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(vii) Impaired advances and financing analysed by location and sector are as follows: (cont'd.)

	NEGERI										TOTAL
	BALANCE B/F	SEMBILAN	JOHOR	PAHANG	KELANTAN	TERENGGANU	SABAH & SARAWAK	TOTAL			
GROUP AND BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2013											
Import, export, wholesale, retail trade, restaurants and hotels	16,853	217	307	185	1,463	409	1,393	20,827			
Manufacturing	48,806	10,128	3,709	3,978	1,336	12,162	20,032	100,151			
Community, social and personal services	14,563	94	1,544	-	197	1,253	10,397	28,048			
Transportation and communication	12,310	976	2,067	676	162	2,386	22,975	41,552			
Financial, insurance, real estate and business services	5,355	-	286	641	47	195	19,162	25,686			
Constructions	899	-	331	-	-	106	-	1,336			
Electricity, gas and water supply	-	-	613	-	-	-	-	613			
Agriculture, forestry and fishing	-	-	-	327	-	-	-	327			
At 31 December 2013	98,786	11,415	8,857	5,807	3,205	16,511	73,959	218,540			

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(ix) Movements in impaired advances and financing ("impaired financing") are as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	218,540	194,599	218,540	194,599
Impaired during the year	330,083	138,477	330,083	138,477
Reclassified as non-impaired	(89,469)	(46,428)	(89,469)	(46,428)
Amount recovered	(22,859)	(20,349)	(22,859)	(20,349)
Amount written-off	(30,706)	(47,759)	(30,706)	(47,759)
Transfer to subsidiary company	-	-	(159,830)	-
At 31 December	405,589	218,540	245,759	218,540

Net impaired financing as % of net advances and financing are as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net impaired loans as %	6.71%	4.59%	4.19%	4.59%

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(x) Movements in the allowance for financing are as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Individual assessment allowance				
At 1 January	56,770	62,931	56,770	62,931
Amount written-off	(21,123)	(29,783)	(21,123)	(29,783)
Transfer from collective allowance	8,018	-	8,018	-
Allowance made during the year	91,395	51,546	91,395	51,546
Writeback made during the year	(10,854)	(27,924)	(10,854)	(27,924)
Transfer to subsidiary company	-	-	(49,065)	-
At 31 December	124,206	56,770	75,141	56,770
Collective assessment allowance				
At 1 January	64,314	69,537	64,314	69,537
Amount written-off	(901)	(1,242)	(901)	(1,242)
Transfer to individual allowance	(8,018)	-	(8,018)	-
Allowance made during the year	72,446	114,466	72,446	114,466
Writeback made during the year	(38,313)	(118,447)	(38,313)	(118,447)
Transfer to subsidiary company	-	-	(18,227)	-
At 31 December	89,528	64,314	71,301	64,314

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(xi) Gross advances and financing by types and Shariah contracts are as follows:

	HIRE PURCHASE RM'000	LEASING RECEIVABLES RM'000	OTHER TERM LOANS RM'000	REVOLVING CREDIT RM'000	STAFF FINANCING RM'000	TOTAL RM'000
2014						
Group						
Bai Bithaman Ajil	-	-	1,961,356	-	24,899	1,986,255
Ijarah	8,453	250,188	-	-	-	258,641
Murabahah	-	-	-	259,211	-	259,211
Bai' Dayn	-	-	-	128,200	-	128,200
Istisna	-	-	547,554	-	-	547,554
Ijarah Thumma						
Al-Bai	305,130	12,246	738	-	-	318,114
Murabahah Dayn	-	-	-	23,533	-	23,533
Bai' Inah	107	-	797,929	-	-	798,036
At 31 December 2014	313,690	262,434	3,307,577	410,944	24,899	4,319,544
2013						
Group						
Bai Bithaman Ajil	-	-	1,722,361	-	29,558	1,751,919
Ijarah	-	255,112	-	-	-	255,112
Murabahah	-	-	-	53,390	-	53,390
Bai' Dayn	-	-	-	81,414	-	81,414
Istisna	-	-	407,775	-	-	407,775
Ijarah Thumma						
Al-Bai	255,976	-	-	-	-	255,976
Murabahah Dayn	-	-	-	188,275	-	188,275
Bai' Inah	-	-	585,481	-	-	585,481
At 31 December 2013	255,976	255,112	2,715,617	323,079	29,558	3,579,342

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(e) Advances and financing (cont'd.)

(xi) Gross advances and financing by types and Shariah contracts are as follows: (cont'd.)

	HIRE PURCHASE RM'000	LEASING RECEIVABLES RM'000	OTHER TERM LOANS RM'000	REVOLVING CREDIT RM'000	STAFF FINANCING RM'000	TOTAL RM'000
2014						
Bank						
Bai Bithaman Ajil	-	-	1,885,242	-	24,899	1,910,141
Ijarah	5,792	223,805	-	-	-	229,597
Murabahah	-	-	-	258,285	-	258,285
Bai' Dayn	-	-	-	127,806	-	127,806
Istisna	-	-	535,136	-	-	535,136
Ijarah Thumma						
Al-Bai	267,411	12,246	738	-	-	280,395
Murabahah Dayn	-	-	-	20,527	-	20,527
Bai' Inah	-	-	787,913	-	-	787,913
At 31 December 2014	273,203	236,051	3,209,029	406,618	24,899	4,149,800

	HIRE PURCHASE RM'000	LEASING RECEIVABLES RM'000	OTHER TERM LOANS RM'000	REVOLVING CREDIT RM'000	STAFF FINANCING RM'000	TOTAL RM'000
2013						
Bank						
Bai Bithaman Ajil	-	-	1,722,361	-	29,558	1,751,919
Ijarah	-	255,112	-	-	-	255,112
Murabahah	-	-	-	53,390	-	53,390
Bai' Dayn	-	-	-	81,414	-	81,414
Istisna	-	-	407,775	-	-	407,775
Ijarah Thumma						
Al-Bai	255,976	-	-	-	-	255,976
Murabahah Dayn	-	-	-	188,275	-	188,275
Bai' Inah	-	-	585,481	-	-	585,481
At 31 December 2013	255,976	255,112	2,715,617	323,079	29,558	3,579,342

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(f) Other assets

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amount due from subsidiaries	-	-	515,194	-
Other receivables and prepayments	3,191	5,945	3,191	5,945
Income receivables	21,064	16,110	21,064	16,110
	24,255	22,055	539,449	22,055

Included in amount due from subsidiaries is amount due from SMEB Asset Management Sdn Bhd ("AMC") for Bai' Inah facility granted by the Bank amounting to RM510.0 million. The facility is granted to finance the purchase of impaired loans and financing. The Bank extended unsecured Bai' Inah facility ("facility") at the profit rate ranges from 2.75% to 6.00% per annum. Principal and profit are repayable over a period of 8 years commencing from 31 December 2016, after a grace period of 2 years. The facility will mature on 31 December 2023.

(g) Deposits acceptance

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Term deposit:		
- Mudharabah deposit acceptance	-	42,772
- Commodity Murabahah	3,483,781	3,096,945
	3,483,781	3,139,717

(i) The deposits are sourced from the following types of customers:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Government and statutory bodies	3,046,450	3,139,512
Business enterprises	336,846	205
Others	100,485	-
	3,483,781	3,139,717

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(g) Deposits acceptance (cont'd.)

(ii) The deposits maturity structure are as follows:

Less than three months
Three months to six months
Six months to one year

GROUP AND BANK	
2014	2013
RM'000	RM'000
2,300,622	1,854,784
956,561	1,091,655
226,598	193,278
3,483,781	3,139,717

(h) Deposits from other financial institutions

Licensed banks

The deposit maturity structure is as follows:

Less than three months

GROUP AND BANK	
2014	2013
RM'000	RM'000
250,985	100,103
250,985	100,103

(i) Long term financing

Long term financing - Unsecured

GROUP AND BANK	
2014	2013
RM'000	RM'000
907,854	987,490

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(i) Long term financing (cont'd.)

The maturity structure of the term loans are as follows:

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Within twelve months	28,865	883,730
More than twelve months	878,989	103,760
	907,854	987,490

The unsecured term loans denominated in RM are sourced from the following:

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Loans from:		
- Government of Malaysia	657,890	653,690
- Bank Negara Malaysia ("BNM")	249,964	333,800
	907,854	987,490

The interest rates on the loans from the Government of Malaysia is 1.50% and (2013: 1.50%) per annum. The rate for BNM ranges from 4% - 5% (2013: 4% - 5%)

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(j) Other liabilities

GROUP	2014	2013	2012
	RM'000	RM'000 RESTATED	RM'000 RESTATED
Other payables and accruals (Note 20a)	1,430,355	1,210,415	1,574,453
Islamic margin account	178,710	180,934	54,151
Profit equalisation reserve - depositors	69	1,813	5,049
Provision for zakat	2,320	1,939	2,959
	1,611,454	1,395,101	1,636,612

BANK	2014	2013	2012
	RM'000	RM'000 RESTATED	RM'000 RESTATED
Other payables and accruals (Note 20a)	1,836,177	1,210,415	1,574,453
Amount due to subsidiaries	6,920	-	-
Islamic margin account	178,710	180,934	54,151
Profit equalisation reserve - depositors	69	1,813	5,049
Provision for zakat	2,320	1,939	2,959
	2,024,196	1,395,101	1,636,612

(k) Government funds

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
To finance:		
Advances and financing	144,650	159,952
	144,650	159,952

40. ISLAMIC BANKING BUSINESS (CONT'D.)
(k) Government funds (cont'd.)
(a) To finance advances and financing:

	PROGRAM		BASIC		TABUNG		DANA		SKIM		PROGRAM		TOTAL
	RM'000	RM'000	CAPITAL	USAHAWAN	USAHAWAN	USAHAWAN	USAHAWAN	PEMBANGUNAN	DAN SKIM	USAHAWAN	USAHAWAN	KRAF	
GROUP AND BANK	SOFT LOAN	USAHAWAN	BATIK	(SMA)	(TUS)	TERENGGANU	DESA-ISLAMIC	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014	36,638	4,099	31,599	19,014	7,784	56,107	4,711	159,952					
Payment	-	-	-	-	-	(5,000)	-	(5,000)					(5,000)
Write-off	-	-	(2,895)	(3,119)	(776)	(3,950)	-	(10,740)					(10,740)
Loan written-off recoverable	78	22	345	962	23	878	29	2,337					2,337
Muqasah	-	-	-	-	(1,745)	(154)	-	(1,899)					(1,899)
At 31 December 2014	36,716	4,121	29,049	16,857	5,286	47,881	4,740	144,650					
At 1 January 2013	36,638	4,064	29,936	19,543	9,439	56,719	4,666	161,005					
Received	-	-	-	-	-	899	-	899					899
Write-off	-	(3)	(50)	(1,066)	(28)	(1,762)	(6)	(2,915)					(2,915)
Loan written-off recoverable	-	38	1,713	537	198	955	51	3,492					3,492
Expenses	-	-	-	-	-	(134)	-	(134)					(134)
Muqasah	-	-	-	-	(1,825)	(570)	-	(2,395)					(2,395)
At 31 December 2013	36,638	4,099	31,599	19,014	7,784	56,107	4,711	159,952					

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(l) Deferred tax

	GROUP AND BANK		
	31.12.2014 RM'000	31.12.2013 RM'000 RESTATED	1.01.2013 RM'000 RESTATED
At 1 January, as previously stated	15,958	9,313	18,516
Prior year adjustment (Note 41)	124,407	137,671	137,671
At 1 January, as restated	140,365	146,984	156,187
Recognised in profit or loss (Note s)	9,800	(22,697)	(9,331)
Recognised in equity	(1,872)	16,078	128
At 31 December	148,293	140,365	146,984
Presented before appropriate offsetting as follows:			
Deferred tax assets	161,571	157,205	163,232
Deferred tax liabilities	(13,278)	(16,840)	(16,248)
	148,293	140,365	146,984

The components and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group and Bank:

GROUP AND BANK	COLLECTIVE IMPAIRMENT ALLOWANCE RM'000	UN- ABSORBED BUSINESS LOSSES AND CAPITAL ALLOWANCE RM'000	PROVISION RM'000	MTM REVALUATION ON BONDS RM'000	TOTAL RM'000
	At 1 January 2014, as previously stated	10,932	3,666	2,122	16,078
Prior year adjustment (Note 41)	-	121,965	2,442	-	124,407
At 1 January 2014, as restated	10,932	125,631	4,564	16,078	157,205
Recognised in profit or loss	(10,932)	17,573	(268)	-	6,373
Recognised in equity	-	-	-	(2,007)	(2,007)
At 31 December 2014	-	143,204	4,296	14,071	161,571

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(l) Deferred tax (cont'd.)

Deferred tax assets of the Group and Bank: (cont'd.)

GROUP AND BANK	COLLECTIVE	UN- ABSORBED BUSINESS	PROVISION	MTM	TOTAL
	IMPAIRMENT ALLOWANCE	LOSSES AND CAPITAL ALLOWANCE		REVALUATION ON BONDS	
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013, as previously stated	16,213	7,730	1,618	–	25,561
Prior year adjustment (Note 41)	–	135,317	2,354	–	137,671
At 1 January 2013, as restated	16,213	143,047	3,972	–	163,232
Recognised in profit or loss	(5,281)	(17,416)	592	–	(22,105)
Recognised in equity	–	–	–	16,078	16,078
At 31 December 2013	10,932	125,631	4,564	16,078	157,205

Deferred tax liabilities of the Group and Bank:

	MTM REVALUATION ON BONDS	PROPERTY AND EQUIPMENT	TOTAL
	RM'000	RM'000	RM'000
At 1 January 2014	(135)	(16,705)	(16,840)
Recognised in profit or loss	–	3,427	3,427
Recognised in equity	135	–	135
At 31 December 2014	–	(13,278)	(13,278)
At 1 January 2013	(135)	(16,113)	(16,248)
Recognised in profit or loss	–	(592)	(592)
Recognised in equity	–	–	–
At 31 December 2013	(135)	(16,705)	(16,840)

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(m) Income from Islamic banking business

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Income from advances and financing		
- Bai Bithaman Ajil	115,522	105,549
- Ijarah	13,885	17,916
- Bai' Istisna	32,364	23,100
- Ijarah Thuma Al-Bai	16,958	8,627
- Murabahah Dayn	1,241	12,544
- Bai' Dayn	7,729	4,572
- Bai' Inah	47,651	17,504
- Bai' Murabahah	15,620	2,715
- Others	-	521
	250,970	193,048
Mudharabah deposit acceptance	52,059	36,110
Available-for-sale financial investments	62,997	47,255
Held-to-maturity financial investments	29,433	12,808
Other income (Note 40(n))	27,177	17,659
	422,636	306,880

(n) Other income

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Fee income	8,974	9,251
Rental income	9,637	8,727
Government funds released	8,402	{443}
Management fee	61	-
Others	103	124
	27,177	17,659

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(o) Profit expense attributable to Islamic banking business

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Commodity murabahah	112,615	49,640
Medium term note	48,295	18,225
Long term financing	7,622	8,798
Deposits from other financial institutions	3,169	1,130
Mudharabah deposit acceptance	2,300	19,763
Others	4,528	3,245
	178,529	100,801

(p) Profit equalisation reserve ("PER")

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Provided during the year	8,725	868
Utilised during the year	(10,468)	(4,105)
	(1,743)	(3,237)

Profit equalisation reserve at the end of the financial year of which the shareholder's portion is RM Nil (2013: RM403,000).

(q) Other operating expenses

	GROUP AND BANK	
	2014	2013
	RM'000	RM'000
Personnel expenses	80,789	72,298
Establishment related expenses	21,087	18,899
Promotion and marketing expenses	2,006	3,191
Administration and general expenses	18,936	17,300
	122,818	111,688

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(r) Allowance/(writeback) for impairment on advances and financing

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Allowance for advances and financing during the year		
- Individual assessment allowance	91,395	51,546
- Collective assessment allowance	72,446	114,466
	163,841	166,012
Writeback for advances and financing during the year		
- Individual assessment allowance	(10,854)	(27,924)
- Collective assessment allowance	(38,313)	(118,447)
	(49,167)	(146,371)
Advances and financing written-off	8,682	16,734
Advances and financing waived	-	313
Recoveries from advances and financing written-off	(15,902)	(15,347)
	107,454	21,341

(s) Tax expense

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Deferred tax:		
Origination or reversal of temporary differences	(9,800)	22,697
	(9,800)	22,697

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(s) Tax expense (cont'd.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year.

The reconciliation between tax expense and accounting profit of the Group and Bank multiplied by the applicable corporate tax rate are as follows:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Profit before taxation and zakat	15,578	76,287
Income tax at 25% (2013: 25%)	3,895	19,072
Non-deductible expenses	3,278	8,334
Non-taxable income	526	-
Effect of change in tax rate	(17,498)	(4,710)
Tax expense for the year	(9,800)	22,697

Tax savings during the current financial year arising from utilisation of the following items:

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Utilisation of tax losses brought forward from previous year	7,104	12,256
Utilisation of capital allowances	1,688	1,603
	8,792	13,859

(t) Zakat

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Zakat for the year	2,000	1,600
Under provision of zakat expenses in prior year	267	1,246
	2,267	2,846

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(u) Commitments

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Direct credit substitutes	190,509	191,393
Transaction-related-contingent items	234,455	242,088
Irrevocable commitments to extend credit:		
- maturity exceeding one year	102,408	92,724
- maturity not exceeding one year	711,172	870,033
	1,238,544	1,396,238

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(v) Capital adequacy

Capital management

The following table set forth capital resources and capital adequacy for the Bank's Islamic as at reporting date:

	BANK		
	31.12.2014 RM'000	31.12.2013 RM'000 RESTATED	1.01.2013 RM'000 RESTATED
<u>Tier I Capital</u>			
Capital funds	550,564	550,564	550,564
Retained profit	194,428	170,914	119,564
Less: Deferred tax	(148,293)	(140,365)	(146,984)
Total Tier I capital	596,699	581,113	523,144
<u>Tier II Capital</u>			
Collective allowance for advances and financing*	61,079	40,403	59,589
Government funds	144,650	159,952	161,005
Total Tier II capital	205,729	200,355	220,594
Total capital	802,428	781,468	743,738
Less: Investment in subsidiaries	(3,582)	(500)	-
Total capital base	798,846	780,968	743,738

* 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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

40. ISLAMIC BANKING BUSINESS (CONT'D.)

(v) Capital adequacy (cont'd.)

Breakdown of risk-weighted assets in the various categories of risk-weights:

	BANK		
	31.12.2014 RM'000	31.12.2013 RM'000 RESTATED	1.01.2013 RM'000 RESTATED
10%	-	500	500
20%	384,270	240,995	274,138
50%	37,143	36,801	39,263
100%	5,867,844	4,402,659	3,088,028
	6,289,257	4,680,955	3,401,929

Before deducting proposed dividends:

Core capital ratio	9.49%	12.41%	15.38%
Risk-weighted capital ratio	12.70%	16.68%	21.86%

After deducting proposed dividends:

Core capital ratio	9.43%	12.27%	15.18%
Risk-weighted capital ratio	12.64%	16.54%	21.66%

41. PRIOR YEAR ADJUSTMENTS

During the current financial year, the following prior year adjustments were made:

(a) Deferred tax assets

In 2014, the Bank made a number of revision to its prior years' tax submission including making a claim for the day one adjustments relating to individual impairment allowance following the first time adoption of MFRS 139: Financial Instruments: Recognition and Measurement back in 2010.

The day one adjustment resulted in an additional individual impairment allowance of RM544 million which increases the amount of unabsorbed business loss of the Bank accordingly. The deferred tax asset would also increase.

The claim for the above adjustment should have been made in 2010. Hence, the impact of the revision in the tax submission relating to the day one adjustment was made retrospectively.

(b) Undisbursed funds from SME Corp

In 2011, the Bank has entered into an agreement with SME Corp for the implementation of the financial assistance for Business Accelerator Programme ("BAP"). Under BAP, the Bank has been appointed as an agent to administer the funds contributed by SME Corp. As all the credit risks are borne by SME Corp, the loan disbursed to the borrowers are treated as off-balance sheet. However, the undisbursed funds are comingled with the Bank's own funds. The Bank has invested the undisbursed funds in short term placement and earned the interest income. As the Bank has control over the undisbursed funds, the balance has been brought on to the balance sheet. This change has been applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

41. PRIOR YEAR ADJUSTMENTS (CONT'D.)

The effects of the prior year adjustments on the Group and the Bank are as follows:

Statement of financial position

GROUP	AS AT 31 DECEMBER 2013		
	AS PREVIOUSLY STATED RM'000	PRIOR YEAR ADJUSTMENT RM'000	RESTATED RM'000
Assets			
Deferred tax	50,519	134,794	185,313
Cash and short term funds	1,395,419	37,459	1,432,878
Deposits and placements with banks and other financial institutions	198,589	26,876	225,465
Liabilities			
Other liabilities	342,573	64,335	406,908
Equity			
Accumulated losses	(234,805)	134,794	(100,011)
Bank			
Assets			
Deferred tax	50,519	134,794	185,313
Cash and short term funds	1,394,038	37,459	1,431,497
Deposits and placements with banks and other financial institutions	198,589	26,876	225,465
Liabilities			
Other liabilities	340,890	64,335	405,225
Equity			
Accumulated losses	(239,657)	134,794	(104,863)

41. PRIOR YEAR ADJUSTMENTS (CONT'D.)

Statement of comprehensive income

	AS AT 31 DECEMBER 2013		
	AS		
	PREVIOUSLY STATED RM'000	PRIOR YEAR ADJUSTMENT RM'000	RESTATED RM'000
Group			
Tax expense	(12,209)	(14,806)	(27,015)
Bank			
Tax expense	(12,919)	(14,806)	(27,725)

Statement of changes in equity

	AS AT 31 DECEMBER 2013		
	AS		
	PREVIOUSLY STATED RM'000	PRIOR YEAR ADJUSTMENT RM'000	RESTATED RM'000
Group			
Accumulated losses	(234,805)	134,794	(100,011)
Bank			
Accumulated losses	(239,657)	134,794	(104,863)

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

41. PRIOR YEAR ADJUSTMENTS (CONT'D.)

Statement of financial position

GROUP	AS AT 31 DECEMBER 2013		
	AS		
	PREVIOUSLY STATED RM'000	PRIOR YEAR ADJUSTMENT RM'000	RESTATED RM'000
Assets			
Deferred tax	43,149	149,600	192,749
Deposits and placements with banks and other financial institutions	452,954	72,897	525,851
Liabilities			
Other liabilities	165,295	72,897	238,192
Equity			
Accumulated losses	(304,839)	149,600	(155,239)

BANK	AS AT 31 DECEMBER 2013		
	AS		
	PREVIOUSLY STATED RM'000	PRIOR YEAR ADJUSTMENT RM'000	RESTATED RM'000
Assets			
Deferred tax	43,149	149,600	192,749
Deposits and placements with banks and other financial institutions	452,954	72,897	525,851
Liabilities			
Other liabilities	164,520	72,897	237,417
Equity			
Accumulated losses	(311,719)	149,600	(162,119)

41. PRIOR YEAR ADJUSTMENTS (CONT'D.)

Statement of changes in equity

	AS AT 31 DECEMBER 2013		
	AS PREVIOUSLY STATED RM'000	PRIOR YEAR ADJUSTMENT RM'000	RESTATED RM'000
Group			
Accumulated losses	(304,839)	149,600	(155,239)
Bank			
Accumulated losses	(311,719)	149,600	(162,119)

Islamic banking business

Statement of financial position

	AS AT 31 DECEMBER 2013		
	AS PREVIOUSLY STATED RM'000	PRIOR YEAR ADJUSTMENT RM'000	RESTATED RM'000
GROUP AND BANK			
<u>Assets</u>			
Deferred tax	15,958	124,407	140,365
Cash and short term funds	987,244	37,460	1,024,704
Deposits and placements with banks and other financial institutions	187,204	26,875	214,079
<u>Liabilities</u>			
Other liabilities	1,330,766	64,335	1,395,101
<u>Islamic banking funds</u>			
Islamic general funds	549,642	124,407	674,049

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2014

41. PRIOR YEAR ADJUSTMENTS (CONT'D.)

Islamic banking business (cont'd.)

Statement of comprehensive income

GROUP AND BANK	AS AT 31 DECEMBER 2013		
	AS		
	PREVIOUSLY STATED	PRIOR YEAR ADJUSTMENT	RESTATED
	RM'000	RM'000	RM'000
Tax expense	(9,433)	(13,264)	(22,697)

Statement of changes in Islamic general funds

GROUP AND BANK	AS AT 31 DECEMBER 2013		
	AS		
	PREVIOUSLY STATED	PRIOR YEAR ADJUSTMENT	RESTATED
	RM'000	RM'000	RM'000
Retained profits	46,507	124,407	170,914

41. PRIOR YEAR ADJUSTMENTS (CONT'D.)

Islamic banking business (cont'd.)

Statement of financial position

GROUP AND BANK	AS AT 31 DECEMBER 2013		
	AS		
	PREVIOUSLY STATED	PRIOR YEAR ADJUSTMENT	RESTATED
	RM'000	RM'000	RM'000
<u>Assets</u>			
Deferred tax	9,313	137,671	146,984
Cash and short term funds	987,244	37,460	1,024,704
Deposits and placements with banks and other financial institutions	260,853	72,897	333,750
<u>Liabilities</u>			
Other liabilities	1,563,715	72,897	1,636,612
<u>Islamic banking funds</u>			
Islamic general funds	533,869	137,671	671,540

Statement of changes in Islamic general funds

GROUP AND BANK	AS AT 31 DECEMBER 2013		
	AS		
	PREVIOUSLY STATED	PRIOR YEAR ADJUSTMENT	RESTATED
	RM'000	RM'000	RM'000
Retained profits	(18,107)	137,671	119,564