

Company No: 811810-U



BANK PERTANIAN MALAYSIA BERHAD
(Company No: 811810-U)
(Incorporated in Malaysia)

CONDENSED UNAUDITED FINANCIAL STATEMENTS
FOR 3-MONTH PERIOD ENDED 31 MARCH 2014
(In Ringgit Malaysia)

Company No: 811810-U

BANK PERTANIAN MALAYSIA BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

| CONTENTS | PAGE(S) |
|---|----------------|
| Condensed statement of comprehensive income | 1 |
| Condensed statement of financial position | 2 |
| Condensed statement of changes in equity | 3 - 4 |
| Condensed statement of cash flows | 5 - 7 |
| Notes to the condensed financial statements | 8 - 57 |

Company No: 811810-U

BANK PERTANIAN MALAYSIA BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2014

| | Note | Unaudited 3-Month period ended 31 March 2014 RM'000 | Unaudited 3-Month period ended 31 March 2013 RM'000 |
|---|-------|---|---|
| Interest income | 2 | 23,097 | 32,911 |
| Interest expense | 3 | (4,453) | (11,423) |
| Net interest income | | <u>18,644</u> | <u>21,488</u> |
| Income from Islamic banking business | 23(a) | <u>116,818</u> | <u>114,233</u> |
| | | 135,462 | 135,721 |
| Non-interest income: | | | |
| Fee and other operating income | 4(a) | 1,288 | 1,475 |
| Investment income | 4(b) | 2,102 | 550 |
| Net income | | <u>138,852</u> | <u>137,746</u> |
| Overhead expenses | 5 | (87,609) | (83,440) |
| Operating profit | | <u>51,243</u> | <u>54,306</u> |
| Government grants | | 2,892 | 2,573 |
| Net operating profit | | <u>54,135</u> | <u>56,879</u> |
| Writeback/ (allowance for) impairment on loans | 6 | (15,097) | 8,925 |
| Allowance for impairment on investment securities | | 629 | (3,152) |
| Profit before tax and zakat | | <u>39,667</u> | <u>62,652</u> |
| Tax expense | 7 | (9,651) | (15,552) |
| Net profit for the year | | <u>30,016</u> | <u>47,100</u> |
| Other comprehensive income/(loss) | | | |
| Unrealised loss on fair value changes on AFS investment securities | | (15,923) | (13,327) |
| Transfer to profit and loss on disposal of AFS investment securities | | 765 | 7,368 |
| Income tax relating to components of other comprehensive income | | 3,450 | 1,500 |
| Other comprehensive loss for the year, net of tax | | <u>(11,708)</u> | <u>(4,459)</u> |
| Total comprehensive income for the year | | <u>18,308</u> | <u>42,641</u> |

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

Company No: 811810-U

BANK PERTANIAN MALAYSIA BERHAD

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014**

| | | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|--------------------------------------|-------------|--|---|
| ASSETS | Note | | |
| Cash and short term funds | 8 | 1,209,861 | 1,273,397 |
| Deposits with financial institutions | 9 | 59,370 | 60,000 |
| Investment securities | 10 | 4,022,416 | 3,588,054 |
| Loans, financing and advances | 11 | 5,913,913 | 5,850,154 |
| Other assets | | 82,680 | 96,201 |
| Intangible assets | | 26,529 | 26,941 |
| Property, plant and equipment | | 189,853 | 195,394 |
| Deferred tax assets | | 53,079 | 48,572 |
| TOTAL ASSETS | | 11,557,701 | 11,138,713 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Deposits from customers | 12 | 7,003,182 | 6,594,646 |
| Other liabilities | | | |
| Other payables and accruals | 13 | 285,741 | 326,935 |
| Paddy Credit Gratuity Scheme | | 2,225 | 2,225 |
| Loan Scheme Fund | 14 | 1,594,849 | 1,555,347 |
| Government Grants | | | |
| Operating | 15 | 33,867 | 35,402 |
| Launching | 16 | 16,089 | 17,269 |
| Funds | 17 | 254,051 | 257,500 |
| Total Liabilities | | 9,190,004 | 8,789,324 |
| Equity | | | |
| Share capital | 18 | 1,000,000 | 1,000,000 |
| Reserves | 19 | 1,367,697 | 1,349,389 |
| Total Equity | | 2,367,697 | 2,349,389 |
| TOTAL LIABILITIES AND EQUITY | | 11,557,701 | 11,138,713 |

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

Company No: 811810-U

BANK PERTANIAN MALAYSIA BERHAD
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2014**

| | Non-distributable reserves | | | Distributable reserves | Total RM'000 |
|---|----------------------------|------------------------------|--|------------------------|------------------|
| | Share capital RM'000 | Statutory reserves RM'000 | Investment revaluation reserve RM'000 | | |
| As of 1 January 2014 | 1,000,000 | 487,109 | 137,590 | 724,690 | 2,349,389 |
| Net profit for the period | - | - | - | 30,016 | 30,016 |
| Other comprehensive loss for the period | - | - | (11,708) | - | (11,708) |
| Total comprehensive income for the period | - | - | (11,708) | 30,016 | 18,308 |
| As of 31 March 2014 | <u>1,000,000</u> | <u>487,109</u> | <u>125,882</u> | <u>754,706</u> | <u>2,367,697</u> |

Company No: 811810-U

BANK PERTANIAN MALAYSIA BERHAD
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2014 (cont'd)**

| | Share capital RM'000 | Non-distributable reserves | | Distributable reserves | Total RM'000 |
|---|-------------------------|------------------------------|--|------------------------|------------------|
| | | Statutory reserves RM'000 | Investment revaluation reserve RM'000 | | |
| As of 1 January 2013 | 1,000,000 | 487,109 | 321,719 | 516,434 | 2,325,262 |
| Net profit for the period | - | - | - | 239,756 | 239,756 |
| Other comprehensive loss for the period | - | - | (184,129) | - | (184,129) |
| Total comprehensive income for the period | - | - | (184,129) | 239,756 | 55,627 |
| Dividends paid | - | - | - | (31,500) | (31,500) |
| As of 31 December 2013 | 1,000,000 | 487,109 | 137,590 | 724,690 | 2,349,389 |

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

Company No: 811810-U

BANK PERTANIAN MALAYSIA BERHAD

(Incorporated in Malaysia)

**CONDENSED UNAUDITED STATEMENT OF CASH FLOW
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2014**

| | March 2014 RM'000 | March 2013 RM'000 |
|---|----------------------------------|----------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax and zakat | 39,667 | 62,652 |
| Adjustments for: | | |
| Allowance/(writeback) for impairment on loans | 15,097 | (8,925) |
| Allowance for impairment on investment securities | (629) | - |
| Bad debts and financing written off | - | 5,414 |
| Depreciation of property, plant and equipment | 6,904 | 6,815 |
| Amortisation of computer software | 3,982 | 2,681 |
| Interest expense/profit charged on loans/financing scheme fund | 1,146 | 1,363 |
| Write off of property, plant and equipment | 1 | 919 |
| Amortisation of prepaid lease payments | 18 | 19 |
| Gain on disposal of investment securities | (1,233) | (6,099) |
| Dividends from investment securities | (869) | - |
| Amortisation of: | | |
| Special Fund For Terengganu Fishery ("DKSP") | (85) | (115) |
| Government Grant | (1,535) | (1,675) |
| Launching Grant | (791) | (889) |
| Operating profit before working capital changes | 61,673 | 62,160 |
| Change in loans, financing and advances | (80,019) | 92,330 |
| Change in other assets | 13,521 | 17,949 |
| Change in deposits with financial institutions | 630 | (55,158) |
| Change in deposits from customers | 408,536 | (79,134) |
| Change in other payables | (12,233) | (25,358) |
| Change in Paddy Credit Gratuity Fund | - | (25) |
| Change in deferred tax | (3,450) | (1,500) |
| Cash (used in)/generated from operations | 388,658 | 11,264 |
| Tax paid | (39,578) | (19) |
| Zakat paid | (92) | (345) |
| Net cash (used in)/generated from operating activities | 348,988 | 10,900 |

Company No: 811810-U

BANK PERTANIAN MALAYSIA BERHAD

(Incorporated in Malaysia)

**CONDENSED UNAUDITED STATEMENT OF CASH FLOW
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2014 (cont'd)**

| | March 2014 RM'000 | March 2013 RM'000 |
|---|----------------------------------|----------------------------------|
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of investment securities | (446,659) | (334,771) |
| Purchase of property, plant and equipment | (1,382) | (8,761) |
| Purchase of computer software | (3,570) | (2,579) |
| Proceeds from disposal of investment securities | 2,451 | 535,233 |
| Dividends received from investment securities | 869 | - |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (448,291) | 189,122 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Profit paid on government loans and OECF | - | (2) |
| Proceeds from: | | |
| Fund For Food ("3F") | 45,600 | 6,991 |
| Micro Enterprise Funds | 2,115 | 4,553 |
| Repayments of Loan Scheme Funds | (11,559) | (4,847) |
| Foreign exchange differences | - | (1,527) |
| Launching grant utilised | (389) | (8) |
| | <hr/> | <hr/> |
| Net cash used in financing activities | 35,767 | 5,160 |
| | <hr/> | <hr/> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (63,536) | 205,182 |

Company No: 811810-U

BANK PERTANIAN MALAYSIA BERHAD
(Incorporated in Malaysia)

CONDENSED UNAUDITED STATEMENT OF CASH FLOW
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2014 (cont'd)

| | March 2014 RM'000 | March 2013 RM'000 |
|---|-------------------------|-------------------------|
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (63,536) | 205,182 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>1,273,397</u> | <u>1,827,012</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>1,209,861</u> | <u>2,032,194</u> |
| CASH AND CASH EQUIVALENTS CONSIST OF: | | |
| Cash and short term funds | <u>1,209,861</u> | <u>2,032,194</u> |
| | <u>1,209,861</u> | <u>2,032,194</u> |

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

**NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 March 2014.**

1. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134")

1.1 Basis of preparation

The unaudited condensed interim financial statements for the Bank have been prepared under the historical cost convention except for available-for-sale financial investment which is stated at fair values.

The unaudited condensed interim financial statements have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the unaudited financial statements for the year ended 31 December 2013. These explanatory notes attached to the audited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the year ended 31 December 2013.

The significant accounting policies and methods of computation applied by the Bank are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2013 except for the adoption of certain Malaysian Financial Reporting Standards ("MFRSs"), amendments to MFRSs, Interpretations of the Issues Committee ("IC Interpretations") and Technical Release ("TR") which are effective from financial period beginning on or after 1 January 2014.

The adoption of the MFRSs, amendments to MFRSs and IC Interpretations did not have any material impact on the financial statements of the Bank.

1.2 Significant accounting policies and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Accounting estimates and assumptions used that are significant to the financial statements and areas involving higher degree of judgment and complexity are as follows:

(i) Fair value estimation of securities available-for-sale

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.

**NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 March 2014 (cont'd)**

1. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") (cont'd)

1.2 Significant accounting policies and judgments (cont'd)

(ii) Income 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.

(iii) Deferred tax

Deferred tax is provided for, using the "liability" method, on temporary differences as of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arising from goodwill or from the initial recognition of an asset or a liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets, if any, is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting period. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity.

**NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 March 2014 (cont'd)**

1. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") (cont'd)

1.2 Significant accounting policies and judgments (cont'd)

(iii) Deferred tax (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

(iv) Impairment losses on loans, advances and financing

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

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine the collective allowance for loans, advances and financing.

**NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 March 2014 (cont'd)**

1. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") (cont'd)

1.2 Significant accounting policies and judgments (cont'd)

(v) Impairment of security portfolio

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

The impairment review comprises the following judgement made by management:

- (a) 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 or obligors.
- (b) 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.

1.3 Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2013 was not qualified.

1.4 Seasonal or cyclical factors

The operations of the Bank for the 3 month period ended 31 March 2014 were not materially affected by any seasonal or cyclical factors.

1.5 Unusual items due to their nature, size or incidence

During the 3 month period ended 31 March 2014 there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank.

Company No: 811810-U

**NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 March 2014 (cont'd)**

1. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") (cont'd)

1.6 Changes in estimates

There were no material changes in estimates during the 3 month period ended 31 March 2014.

1.7 Changes in debt and equity securities

There were no cancellations, share buy-backs, resale of shares bought back and equity securities by the Bank.

1.8 Dividends paid

The Directors proposed a final dividend of 0.8% amounting to RM8.0 million in respect of the previous financial year 2013.

Company No: 811810-U

2. INTEREST INCOME

| | Unaudited 3-Month period 31 March 2014 RM'000 | Unaudited 3-Month period 31 March 2013 RM'000 |
|---|---|---|
| Loans and advances | 11,629 | 19,906 |
| Investment securities: | | |
| HTM | 294 | 144 |
| AFS | 6,837 | 5,493 |
| Deposits with financial institutions | 4,337 | 7,368 |
| | <u>23,097</u> | <u>32,911</u> |
| Of which: | | |
| Interest income earned on impaired loans and advances | <u>2,052</u> | <u>2,310</u> |

3. INTEREST EXPENSE

| | Unaudited 3-Month period 31 March 2014 RM'000 | Unaudited 3-Month period 31 March 2013 RM'000 |
|-----------------------------------|---|---|
| Savings deposits and Agro Perdana | 4,370 | 6,342 |
| Fixed/Special deposits | 83 | 5,081 |
| | <u>4,453</u> | <u>11,423</u> |

Company No: 811810-U

4. NON-INTEREST INCOME

(a) Fee and Other Operating Income

| | Unaudited 3-Month period 31 March 2014 RM'000 | Unaudited 3-Month period 31 March 2013 RM'000 |
|---|---|---|
| Fee Income | | |
| Service charges and fees | 870 | 799 |
| Loan processing fees | 77 | 189 |
| | <u>947</u> | <u>988</u> |
| Other income | | |
| Income from Project Ladang Sungai Tasan | - | 30 |
| Income from staff loans and financing | - | 270 |
| Rental | 15 | 14 |
| Non operational income | 326 | 173 |
| | <u>341</u> | <u>487</u> |
| | <u>1,288</u> | <u>1,475</u> |

(b) Investment Income

| | Unaudited 3-Month period 31 March 2014 RM'000 | Unaudited 3-Month period 31 March 2013 RM'000 |
|---|---|---|
| Net gain on disposal of AFS investment securities | 1,233 | 550 |
| Dividend income | 869 | - |
| | <u>2,102</u> | <u>550</u> |

5. OVERHEAD EXPENSES

| | Unaudited 3-Month period 31 March 2014 RM'000 | Unaudited 3-Month period 31 March 2013 RM'000 |
|---|--|--|
| Personnel cost | | |
| Salary, allowances and bonus | 44,409 | 43,028 |
| EPF contributions | 5,549 | 4,416 |
| SOCSSO contributions | 444 | 439 |
| Staff welfare | 1,002 | 985 |
| Staff training | 380 | 535 |
| Recruitment fees | 15 | 22 |
| Staff gratuity | 56 | 2,842 |
| Others | 1,732 | 2,050 |
| Maintenance cost | | |
| Depreciation of property, plant and equipment | 6,903 | 6,816 |
| Amortisation of computer software | 3,982 | 2,681 |
| Insurance on property, plant and equipment | 798 | 1,009 |
| Rental of premises | 2,094 | 2,006 |
| Printing, stationery and office supplies | 936 | 1,159 |
| Water and electricity | 1,635 | 1,313 |
| Amortisation of prepaid lease payments | 19 | 19 |
| Computer maintenance | 5,399 | 3,279 |
| Building maintenance | 678 | 698 |
| Office maintenance | 902 | 828 |
| Computer supply | 27 | 303 |
| Others | 1,056 | 949 |
| Marketing expenses | | |
| Advertising and promotions | 225 | (78) |
| Others | 5 | 41 |
| General administrative expenses | | |
| Communication expenses | 3,298 | 3,035 |
| Launching grants | 566 | 10 |
| Legal fees | 3,121 | 3,393 |
| Security charges | 1,919 | 1,396 |
| Others | 459 | 266 |
| | 87,609 | 83,440 |

6. WRITEBACK OF/ (ALLOWANCE FOR) IMPAIRMENT ON LOANS

| | Unaudited 3-Month period 31 March 2014 RM'000 | Unaudited 3-Month period 31 March 2013 RM'000 |
|--|--|--|
| Loans, financing and advances : | | |
| Allowance for the year | (12,660) | (21,862) |
| Amount written back upon recoveries and reversal of allowance | 11,541 | 12,416 |
| Individual impairment loss - net | (1,119) | (9,446) |
| Collective impairment loss - net | (21,760) | (23,146) |
| Bad debts and financing : | | |
| Written off | - | 5,414 |
| Recovered | 7,782 | 36,103 |
| | <u>(15,097)</u> | <u>8,925</u> |

7. TAX EXPENSE

| | Unaudited 3-Month period 31 March 2014 RM'000 | Unaudited 3-Month period 31 March 2013 RM'000 |
|---|--|--|
| Deferred tax assets recognized for the period | (1,058) | (6,959) |
| Income tax charged for the period | 10,709 | 22,511 |
| | <u>9,651</u> | <u>15,552</u> |

Company No: 811810-U

8. CASH AND SHORT TERM FUNDS

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|--|---|---|
| Cash in hand | 61,692 | 84,774 |
| Cash at banks | 146,141 | 78,882 |
| Short term deposits maturing within three months: | | |
| Licensed banks | 506,045 | 628,343 |
| Other financial institutions | 495,983 | 481,398 |
| | <u>1,209,861</u> | <u>1,273,397</u> |

9. DEPOSITS WITH FINANCIAL INSTITUTIONS

| | Unaudited As at 31 March 2014 2014 RM'000 | Unaudited As at 31 Dec 2013 2013 RM'000 |
|------------------------------|---|---|
| Licensed bank | 2,147 | - |
| Other financial institutions | 57,223 | 60,000 |
| | <u>59,370</u> | <u>60,000</u> |

**Maturity structure of deposits and financial
institutions is as follows:**

| | | |
|----------------------------|---------------|---------------|
| Three months to six months | <u>59,370</u> | <u>60,000</u> |
|----------------------------|---------------|---------------|

Company No: 811810-U

10. INVESTMENT SECURITIES

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|--|---|---|
| <u>Debt Securities</u> | | |
| AFS - at fair value | | |
| Corporate Bonds | 2,548,694 | 2,283,604 |
| Malaysian Government Securities | 1,191,540 | 998,293 |
| | <u>3,740,234</u> | <u>3,281,897</u> |
| HTM - at amortised cost | | |
| Corporate Bonds | 33,131 | 32,978 |
| Commercial Papers | 9,868 | 19,901 |
| Malaysian Government Securities | 151,171 | 161,283 |
| | <u>194,170</u> | <u>214,162</u> |
| | <u>3,934,404</u> | <u>3,496,059</u> |
| <u>Equity Securities</u> | | |
| AFS - at fair value | | |
| Quoted Shares in Malaysia | 94,148 | 98,592 |
| | <u>94,148</u> | <u>98,592</u> |
| Total before allowances | <u>4,028,552</u> | <u>3,594,651</u> |
| Allowance for impairment losses | | |
| Quoted Shares in Malaysia | (235) | (243) |
| Corporate Bonds | (5,901) | (6,354) |
| | <u>(6,136)</u> | <u>(6,597)</u> |
| Net | <u><u>4,022,416</u></u> | <u><u>3,588,054</u></u> |

Company No: 811810-U

10. INVESTMENT SECURITIES (cont'd)

| | Unaudited | Unaudited |
|--|----------------------|--------------------|
| | As at | As at |
| | 31 March 2014 | 31 Dec 2013 |
| | RM'000 | RM'000 |
| Maturity structure for HTM investments is as follows: | | |
| Maturity within six months | 24,876 | 44,926 |
| Between six months to one year | - | - |
| Between one year to three years | 119,264 | 119,205 |
| Between three years to five years | 50,030 | 50,031 |
| | <u>194,170</u> | <u>214,162</u> |

Market values of HTM investments are as follows:

| Market Value | | |
|---------------------------------|----------------|----------------|
| Corporate Bonds | 33,181 | 33,038 |
| Commercial Papers | 9,816 | 19,810 |
| Malaysian Government Securities | 150,370 | 160,302 |
| | <u>193,367</u> | <u>213,150</u> |

Company No: 811810-U

11. LOANS, FINANCING AND ADVANCES

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|---|---|---|
| At amortised cost: | | |
| Islamic financing and advances (Note 23(f)) | 5,928,019 | 5,766,570 |
| Wawasan Tani Loans | 66,539 | 115,126 |
| Project and Equipment Loans | 218,887 | 226,918 |
| Capital Entrepreneur Tani ("MUST") | 42,726 | 48,314 |
| Agribusiness Loans | 102,829 | 107,492 |
| Fund For Food ("3F") | 16,068 | 18,797 |
| Insani Education Loans | 26,029 | 37,819 |
| Paddy Credit Scheme | 1,044 | 1,192 |
| MAP and MPPB Loans | 1,095 | 1,175 |
| Fund for Small and Medium Size Industries ("TIKS") | 695 | 788 |
| Contract Tani Loans | 1,072 | 1,613 |
| Special Advances on Fixed Deposit | 66 | 156 |
| Tobacco Scheme | 291 | 333 |
| Asean-Japan Development Fund ("AJDF") | 52 | 55 |
| Banking Facilities | 2 | 2 |
| Other Loans | 15,278 | 1,885 |
| | 6,420,692 | 6,328,235 |
| Loans, financing and advances to employees | 63,898 | 65,098 |
| | 6,484,590 | 6,393,333 |
| Less: | | |
| Individual impairment allowance | (238,383) | (237,264) |
| Collective impairment allowance | (332,294) | (305,915) |
| Net | 5,913,913 | 5,850,154 |

11. LOANS, FINANCING AND ADVANCES (cont'd)

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|---|---|---|
| (i) Maturity structure of loans, financing and advances is as follows: | | |
| Maturity within six months | 601,909 | 583,805 |
| Between six months to one year | 93,489 | 91,590 |
| Between one year to three years | 501,930 | 526,081 |
| Between three years to five years | 808,871 | 818,220 |
| More than five years | 4,478,391 | 4,373,637 |
| | <u>6,484,590</u> | <u>6,393,333</u> |

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

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|-------------------------------------|---|---|
| Sector: | | |
| Support | 2,608,777 | 2,653,171 |
| Crops | 2,480,252 | 2,445,278 |
| Livestock | 718,613 | 700,814 |
| Fishery | 445,439 | 435,527 |
| Forestry | 35,531 | 34,547 |
| Other Agricultural based processing | 195,978 | 123,996 |
| | <u>6,484,590</u> | <u>6,393,333</u> |

Region:

| | | |
|------------------------|------------------|------------------|
| Kuala Lumpur | 556,055 | 549,698 |
| Selangor | 761,352 | 756,453 |
| Pahang | 588,186 | 537,703 |
| Perak | 772,787 | 766,500 |
| Negeri Sembilan/Melaka | 473,001 | 465,618 |
| Johor | 530,783 | 525,394 |
| Kelantan | 366,389 | 364,439 |
| Kedah/Perlis | 592,522 | 583,327 |
| Sarawak | 652,917 | 655,559 |
| Sabah | 615,981 | 618,189 |
| Pulau Pinang | 247,564 | 248,087 |
| Terengganu | 327,053 | 322,366 |
| | <u>6,484,590</u> | <u>6,393,333</u> |

11. LOANS, FINANCING AND ADVANCES (cont'd)

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

| | | |
|-------------------------------|-------------------------|-------------------------|
| Neither past due nor impaired | 5,395,045 | 5,337,602 |
| Past due but not impaired | 437,473 | 418,876 |
| Impaired | <u>652,072</u> | <u>636,855</u> |
| | <u>6,484,590</u> | <u>6,393,333</u> |

Past due but not impaired loans are loans where the customer has failed to make a principal or interest payment when contractually due and includes loans which are due more than one day after the contractual due date.

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

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|---|---|---|
| At the beginning of the year | 636,855 | 807,018 |
| Additions during the period | 77,616 | 476,267 |
| Reclassified as non impaired during the period | (20,005) | (90,134) |
| Recoveries during the period | (41,946) | (231,324) |
| Reclassified to off balance sheet during the period | - | (23,782) |
| Amount written off | <u>(448)</u> | <u>(301,190)</u> |
| At the end of period | <u>652,072</u> | <u>636,855</u> |
| Gross impaired loans as a percentage of gross loans, financing and advances | <u>10.06%</u> | <u>9.96%</u> |

Company No: 811810-U

11. LOANS, FINANCING AND ADVANCES (cont'd)

(v) Impaired gross loans, financing and advances analysed by sectors and region are as follows:

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|-------------------------------------|---|---|
| Sector: | | |
| Support | 167,171 | 161,988 |
| Crops | 252,253 | 251,044 |
| Livestock | 107,432 | 103,728 |
| Fishery | 78,927 | 75,612 |
| Forestry | 31,748 | 31,044 |
| Other Agricultural based processing | 14,541 | 13,439 |
| | <u>652,072</u> | <u>636,855</u> |
| Region: | | |
| Kuala Lumpur | 140,856 | 139,635 |
| Selangor | 92,658 | 94,751 |
| Pahang | 69,423 | 66,906 |
| Perak | 76,059 | 72,318 |
| Negeri Sembilan/Melaka | 43,327 | 42,281 |
| Johor | 38,600 | 38,999 |
| Kelantan | 42,911 | 38,897 |
| Kedah/Perlis | 58,915 | 58,627 |
| Sarawak | 20,739 | 22,920 |
| Sabah | 35,470 | 31,354 |
| Pulau Pinang | 19,927 | 17,374 |
| Terengganu | 13,187 | 12,793 |
| | <u>652,072</u> | <u>636,855</u> |

11. LOANS, FINANCING AND ADVANCES (cont'd)

(vi) Movements in the impairment allowances on loans, financing and advances are as follows:

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|---|---|---|
| Individual impairment allowance | | |
| At the beginning of the year | 237,264 | 207,777 |
| Allowance for the period | 12,660 | 91,248 |
| Amount written back upon recoveries and reversal of allowance | (11,541) | (55,431) |
| Net allowance for the period | 1,119 | 35,817 |
| Amount written off | - | (6,330) |
| At the end of period | <u>238,383</u> | <u>237,264</u> |
| Collective impairment allowance | | |
| At the beginning of the year | 305,915 | 417,698 |
| Allowance for the period | 25,846 | 88,301 |
| Amount written back | (4,086) | (17,390) |
| Net allowance for the period | 21,760 | 70,911 |
| Amount written off | (448) | (192,701) |
| Allowance adjusted to: | | |
| Fund for Ministry of Youth and Sports ("DKBS") | 4,320 | 83 |
| Entrepreneur Scheme for Graduates ("SUTKS") | 28 | (573) |
| Special Fund for Terengganu Fishery ("DKSP") | 55 | 104 |
| National Key Economic Area ("NKEA") | 580 | 125 |
| Micro Economic Stimulation Package ("Micro-ESP") | 84 | 10,268 |
| At the end of period | <u>332,294</u> | <u>305,915</u> |
| Collective impairment allowance as a percentage of gross loans, financing and advances less individual impairment allowance | <u>5.32%</u> | <u>4.97%</u> |

The total amount of collective impairment allowance includes collective allowances for non impaired loans of RM145,835,551 (2013: RM135,002,910).

12. DEPOSITS FROM CUSTOMERS

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|--|---|---|
| At amortised cost: | | |
| Fixed/Money market deposits | 3,882,532 | 3,514,693 |
| Savings deposits | 1,595,194 | 1,581,660 |
| Agro Perdana | 1,525,456 | 1,498,293 |
| | <u>7,003,182</u> | <u>6,594,646</u> |
| Maturity structure of fixed/money market deposits from customers is as follows: | | |
| Within six months | 1,456,260 | 1,458,119 |
| Between six months to one year | 2,323,674 | 1,953,240 |
| Between one year to three years | 29,260 | 28,359 |
| Between three years to five years | 73,338 | 74,975 |
| | <u>3,882,532</u> | <u>3,514,693</u> |

The deposits are sourced from the following types of customers :

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|-----------------------------------|---|---|
| Government | 3,097,023 | 2,695,451 |
| Individuals | 2,532,233 | 2,619,842 |
| Domestic Business Enterprises | 425,211 | 436,464 |
| Domestic Other Entities | 920,159 | 814,321 |
| Domestic Non-Banking Institutions | 28,556 | 28,568 |
| | <u>7,003,182</u> | <u>6,594,646</u> |

13. OTHER PAYABLES AND ACCRUALS

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|------------------------------------|---|---|
| Accrued expenses | 55,628 | 52,653 |
| Sundry creditors | 37,894 | 52,966 |
| Donation/Charity | 11 | 11 |
| Zakat payable | 2,777 | 2,469 |
| Provision for undistributed profit | 213,809 | 213,809 |
| Provision for tax expenses | (26,187) | 2,682 |
| Retirement benefits scheme | 1,809 | 2,345 |
| | 285,741 | 326,935 |

14. LOAN SCHEME FUND

Summary of loan scheme fund is as follows :

| | Note | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|---|------|---|---|
| Fund for Food ("3F") | (a) | 1,047,724 | 1,003,316 |
| MPPB Funds | (b) | 51,166 | 51,134 |
| Oil Palm Replanting Scheme ("TASKS") | (c) | 13,000 | 13,000 |
| Paddy Credit Scheme | (d) | 76,748 | 76,701 |
| Food Production Credit Scheme ("SKPM") | (e) | 74,969 | 74,923 |
| Fishery Boat Financing Scheme ("SPBP") | (f) | 140,000 | 140,000 |
| Entrepreneur Scheme for Graduates ("SUTKS - Financing") | (g) | 6,019 | 6,015 |
| Loan for Small and Medium Size Industries ("PKS") | (h) | 73,093 | 73,048 |
| Non-Food Production Credit Scheme ("SKPBM") | (i) | 22,608 | 22,594 |
| Micro Enterprise Fund | (j) | 89,522 | 94,616 |
| | | 1,594,849 | 1,555,347 |

14. LOAN SCHEME FUND (cont'd)**(a) Fund For Food ("3F")**

| | Principal | Profit | Total |
|------------------------|------------------|------------|------------------|
| | RM'000 | RM'000 | RM'000 |
| As of 1 January 2013 | 965,876 | 4,587 | 970,463 |
| Additions | 152,334 | - | 152,334 |
| Profit charged | - | (1,466) | (1,466) |
| Repayments | (115,204) | (2,811) | (118,015) |
| | <u>1,003,006</u> | <u>310</u> | <u>1,003,316</u> |
| As of 31 December 2013 | | | |
| Additions | 45,600 | - | 45,600 |
| Profit charged | - | 629 | 629 |
| Repayments | (1,821) | - | (1,821) |
| | <u>1,046,785</u> | <u>939</u> | <u>1,047,724</u> |
| As of 31 March 2014 | | | |

Under the 9th Malaysian Plan ("RMK 9"), the Government agreed to channel RM300 million every year for a tenure of 15 years (3 years grace period) at a profit rate of 0.25% per annum. The purpose of this fund is to enhance the food productions industry and to reduce dependency on imports.

(b) Bumiputera Commercial and Industrial Community Scheme ("MPPB")

| | Principal | Profit | Total |
|------------------------|---------------|-----------|---------------|
| | RM'000 | RM'000 | RM'000 |
| As of 1 January 2013 | 70,000 | 486 | 70,486 |
| Profit charged | - | 27 | 27 |
| Repayment | (18,901) | (478) | (19,379) |
| | <u>51,099</u> | <u>35</u> | <u>51,134</u> |
| As of 31 December 2013 | | | |
| Profit charged | - | 32 | 32 |
| | <u>51,099</u> | <u>67</u> | <u>51,166</u> |
| As of 31 March 2014 | | | |

Under the 9th Malaysian Plan ("RMK 9"), the Government agreed to channel RM100 million for the tenure of 15 years (3 years grace period) at an interest/profit rate of 0.25% per annum. The objective of this scheme is to provide financing facilities to Bumiputera entrepreneurs, farmers, fisherman and other related institutions.

Company No: 811810-U

14. LOAN SCHEME FUND (cont'd)

(c) Oil Palm Replanting Scheme ("TASKS")

| | Principal RM'000 | Profit RM'000 | Total RM'000 |
|------------------------|-----------------------------|--------------------------|-------------------------|
| As of 1 January 2013 | 14,000 | - | 14,000 |
| Repayments | (1,000) | - | (1,000) |
| As of 31 December 2013 | <u>13,000</u> | <u>-</u> | <u>13,000</u> |
| As of 31 March 2014 | <u>13,000</u> | <u>-</u> | <u>13,000</u> |

This fund is channeled through the Ministry of Plantation Industries and Commodities to finance the replantation of oil palm plantations.

(d) Paddy Credit Scheme

| | Principal RM'000 | Profit RM'000 | Total RM'000 |
|------------------------|-----------------------------|--------------------------|-------------------------|
| As of 1 January 2013 | 105,000 | 715 | 105,715 |
| Profit charged | - | 54 | 54 |
| Repayments | (28,351) | (717) | (29,068) |
| As of 31 December 2013 | <u>76,649</u> | <u>52</u> | <u>76,701</u> |
| Profit charged | <u>-</u> | <u>47</u> | <u>47</u> |
| As of 31 March 2014 | <u>76,649</u> | <u>99</u> | <u>76,748</u> |

The Ministry of Agriculture provided RM105.00 million to the Bank to encourage the country's paddy industry. The loan tenure is 10 years (3 years grace period) at an interest rate of 0.25% per annum.

14. LOAN SCHEME FUND (cont'd)

(e) Food Production Credit Scheme ("SKPM")

| | Principal RM'000 | Profit RM'000 | Total RM'000 |
|------------------------|----------------------|-------------------|----------------------|
| As of 1 January 2013 | 100,000 | 744 | 100,744 |
| Profit charged | - | 243 | 243 |
| Repayments | <u>(25,421)</u> | <u>(643)</u> | <u>(26,064)</u> |
| As of 31 December 2013 | <u>74,579</u> | <u>344</u> | <u>74,923</u> |
| Profit charged | - | 46 | 46 |
| As of 31 March 2014 | <u><u>74,579</u></u> | <u><u>390</u></u> | <u><u>74,969</u></u> |

Under the 9th Malaysian Plan ("RMK9"), the Government agreed to channel RM100.0 million for a tenure of 15 years (3 years grace period) at a profit rate of 0.25% per annum.

(f) Fishery Boat Financing Scheme ("SPBP")

| | Principal RM'000 |
|--|-----------------------|
| As of 31 December 2013 and 31 March 2014 | <u><u>140,000</u></u> |

Under the 9th Malaysian Plan ("RMK9"), the Government agreed to channel RM140.0 million for a tenure of 15 years (10 years grace period i.e. commencement of profit rate payment in 2017) at profit rate of 0.25% per annum. The purpose of the fund is to modernise the facilities within the fishery industry, promote deep sea and high sea fishing industry.

14. LOAN SCHEME FUND (cont'd)

(g) Entrepreneur Scheme for Graduates ("SUTKS-Financing")

| | Principal RM'000 | Profit RM'000 | Total RM'000 |
|------------------------|-----------------------------|--------------------------|-------------------------|
| As of 1 January 2013 | 8,010 | - | 8,010 |
| Profit charged | - | 20 | 20 |
| Repayments | <u>(1,995)</u> | <u>(20)</u> | <u>(2,015)</u> |
| As of 31 December 2013 | 6,015 | - | 6,015 |
| Profit charged | - | 4 | 4 |
| As of 31 March 2014 | <u>6,015</u> | <u>-</u> | <u>6,019</u> |

The Government allocated RM10.0 million for a tenure of 10 years (5 years grace period) at a profit rate of 0.25% per annum. The purpose of this scheme is to encourage the involvement of graduates in the agriculture sector.

(h) Loan for Small and Medium Size Industries ("PKS")

| | Principal RM'000 | Profit RM'000 | Total RM'000 |
|------------------------|-----------------------------|--------------------------|-------------------------|
| As of 1 January 2013 | 100,000 | 730 | 100,730 |
| Profit charged | - | 2 | 2 |
| Repayments | <u>(27,001)</u> | <u>(683)</u> | <u>(27,684)</u> |
| As of 31 December 2013 | 72,999 | 49 | 73,048 |
| Profit charged | - | 45 | 45 |
| As of 31 March 2014 | <u>72,999</u> | <u>94</u> | <u>73,093</u> |

Under the 9th Malaysian Plan ("RMK9"), the Government agreed to channel RM100.0 million. The purpose of this fund is to encourage investment in the agricultural industry. The tenure of this loan is 15 years (3 years grace period) at a profit rate of 0.25% per annum.

14. LOAN SCHEME FUND (cont'd)

(i) Non-Food Production Credit Scheme ("SKPBM")

| | Principal RM'000 | Profit RM'000 | Total RM'000 |
|------------------------|-----------------------------|--------------------------|-------------------------|
| As of 1 January 2013 | 25,062 | 11 | 25,073 |
| Profit charged | - | 62 | 62 |
| Repayments | <u>(2,478)</u> | <u>(63)</u> | <u>(2,541)</u> |
| As of 31 December 2013 | 22,584 | 10 | 22,594 |
| Profit charged | - | 14 | 14 |
| As of 31 March 2014 | <u>22,584</u> | <u>24</u> | <u>22,608</u> |

Under the 9th Malaysian Plan ("RMK9"), the Government agreed to channel RM30.0 million for a tenure of 15 years (3 years grace period) at profit rate of 0.25% per annum. The purpose of this fund is to enhance the primary and tertiary agricultural activities.

(j) Micro Enterprise Fund

| | Principal RM'000 | Profit RM'000 | Total RM'000 |
|------------------------|-----------------------------|--------------------------|-------------------------|
| As of 1 January 2013 | 83,770 | (3) | 83,767 |
| Additions | 15,759 | - | 15,759 |
| Profit charged | - | 1,357 | 1,357 |
| Repayments | <u>(4,912)</u> | <u>(1,355)</u> | <u>(6,267)</u> |
| As of 31 December 2013 | 94,617 | (1) | 94,616 |
| Additions | 2,115 | - | 2,115 |
| Profit charged | - | 345 | 345 |
| Repayments | <u>(7,538)</u> | <u>(16)</u> | <u>(7,554)</u> |
| As of 31 March 2014 | <u>89,194</u> | <u>328</u> | <u>89,522</u> |

The fund amounting to RM200.0 million was launched by BNM to increase the access to micro financing to selected eligible micro entrepreneurs. The interest rate of this fund is 1.5% per annum for a tenure of 5 years.

15. GOVERNMENT GRANTS - OPERATING

| | Capital Expenditure RM'000 | Development Expenditure RM'000 | Total RM'000 |
|-----------------------------|----------------------------------|--------------------------------------|----------------------|
| As of 1 January 2013 | 41,795 | 77 | 41,872 |
| Amortised during the year | (6,470) | - | (6,470) |
| As of 31 December 2013 | 35,325 | 77 | 35,402 |
| Amortised during the period | (1,535) | - | (1,535) |
| As of 31 March 2014 | <u>33,790</u> | <u>77</u> | <u>33,867</u> |

Since 2006, the Bank received operating grant amounting to RM82.0 million from the Ministry of Finance. The purpose of the grant is for capital and expenditure to finance the acquisition of property, plant and equipment and development expenditure to finance the training courses given to entrepreneurs.

16. LAUNCHING GRANTS

| | Capital Expenditure RM'000 | Development Expenditure RM'000 | Total RM'000 |
|-----------------------------|----------------------------------|--------------------------------------|----------------------|
| As of 1 January 2013 | 14,301 | 7,297 | 21,598 |
| Reclassification | (613) | 613 | - |
| Utilised during the period: | | | |
| Development expenditure | - | (986) | (986) |
| Amortised during the year | (3,343) | - | (3,343) |
| As of 31 December 2013 | 10,345 | 6,924 | 17,269 |
| Utilised during the period: | | | |
| Development expenditure | - | (389) | (389) |
| Amortised during the period | (791) | - | (791) |
| As of 31 March 2014 | <u>9,554</u> | <u>6,535</u> | <u>16,089</u> |

In 2007, the Ministry of Finance approved an allocation of RM100.0 million to the Bank for the purpose of the Bank's corporatisation. The grant is to be used for branding, product development and office expansion.

17. GOVERNMENT GRANT - FUNDS

Summary of government grant funds as follows :

| | Note | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|--|------|--|---|
| Development Programme for Hard-core Poor ("PPRT") | (a) | 2,560 | 2,560 |
| Entrepreneur Scheme for Graduates ("SUTKS") | (b) | 1,330 | 1,358 |
| Special Fund For Terengganu Fishery ("DKSP") | (c) | 447 | 587 |
| Fund for Ministry of Youth and Sports ("DKBS") | (d) | 7,369 | 11,689 |
| Bumiputera Commercial and Industrial Community Scheme HUB ("MPPB HUB') | (e) | 40,000 | 40,000 |
| National Key Economic Area ("NKEA") | (f) | 53,264 | 53,832 |
| Micro Economic Stimulation Package ("Micro - ESP") | (g) | 149,081 | 147,474 |
| | | <u>254,051</u> | <u>257,500</u> |

(a) Development Programme for Hardcore Poor ("PPRT")

| | RM'000 |
|--|--------------|
| As of 31 December 2013 and 31 March 2014 | <u>2,560</u> |

This programme represents profit-free financing from the Government to hardcore poor.

(b) Entrepreneur Scheme for Graduates ("SUTKS")

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|--|--|---|
| At beginning of the period | 1,358 | 785 |
| Government Grants - Funds (released)/recovered | <u>(28)</u> | <u>573</u> |
| At the end of period | <u>1,330</u> | <u>1,358</u> |

The objective of this programme is to reduce the unemployment rate among graduates by creating career opportunities in the agricultural sector. Financing is offered under *Al - Bai' Bithaman Ajil* which imposes a profit rate of 3% per annum.

17. GOVERNMENT GRANT - FUNDS (cont'd)

(c) Special Fund for Terengganu Fishery ("DKSP")

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|------------------------------------|--|---|
| At beginning of the period | 587 | 1,391 |
| Amortisation for the period | (85) | (700) |
| Government Grants - Funds released | (55) | (104) |
| | <u>447</u> | <u>587</u> |
| At the end of period | <u><u>447</u></u> | <u><u>587</u></u> |

The objective of this fund is to raise the social-economic status of fishermen, fish breeders and aquaculture entrepreneurs. The financing is offered under *Al - Bai' Bithaman Ajil* up to 100% of the total project cost and is profit free-rate. The financing terms would depend on the project with repayment terms not exceeding 10 years.

(d) Fund for Ministry of Youth and Sports ("DKBS")

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|------------------------------------|--|---|
| At beginning of the period | 11,689 | 11,772 |
| Government Grants - Funds released | (4,320) | (83) |
| | <u>7,369</u> | <u>11,689</u> |
| At the end of period | <u><u>7,369</u></u> | <u><u>11,689</u></u> |

This fund is managed on behalf of the Ministry of Youth and Sports. The purpose of this fund is to encourage youth to be involved in agricultural industry under *Skim Belia Tani*.

17. GOVERNMENT GRANT - FUNDS (cont'd)

(e) Bumiputera Commercial and Industrial Community Scheme HUB ("MPPB HUB")

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|--|--|---|
| As of 31 December 2013 and 31 March 2014 | <u>40,000</u> | <u>40,000</u> |

The objective of this fund is to finance Bumiputera agricultural ventures with maximum financing available up to RM200,000.

(f) National Key Economic Area ("NKEA")

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|-------------------------------------|--|---|
| At beginning of the year | 53,832 | 55,000 |
| Amortisation for the period | - | (1,043) |
| Government Grants- Funds released | (580) | (125) |
| Government Grants - Funds recovered | 12 | - |
| At end of the period | <u>53,264</u> | <u>53,832</u> |

The purpose of this fund is to encourage entrepreneurs to participate in agro based industries by providing a maximum of RM20,000 per financing.

(g) Micro Economic Stimulation Package ("Micro - ESP")

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|------------------------------------|--|---|
| At beginning of the year | 147,474 | 157,742 |
| Government Grants- Funds recovered | 1,691 | - |
| Government Grants- Funds released | (84) | (10,268) |
| At end of the year | <u>149,081</u> | <u>147,474</u> |

The purpose of this fund is to encourage entrepreneurs to participate in agricultural production activities by providing a maximum of RM20,000 per financing.

Company No: 811810-U

18. SHARE CAPITAL

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|-------------------------------|--|---|
| Authorised: | | |
| Ordinary shares of RM1 each | <u>2,000,000</u> | <u>2,000,000</u> |
| Issued and fully paid: | | |
| Ordinary shares of RM1 each | <u>1,000,000</u> | <u>1,000,000</u> |

19. RESERVES

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|-----------------------------------|--|---|
| Non-distributable reserve: | | |
| Statutory reserves | 487,109 | 487,109 |
| Investment revaluation reserve | 125,882 | 137,590 |
| Distributable reserve: | | |
| Retained earnings | <u>754,706</u> | <u>724,690</u> |
| | <u>1,367,697</u> | <u>1,349,389</u> |

(a) Statutory reserves

Transfer of profit to reserve fund is only applicable when RWCR of the Bank is below the threshold of 16% as approved by BNM via letter to the Bank dated 22 February, 2008.

(b) Investment revaluation reserve

The investment revaluation reserve is in respect of unrealised fair value gains and losses on financial investments AFS.

20. COMMITMENTS AND CONTINGENCIES

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|--|--|---|
| Guarantee: | | |
| Guarantee letters issued on behalf of customers of the Bank | 21,690 | 11,670 |
| Capital Commitment | | |
| Approved and contracted for: | | |
| Capital expenditure | - | 6,212 |
| Commitment on loans, financing and advances | 167,004 | 246,510 |
| | <u>167,004</u> | <u>252,722</u> |
| Approved but not contracted for: | | |
| Capital expenditure | 2,995 | - |
| Commitment on loans, financing and advances | 163,275 | 12,778 |
| | <u>166,270</u> | <u>12,778</u> |
| | <u>333,274</u> | <u>265,500</u> |
| Contingent Liabilities | | |
| Certain legal actions taken against the Bank with compensation claims | 385,635 | 383,105 |
| | <u>385,635</u> | <u>383,105</u> |
| | <u>740,599</u> | <u>660,275</u> |

Below is the summary of the legal actions against the Bank:

Case 1

The Bank filed a claim against a customer to recover outstanding financing provided to the customer of approximately RM5 million. The customer counter sued the Bank for RM162.4 million on the premise that the customer suffered losses due to the Bank's failure to release the funds to the customer's affiliated company when a letter of offer has already been provided by the Bank. The affiliated company was planning to use the funds from the Bank for its project which is integrated with the project planned by the customer. Due to the failure of the Bank to release the said funds, both projects were stalled and losses suffered by the customer and its affiliated company.

20. COMMITMENTS AND CONTINGENCIES (cont'd)

Case 1 (cont'd)

The affiliated company of the customer took civil action against the Bank which was subsequently dismissed by the High Court on 21 April 2011. The decision of the High Court was upheld by the Court of Appeal on 30 December 2011. The current case was set for trial at the High Court on 18 March 2014 and the trial will continue on 6 and 23 May 2014.

The Bank's solicitors are of the view that the Bank has a reasonable prospect of succeeding in establishing its defence to the counter claim.

Case 2

The Bank filed a claim against the borrower to recover outstanding loans of RM15 million. On 26 September 2011 the High Court granted judgment in favour of the Borrower for the sum of RM81.1 million and dismissed the Bank's counterclaim. However, on 3 September 2012, the Court of Appeal had set aside the damages granted against the Bank and ordered that damages be reassessed by the Senior Assistance Register of the High Court. The Court of Appeal further allowed the Bank's counter-claim. The Bank's application for leave to appeal the Federal Court on the issue of liability was allowed on 28 January 2014.

The Bank's solicitors are of the view that the Bank has an even chance of succeeding in the Federal Court appeal.

Case 3

The customer has filed a legal action against the Bank seeking damages in lieu of specific performance from the Bank on the ground that the Bank has breached its promise to grant a term loan of RM85 million to the company. The customer is claiming that a contract existed between them and the Bank based on the Letter of Offer and Acceptance ("LOA") dated 17 July 2008. Subsequent to the LOA, the customer changed its intention for the utilisation of the loan i.e. to utilise the facility to redeem its debt obligations with others parties which the Bank deemed as material adverse change to the terms of the LOA, hence the refusal to disburse the funds.

The trial of the case proceeded on 6 February 2014 with the continuation of the trial fixed on 26 March 2014, 14 April 2014, 15 April 2014 and 18 April 2014.

The Bank's solicitors are of the view that the Bank has an even chance of succeeding in defending the claim. There is no counter claim in this case.

21. RELATED PARTY DISCLOSURES

a) Parents 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 entities controlled by the Government of Malaysia meet the definition of related parties of the Bank.

b) Key Management personnel compensation

Remuneration paid to directors and members of the senior management of the Bank includes the following :

- i) Short term employee benefits include salaries and allowances.
- ii) Post employment benefits include Employee Provident Fund ("EPF") contributions.

| Key Management Personnel | Short Term RM'000 | Post Employment Benefit RM'000 |
|---------------------------------|------------------------------|---|
| Executive Director | 165 | 28 |
| Non-Executive Directors | 196 | - |
| Senior Management | 615 | 74 |
| | <u>976</u> | <u>102</u> |

22. CAPITAL ADEQUACY

The capital adequacy ratio of the Bank as at the end of the reporting period is as follows:

| | Unaudited As at 31 March 2014 % | Unaudited As at 31 December 2013 % |
|-----------------------------|---|--|
| Core capital ratio | 27.99 | 28.63 |
| Risk-weighted capital ratio | <u>33.68</u> | <u>34.39</u> |

The capital adequacy ratio of the Bank as of 31 March 2014 has incorporated the market risk pursuant to BNM Market Risk Capital Adequacy Framework which became effective on 1 April 2005.

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|--|--|---|
| Components of Tier I and Tier II Capital | | |
| Tier I capital | | |
| Share capital | 1,000,000 | 1,000,000 |
| Statutory reserves | 487,109 | 487,109 |
| Retained earnings | <u>724,690</u> | <u>724,690</u> |
| Total Tier I Capital | <u>2,211,799</u> | <u>2,211,799</u> |
| Tier II capital | | |
| Collective impairment allowance* | 145,835 | 135,003 |
| Government Grants - Operating | 33,867 | 35,402 |
| Government Grants - Launching | 16,089 | 17,269 |
| Government Grant - Funds | 254,051 | 257,500 |
| Total Tier II capital | <u>449,842</u> | <u>445,174</u> |
| Total Capital Base | <u>2,661,641</u> | <u>2,656,973</u> |

* The eligible amount for Tier II capital is limited to only collective impairment allowance on non-impaired loans, advances and financing.

22 CAPITAL ADEQUACY (cont'd)

The breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

| | Notional RM'000 | Risk- weighted RM'000 |
|--|----------------------------|--------------------------------------|
| 0% | 2,271,534 | - |
| 10% | - | - |
| 20% | 1,870,412 | 286,785 |
| 50% | 49,320 | 24,660 |
| 100% | 7,366,435 | 7,366,435 |
| Off balance sheet risk-weighted assets | - | 224,801 |
| Total risk-weighted assets as of 31 March 2014 | <u>11,557,701</u> | <u>7,902,681</u> |
| 0% | 2,311,660 | - |
| 10% | - | - |
| 20% | 1,553,679 | 310,736 |
| 50% | 50,502 | 25,251 |
| 100% | 7,222,872 | 7,222,872 |
| Off balance sheet risk-weighted assets | - | 167,670 |
| Total risk-weighted assets as of 31 December 2013 | <u>11,138,713</u> | <u>7,726,529</u> |

23. ISLAMIC BANKING

The state of affairs and the results of Islamic Banking Operations under the Islamic Banking Division included in the financial statements, are summarised as follows:

CONDENSED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2014

| | Note | Unaudited 3-Month ended 2014 RM'000 | Unaudited 3-Month ended 2013 RM'000 |
|---|------|---|---|
| Income from Islamic Banking | a | 116,818 | 114,233 |
| Financing impairment charges | b | <u>(22,012)</u> | <u>(18,578)</u> |
| Net income | | 94,806 | 95,655 |
| Overhead expenses | | <u>(72,102)</u> | <u>(61,213)</u> |
| Profit before zakat | | 22,704 | 34,442 |
| Income tax | | <u>(2,836)</u> | <u>-</u> |
| Profit after tax and zakat | | <u>19,868</u> | <u>34,442</u> |
| Other comprehensive income | | | |
| Unrealised (loss)/gains on fair value changes on AFS investment securities | | (9,481) | 3,456 |
| Transfer to profit and loss on disposal of AFS investment securities | | 738 | (7,491) |
| Income tax relating to components of other comprehensive income | | <u>2,186</u> | <u>-</u> |
| Other comprehensive loss for the period | | <u>(6,557)</u> | <u>(4,035)</u> |
| Total comprehensive income for the period | | <u>13,311</u> | <u>30,407</u> |

ISLAMIC BANKING (cont'd)**CONDENSED UNAUDITED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2014**

| | | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|--|-------------|--|---|
| ASSETS | Note | | |
| Cash and short term funds | c | 746,650 | 644,492 |
| Deposits with financial institutions | d | 59,370 | 60,000 |
| Investment securities | e | 3,123,051 | 2,862,495 |
| Financing and advances | f | 5,533,821 | 5,398,911 |
| Property, plant and equipment | | 216,382 | 222,335 |
| Other assets | | 75,888 | 63,756 |
| Deferred tax assets | | 50,348 | 67,981 |
| TOTAL ASSETS | | <u>9,805,510</u> | <u>9,319,970</u> |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Deposits from customers | g | 6,469,991 | 5,912,217 |
| Profit payable and others | | 390,073 | 428,766 |
| Government borrowings and financing scheme funds | h | 1,594,849 | 1,555,347 |
| Government Grant | | 49,956 | 52,671 |
| Government Grant - Funds | i | 254,051 | 257,500 |
| Total Liabilities | | <u>8,758,920</u> | <u>8,206,501</u> |
| Equity | | | |
| Islamic Banking Fund | j | 1,046,590 | 1,113,469 |
| Total Equity | | <u>1,046,590</u> | <u>1,113,469</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>9,805,510</u> | <u>9,319,970</u> |

23. ISLAMIC BANKING (cont'd)

**CONDENSED UNAUDITED STATEMENT OF CASH FLOW
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2014**

| | Unaudited As at 31 March 2014 RM'000 | Unaudited 3-Month ended 2013 RM'000 |
|--|--|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before zakat | 22,704 | 34,442 |
| Adjustments for: | | |
| Financing impairment charges | 22,012 | 18,578 |
| Profit expense on financing scheme funds | 1,146 | 1,157 |
| Depreciation of property, plant and equipment | 6,904 | 6,815 |
| Write off of property, plant and equipment | 1 | 919 |
| Amortisation of: | | |
| Special Fund For Terengganu Fishery ("DKSP") | (85) | (115) |
| Government Grant | (1,535) | (1,675) |
| Launching Grant | (791) | (889) |
| Operating Profit Before Working Capital Changes | 50,356 | 59,232 |
| Change in financing and advances | (156,922) | (22,029) |
| Change in other assets | (12,132) | (11,420) |
| Change in deposits with financial institutions | 630 | (55,158) |
| Change in deposits from customers | 557,774 | (182,158) |
| Change in profit payables and others | (46,918) | 680 |
| Reimbursement to conventional system | (79,595) | (3,958) |
| Deferred tax | 14,797 | - |
| Cash generated from /(used in) Operating Activities | 327,990 | (214,811) |
| Zakat paid | (92) | (345) |
| Net Cash generated from/ (used in) Operating Activities | 327,898 | (215,156) |

23. ISLAMIC BANKING (cont'd)

**CONDENSED UNAUDITED STATEMENT OF CASH FLOW
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2014 (cont'd)**

| | Unaudited As at 31 March 2014 RM'000 | Unaudited 3-Month ended 2013 RM'000 |
|---|--|---|
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Increase in investment securities | (260,556) | (2,152) |
| Purchase of property, plant and equipment | <u>(951)</u> | <u>(8,637)</u> |
| Net Cash Used In Investment Activities | <u>(261,507)</u> | <u>(10,789)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Profit paid on financing scheme funds | - | (2) |
| Proceeds from: | | |
| Fund For Food ("3F") | 45,600 | 6,991 |
| Micro Enterprise Funds | 2,115 | 4,553 |
| Repayments of financing scheme funds | (11,559) | (4,847) |
| Launching grant utilised | <u>(389)</u> | <u>(8)</u> |
| Net Cash Used In Financing Activities | <u>35,767</u> | <u>6,687</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | 102,158 | (219,258) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 644,492 | 1,095,975 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>746,650</u> | <u>876,717</u> |
| CASH AND CASH EQUIVALENTS CONSIST OF: | | |
| Cash and short term funds | <u>746,650</u> | <u>876,717</u> |
| | <u>746,650</u> | <u>876,717</u> |

23. ISLAMIC BANKING (cont'd)

| (a) Income from financing | Unaudited 3-Month ended 2014 RM'000 | Unaudited 3-Month ended 2013 RM'000 |
|---|--|--|
| Income from Islamic Banking business | | |
| Financing | 90,542 | 81,923 |
| Income from financial institutions | | |
| Profits from deposits with financial institutions | 5,480 | 6,206 |
| Profits from investment securities: | | |
| HTM | 1,461 | 1,723 |
| AFS | 24,578 | 21,872 |
| Gain on disposal of investment securities: | | |
| AFS | 2,495 | 5,549 |
| Fee Income | | |
| Financing processing fees | 3,325 | 790 |
| Banking service fees | 3,475 | 3,563 |
| Reimbursement of gapping cost | 12,741 | - |
| Ar-Rahnu fee | 7,151 | 18,306 |
| | <u>151,248</u> | <u>139,932</u> |
| Less : Profit attributable to customers | | |
| Al-Mudharabah deposits | 8,485 | 13,843 |
| FRIA | 15,900 | 3,911 |
| FRIA 45 plus | 595 | - |
| Al-Mudharabah savings | 786 | 852 |
| Agro Perdana-i | 3,321 | 1,892 |
| Agro-i deposits | 3,071 | 3,160 |
| Al-Wadiah savings | - | 136 |
| Agro Muda-i | 1,995 | 943 |
| Agro Tetangga-i | 55 | 55 |
| Basic Saving Account | 1 | 1 |
| | <u>34,209</u> | <u>24,793</u> |
| Fund For Food ("3F") | 631 | 588 |
| Food Production Credit Scheme ("SKPM") | 46 | 62 |
| Loan for Small and Medium Size Industries ("PKS") | 45 | 62 |
| Non-Food Production Credit Scheme ("SKPBM") | 14 | 15 |
| Others | 585 | 636 |
| | <u>35,530</u> | <u>26,156</u> |

Company No: 811810-U

23. ISLAMIC BANKING (cont'd)

(a) Income from financing (cont'd)

| | Unaudited 3-Month ended 2014 RM'000 | Unaudited 3-Month ended 2013 RM'000 |
|--|--|--|
| Special Fund for Terengganu Fishery ("DKSP") | 85 | 115 |
| Staff financing | 289 | 272 |
| Reimbursement of Special Relief Grant for Flood ("SRGF") | 24 | 28 |
| Other income | 702 | 42 |
| | <u>116,818</u> | <u>114,233</u> |
| Income from Islamic Banking | 116,818 | 114,233 |
| Of which: | | |
| Profit income earned on impaired financing and advances | <u>1,848</u> | <u>3,020</u> |

(b) Financing impairment charges

| | Unaudited 3-Month ended 2014 RM'000 | Unaudited 3-Month ended 2012 RM'000 |
|---|--|--|
| Financing and advances : | | |
| Allowance for the year | 7,880 | 11,360 |
| Amount written back upon recoveries and reversal of allowance | (9,263) | (8,367) |
| Individual impairment allowance - net | (1,383) | 2,993 |
| Collective impairment allowance | 23,502 | 17,362 |
| Bad debts and financing : | | |
| Recovered | (107) | (1,777) |
| | <u>22,012</u> | <u>18,578</u> |

Company No: 811810-U

23. ISLAMIC BANKING (cont'd)

(c) Cash and short term funds

| | Unaudited | Unaudited |
|---|------------------|--------------------|
| | As at | As at |
| | 31 March | 31 December |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Cash and bank balances | 182,022 | 136,251 |
| Short term deposits maturing within three months: | | |
| Licensed finance companies | 268,045 | 248,044 |
| Other financial institutions | 296,583 | 260,197 |
| | <u>746,650</u> | <u>644,492</u> |

(d) Deposits with financial institutions

| | Unaudited | Unaudited |
|------------------------------|------------------|--------------------|
| | As at | As at |
| | 31 March | 31 December |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Licensed bank | 2,147 | - |
| Other financial institutions | 57,223 | 60,000 |
| | <u>59,370</u> | <u>60,000</u> |

Company No: 811810-U

23. ISLAMIC BANKING (cont'd)

(e) Investment securities

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|---|--|---|
| Debt Securities | | |
| AFS - at fair value | | |
| Corporate Bonds | 1,883,957 | 1,785,079 |
| Malaysian Government Securities | 1,069,800 | 898,174 |
| | <u>2,953,757</u> | <u>2,683,253</u> |
| HTM - at amortised cost | | |
| Corporate Bonds | 18,122 | 17,959 |
| Malaysian Government Securities | 151,172 | 161,283 |
| | <u>169,294</u> | <u>179,242</u> |
| Net | <u><u>3,123,051</u></u> | <u><u>2,862,495</u></u> |
| Maturity structure for investments | | |
| HTM is as follows: | | |
| Maturity within six months | - | 10,006 |
| Between six months to one year | - | - |
| Between one year to three years | 119,264 | 119,205 |
| Between three years to five years | 50,030 | 50,031 |
| | <u>169,294</u> | <u>179,242</u> |

23. ISLAMIC BANKING (cont'd)**(f) Financing and advances**

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|--|--|---|
| Agrocash | 5,003,631 | 4,975,710 |
| BBA Project and Vehicle | 2,192,744 | 2,009,299 |
| Fund For Food ("3F") | 1,123,944 | 1,057,730 |
| Ar-Rahnu | 198,659 | 247,196 |
| Fishery Boat Financing Scheme ("SPBP") | 59,834 | 64,809 |
| MUST-i | 240,848 | 229,359 |
| Oil Palm Replanting Scheme ("TASK") | 18,939 | 20,991 |
| MAP and MPPB Financing | 84,947 | 86,614 |
| Financing for Small and Medium Size Industries ("PKS") | 52,739 | 55,106 |
| Non-Food Production Credit Scheme ("SKPBM") | 73,452 | 77,182 |
| Food Production Credit Scheme ("SKPM") | 9,642 | 10,244 |
| Belia Tani Scheme | 8,956 | 9,326 |
| Entrepreneur Scheme for Graduates ("SUTKS - Financing") | 880 | 958 |
| Special Fund For Terengganu Fishery ("DKSP") | 596 | 664 |
| Fund For Small and Medium Size Industries ("TIKS") | 2,264 | 2,262 |
| Modal Pusingan-i | 109,083 | 100,958 |
| Paddy Credit Scheme | 49,589 | 53,248 |
| Micro ESP | 30,033 | 38,979 |
| NKEA | 45,206 | 43,091 |
| Trade Finance | 70,027 | 17,617 |
| Insani | 6,711 | 183 |
| | 9,382,724 | 9,101,526 |
| Less: Unearned profit | (3,454,705) | (3,334,956) |
| | 5,928,019 | 5,766,570 |
| Staff financing and advances | 44,795 | 43,426 |
| | 5,972,814 | 5,809,996 |
| Less: | | |
| Individual impairment allowance | (171,592) | (172,019) |
| Collective impairment allowance | (267,401) | (239,066) |
| Net | 5,533,821 | 5,398,911 |

Company No: 811810-U

23. ISLAMIC BANKING (cont'd)

(f) Financing and advances (cont'd)

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|--|---|--|
| Maturity structure for financing is as follows: | | |
| Maturity within six months | 430,338 | 417,194 |
| Between six months to one year | 70,023 | 73,587 |
| Between one year to three years | 441,794 | 443,127 |
| Between three years to five years | 718,350 | 725,970 |
| More than five years | 4,267,514 | 4,106,692 |
| | <u>5,928,019</u> | <u>5,766,570</u> |

Movements in impaired gross loans, financing and advances are as follows:

| | Unaudited As at 31 March RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|---|--|---|
| At the beginning of the year | 446,192 | 578,495 |
| Additions during the period | 65,141 | 383,139 |
| Reclassified as non impaired during the period | (36,474) | (69,818) |
| Recoveries during the period | (15,760) | (170,864) |
| Reclassified to off balance sheet during the period | - | (23,782) |
| Amount written off | (445) | (250,978) |
| At the end of period | <u>458,654</u> | <u>446,192</u> |

Company No: 811810-U

23. ISLAMIC BANKING (cont'd)

(f) Financing and advances (cont'd)

Impaired gross loans, financing and advances analysed by sectors and regions are as follows:

| | Unaudited As at 31 March RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|-------------------------------------|--|---|
| Sector: | | |
| Support | 100,998 | 96,333 |
| Crops | 176,288 | 176,397 |
| Livestock | 99,422 | 95,795 |
| Fishery | 70,422 | 67,393 |
| Forestry | 986 | 904 |
| Other Agricultural based processing | 10,538 | 9,370 |
| | <u>458,654</u> | <u>446,192</u> |
| Region: | | |
| Kuala Lumpur | 83,421 | 84,257 |
| Selangor | 64,078 | 64,902 |
| Pahang | 66,504 | 63,957 |
| Perak | 33,067 | 30,988 |
| Negeri Sembilan/Melaka | 35,972 | 35,129 |
| Johor | 31,611 | 32,003 |
| Kelantan | 27,041 | 23,378 |
| Kedah/Perlis | 51,934 | 51,763 |
| Sarawak | 13,794 | 15,939 |
| Sabah | 27,224 | 23,320 |
| Pulau Pinang | 14,479 | 11,682 |
| Terengganu | 9,529 | 8,874 |
| | <u>458,654</u> | <u>446,192</u> |

23. ISLAMIC BANKING (cont'd)**(g) Deposits from customers**

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|--|--|---|
| <u>Mudharabah</u> | | |
| Al-Mudharabah savings | 248,486 | 249,235 |
| Al-Mudharabah general deposits | 1,159,900 | 1,026,102 |
| Agro Perdana-i | 2,700,558 | 1,498,293 |
| Patriot savings | - | 1,158,246 |
| Deposit securities | 105,379 | 106,329 |
| Basic Saving Account | 867 | 749 |
| | <hr/> | <hr/> |
| | 4,215,190 | 4,038,954 |
| <u>Non-Mudharabah</u> | | |
| Fixed Return Investment Account- i (FRIA-i) | 2,189,739 | 1,807,140 |
| Al-Wadiah savings | 65,062 | 66,123 |
| | <hr/> | <hr/> |
| | 6,469,991 | 5,912,217 |
| | <hr/> | <hr/> |
| Maturity structure for Al-Mudharabah general deposits and Fixed Return Investment Account- i is as follows: | | |
| Within six months | 1,387,710 | 1,296,003 |
| Between six months to one year | 1,882,290 | 1,463,515 |
| Between one year to three years | 15,969 | 13,696 |
| Between three years to five years | 63,670 | 60,028 |
| | <hr/> | <hr/> |
| | 3,349,639 | 2,833,242 |
| | <hr/> | <hr/> |

The deposits are sourced from the following types of customers :

| | Unaudited As at 31 March RM'000 | Unaudited As at 31 Dec 2013 RM'000 |
|-----------------------------------|--|---|
| Government | 2,938,959 | 2,632,069 |
| Individuals | 2,220,213 | 2,140,992 |
| Domestic Business Enterprises | 416,094 | 426,854 |
| Domestic Other Entities | 871,430 | 690,009 |
| Domestic Non-Banking Institutions | 23,295 | 22,293 |
| | <hr/> | <hr/> |
| | 6,469,991 | 5,912,217 |
| | <hr/> | <hr/> |

23. ISLAMIC BANKING (cont'd)

(h) Government borrowings and financing scheme funds

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|---|--|---|
| Fund For Food ("3F") | 1,047,724 | 1,003,316 |
| Oil Palm Replanting Scheme ("TASKS") | 13,000 | 13,000 |
| Food Production Credit Scheme ("SKPM") | 74,969 | 74,923 |
| Fishery Boat Financing Scheme ("SPBP") | 140,000 | 140,000 |
| Entrepreneur Scheme for Graduates ("SUTKS-Financing") | 6,019 | 6,015 |
| Non-Food Production Credit Scheme ("SKPBM") | 22,608 | 22,594 |
| Financing for Small and Medium Size Industries ("PKS") | 73,093 | 73,048 |
| MPPB Funds | 51,166 | 51,134 |
| Paddy Credit Scheme | 76,748 | 76,701 |
| Micro Enterprise Fund | 89,522 | 94,616 |
| | <u>1,594,849</u> | <u>1,555,347</u> |

(i) Government Grant - Funds

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|---|--|---|
| Development Programme for Hard-core Poor ("PPRT") | 2,560 | 2,560 |
| Entrepreneur Scheme for Graduates ("SUTKS") | 1,330 | 1,358 |
| Special Fund for Terengganu Fishery ("DKSP") | 447 | 587 |
| Fund for Ministry Youth and Sports ("DKBS") | 7,369 | 11,689 |
| Bumiputera Commercial and Industrial Community Scheme HUB ("MPPB HUB") | 40,000 | 40,000 |
| National Key Economic Area ("NKEA") | 53,264 | 53,832 |
| Micro Economic Stimulation Package ("Micro - ESP") | 149,081 | 147,474 |
| | <u>254,051</u> | <u>257,500</u> |

23. ISLAMIC BANKING (cont'd)

(j) Islamic Banking Fund

| | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|---|--|---|
| Retained earnings | 549,030 | 529,162 |
| General reserve | 849,742 | 849,742 |
| Reimbursement to conventional system | (289,549) | (209,954) |
| Investment revaluation reserve | (62,633) | (55,481) |
| | <u>1,046,590</u> | <u>1,113,469</u> |
| Retained earnings | | |
| At beginning of the year | 529,162 | 506,190 |
| Profit after zakat | 19,868 | 31,972 |
| Dividend paid | - | (9,000) |
| At end of the period | <u>549,030</u> | <u>529,162</u> |
| Reimbursement to conventional system | | |
| At beginning of the year | (209,954) | (54,460) |
| Net reimbursement to | (79,595) | (155,494) |
| At end of the period | <u>(289,549)</u> | <u>(209,954)</u> |
| Investment revaluation reserve | | |
| At beginning of the year | (55,481) | 9,729 |
| Retained profit AFS | (595) | - |
| Other comprehensive loss for the period | (6,557) | (65,210) |
| At end of the period | <u>(62,633)</u> | <u>(55,481)</u> |

23. ISLAMIC BANKING (cont'd)

| (k) Capital adequacy | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|-----------------------------|--|---|
| Core capital ratio | 15.69 | 16.28 |
| Risk-weighted capital ratio | <u>21.94</u> | <u>22.61</u> |

| Components of Tier I and Tier II Capital | Unaudited As at 31 March 2014 RM'000 | Unaudited As at 31 December 2013 RM'000 |
|--|--|---|
| <u>Tier I Capital</u> | | |
| General reserve | 849,742 | 849,742 |
| Reimbursement to conventional system | (289,549) | (209,954) |
| Retained earnings | 529,162 | 529,162 |
| Less : Deferred tax assets | <u>(50,348)</u> | <u>(67,981)</u> |
| <u>Total Tier I Capital</u> | <u>1,089,355</u> | <u>1,100,969</u> |
| <u>Tier II Capital</u> | | |
| Collective impairment allowance* | 129,626 | 117,813 |
| Government grant | 49,956 | 52,671 |
| Government grant - funds | <u>254,051</u> | <u>257,500</u> |
| <u>Total Tier II Capital</u> | <u>433,633</u> | <u>427,984</u> |
| <u>Total Capital Base</u> | <u>1,522,988</u> | <u>1,528,953</u> |

* The eligible amount for Tier II capital is limited to only collective impairment allowance on non-impaired loans, advances and financing.

Company No: 811810-U

23. ISLAMIC BANKING (cont'd)

(k) Capital adequacy (cont'd)

The breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

| | Notional RM'000 | Risk- weighted RM'000 |
|--|----------------------------|--------------------------------------|
| 0% | 2,324,443 | - |
| 10% | - | - |
| 20% | 879,252 | 174,479 |
| 50% | 30,685 | 15,342 |
| 100% | 6,571,130 | 6,571,130 |
| Off balance sheet risk-weighted assets | - | 180,194 |
| Total risk-weighted assets as of 31 March 2014 | 9,805,510 | 6,941,145 |
| 0% | 2,002,352 | - |
| 10% | - | - |
| 20% | 828,041 | 165,608 |
| 50% | 29,296 | 14,648 |
| 100% | 6,460,281 | 6,460,281 |
| Off balance sheet risk-weighted assets | - | 122,803 |
| Total risk-weighted assets as of 31 December 2013 | 9,319,970 | 6,763,340 |