



ANNUAL REPORT 2013

NURTURING
AGRICULTURE FOR
TOMORROW'S
NEEDS







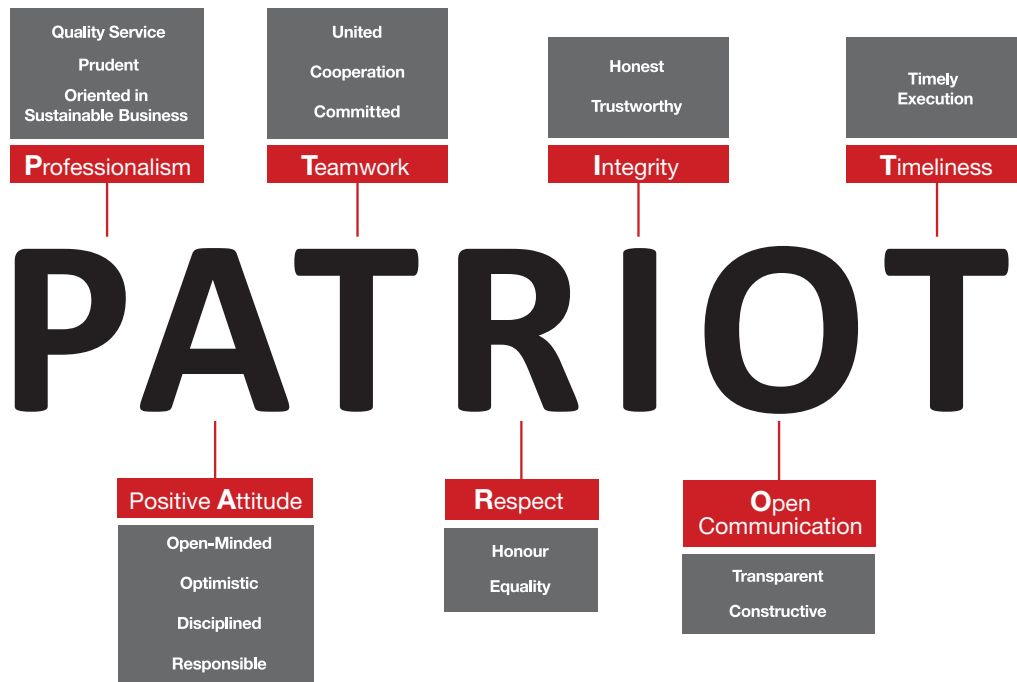
COVER RATIONALE

The cover design conveys the message of Agrobank's key intent in augmenting the agriculture sector. It aims to portray the bank's stance in offering a hand to grow businesses and nurture development within the sector in whatever way it deems fit.

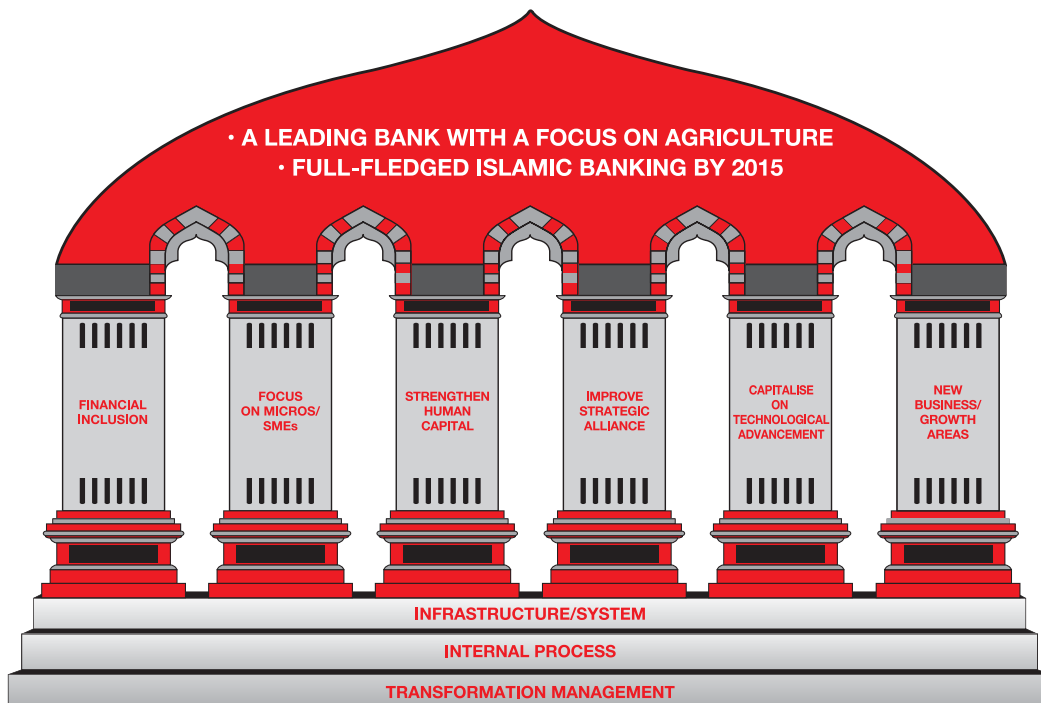
Agrobank is committed to be a strategic partner to strengthen the growth of the agriculture sector in the country.

Core Values / Our Goals

Core Values



Our Goals



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WHO WE ARE

“He has produced you
from the earth and
settled you in it”

Surah Hud: 61

WHO WE ARE Agrobank's Inception

The establishment of Bank Pertanian Malaysia (BPM) in 1969 was in line with the government's move to carry out irrigation projects to accommodate double cropping for paddy planting in the states of Kedah and Perlis; known as the Muda Agricultural Development Authority (MADA) area. With the establishment of BPM to provide credit assistance to farmers, two branches were opened; the first in Alor Setar, Kedah in April 1970; and followed by Kota Bharu in Kelantan. By 1980, BPM emerged as the largest credit services provider to the rural agriculture sector.

BPM was incorporated under the Companies Act 1965 and upon the passing of the Bank Pertanian Malaysia Bill 2007 on 19 December 2007, it was then commercially known as Agrobank. The Bank Pertanian Malaysia Berhad Act was gazetted on 24 January 2008.

Agrobank is a Government-owned Bank (GLC) under the purview of the Ministry of Finance Incorporated. Focusing on the agriculture sector, the Bank's financing operations are driven by a policy set forth by the Ministry of Agriculture and Agro-Based Industry (MOA). Agrobank today operates through 187 branches throughout Malaysia, and employs over 3,400 employees.



Vision, Mission and Objectives

VISION

To be a leading bank with a focus on agriculture.

MISSION

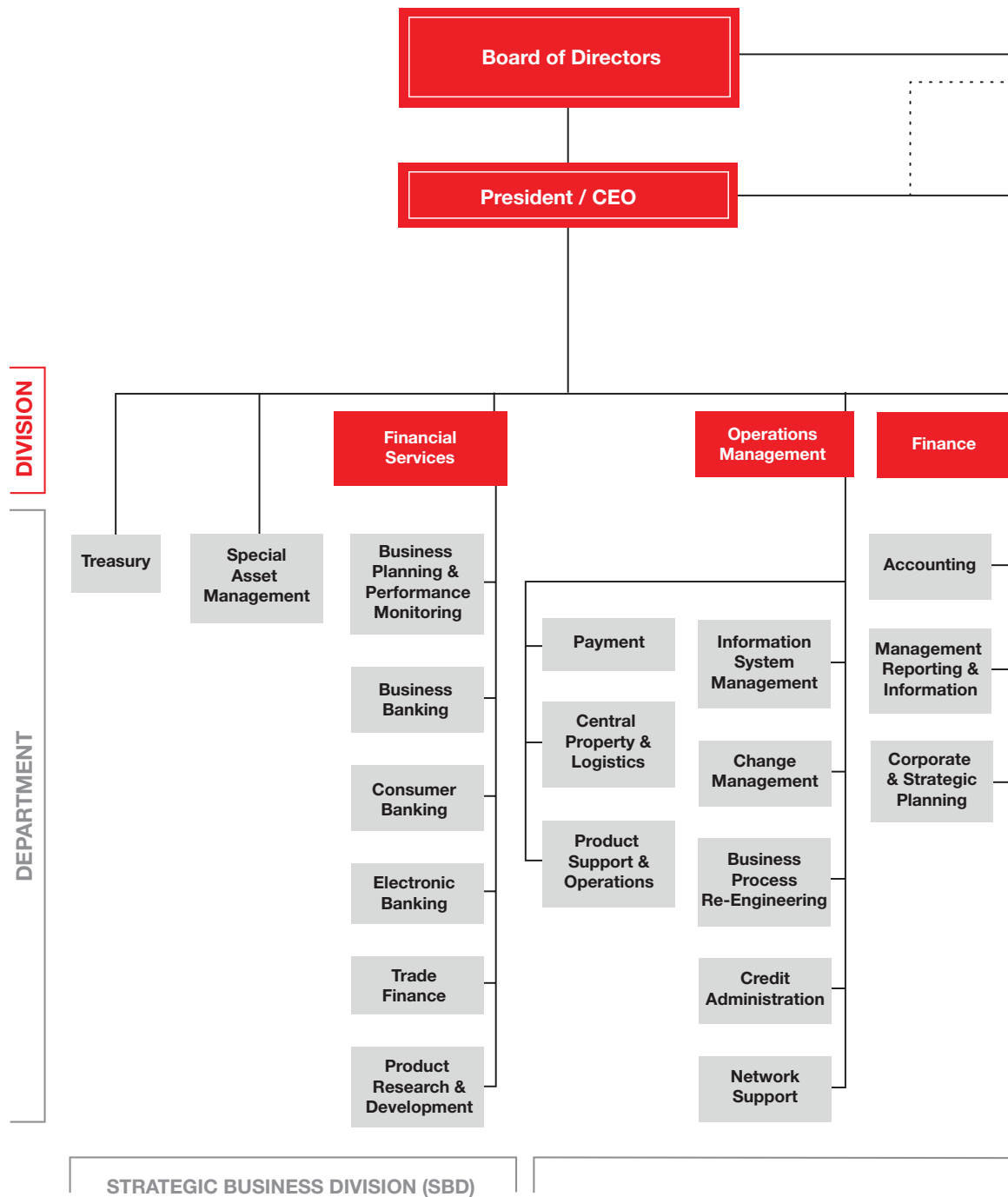
To provide market and client-driven financial services in a financially sustainable way with specific target groups such as:

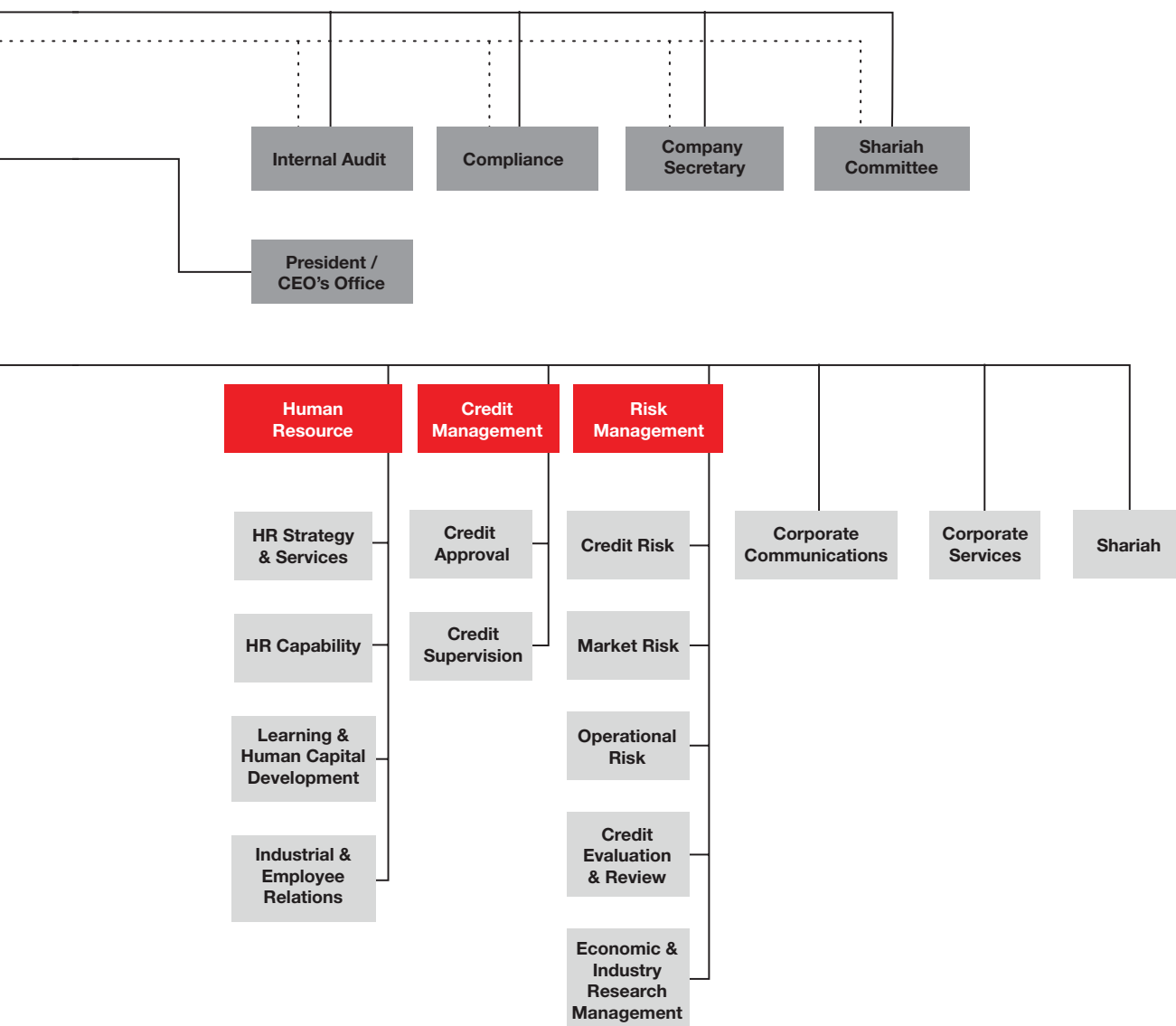
- Agropreneurs
- Micro, small and medium entrepreneurs
- Private individuals

OBJECTIVES

- To promote Malaysia's sound agricultural development;
- To co-ordinate and supervise the grant of credit from public funds for agricultural purposes by the various persons or bodies of persons whether incorporate or unincorporate;
- To provide financing, advances, and other credit facilities for the development of the agriculture sector and agriculture related business;
- To mobilise savings with particular regard to the agricultural sector and in furtherance of this object to accept savings and time deposits;
- To uplift the well-being of the agricultural community; and,
- To carry on the general business of a modern and progressive financial services institution catering for the total financial needs of its customers.

Organisation Structure





STRATEGIC SUPPORT DIVISION (SSD)



The background of the entire page is a photograph of a long bridge spanning a body of water. In the distance, a rainbow is visible in the sky, which is filled with soft, white clouds. Two large ships are positioned on the water near the bridge. The overall scene is peaceful and expansive.

AT A GLANCE

“And whoever fears Allah -
He will make for him a way out,
and will provide for him from
where he does not expect.”

Surah Al-Talaq: 2-3

AT A GLANCE Financial Highlights

	2013	2012 Restated
PROFITABILITY (RM million)		
Operating revenue	889.1	1,057.5
Operating profit	338.3	410.0
Profit before tax and zakat	319.3	355.4
KEY STATEMENT OF FINANCIAL POSITION ITEMS (RM million)		
Total assets	11,138.7	11,461.4
Loans, financing and advances (gross)	6,393.3	6,493.1
Total liabilities	8,789.3	9,136.1
Deposits from customers	6,594.6	6,863.2
Shareholders' equity	2,349.4	2,325.3
FINANCIAL RATIO (%)		
Profitability Ratios		
Return on equity (before tax)	13.6	15.3
Return on average assets (before tax)	2.9	3.1
Capital Adequacy Ratios		
Before deducting proposed dividends		
Core capital ratio	28.2	26.3
Risk-weighted capital ratio	34.0	31.9
Asset Quality Ratio		
Gross impaired financing ratio	9.9	12.4

Five-Year Financial Summary

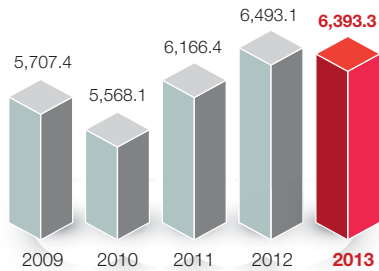
Year ended 31 December

	2013	2012 Restated	2011 Restated	2010	2009
PROFITABILITY (RM million)					
Operating profit	338.3	410.0	305.3	449.4	355.1
Profit before tax and zakat	319.3	355.4	376.6	376.8	182.0
KEY STATEMENT OF FINANCIAL POSITION ITEMS (RM million)					
Total assets	11,138.7	11,461.4	12,111.1	10,570.4	9,077.5
Loans, financing and advances (gross)	6,393.3	6,493.1	6,166.4	5,568.1	5,707.4
Total liabilities	8,789.3	9,136.1	9,943.0	8,683.2	7,753.8
Deposits from customers	6,594.6	6,863.2	7,546.5	6,452.8	5,967.4
Paid-up capital	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Shareholders' equity	2,349.4	2,325.3	2,168.1	1,887.3	1,323.7
Commitments and contingencies	660.3	859.0	418.2	395.5	25.9
FINANCIAL RATIO (%)					
Profitability Ratios					
Return on equity (before tax)	13.6	15.3	17.4	20.0	12.6
Return on average assets (before tax)	2.9	3.1	3.1	3.6	2.0
Cost to income ratio	50.0	45.4	44.1	38.2	43.2
Asset Quality Ratio					
Financing to deposit ratio	79.2	76.5	63.2	68.7	77.7
Gross impaired financing ratio	9.9	12.4	13.8	22.1	11.9
Financing loss coverage	85.3	77.5	78.3	62.0	63.4
Capital Adequacy Ratios					
Before deducting proposed dividends					
Core capital ratio	28.2	26.3	21.9	17.8	17.9
Risk-weighted capital ratio	34.0	31.9	28.2	20.0	21.8
Capital base (RM million)	2,608.4	2,432.8	2,237.1	1,518.5	1,607.3
Tier 1 capital (RM million)	2,163.2	2,003.5	1,738.0	1,347.1	1,323.7
Tier 2 capital (RM million)	445.2	429.3	499.1	171.4	283.6
PRODUCTIVITY RATIOS					
No. of employees	3,488	3,488	3,181	2,954	3,026
Gross financing per employee (RM million)	1.8	1.9	1.9	1.9	1.9
Deposits per employee (RM million)	1.9	2.0	2.4	2.2	2.0
Profit before tax per employee (RM million)	0.1	0.1	0.1	0.1	0.1

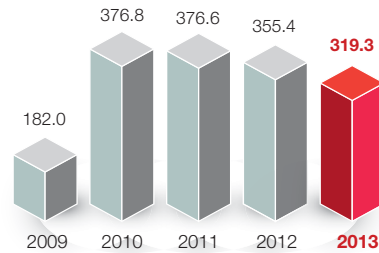
Five-Year Financial Summary

Year ended 31 December

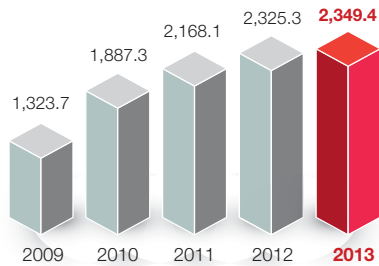
Loans, Financing and Advances (RM million)



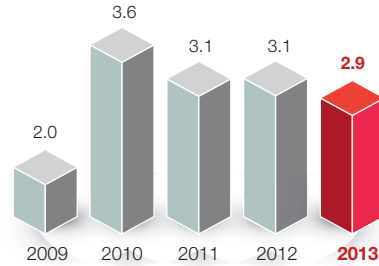
Profit Before Tax and Zakat (RM million)



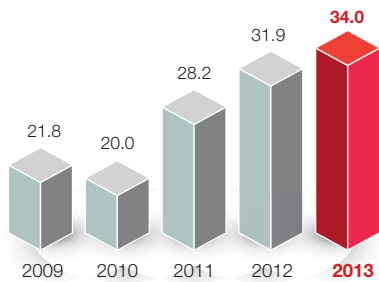
Shareholders' Equity (RM million)



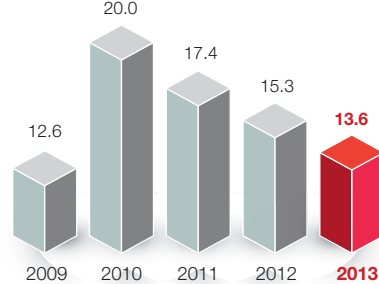
Return on Average Assets (%)



Risk-Weighted Capital Ratio (%)



Return of Equity (%)



187

**Branches
nationwide**

3,488

**Agrobankers
nationwide**

1.99

**Million customers
nationwide**

MAEF-i

MACHINERY AND EQUIPMENT FINANCING

- High margin of financing
- Longer payment period
- Competitive profit rates
- Tailored to customers' financing needs

Rate
as low as
4.7%*

LAND OWNERS

MACHINERY OR EQUIPMENT OPERATORS

OTHERS (e.g. Production, Processing and Marketing)

FARMERS

Visuals are for illustration purposes only. All information is correct at the time of printing. For further information, please visit www.agrobank.com.my
* Profit Rate calculation is based on the Fixed Rate (Flat Rate) per annum. Subject to terms and conditions.

Contact Centre : **1-300-88-2476**

 www.facebook.com/Agrobank  [agrobank_Msia](https://twitter.com/agrobank_Msia)



www.agrobank.com.my

BANK PERTANIAN MALAYSIA BERHAD (811810-U)





OUR PERSPECTIVE

“Convey (knowledge) from me
even if it is one sentence”

Sahih Bukhari

OUR PERSPECTIVE
Chairman's Statement



On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report for Agrobank for the financial year ending 31 December 2013.

2013 ECONOMIC & BANKING SECTOR LANDSCAPE

The global economy in 2013 was estimated to expand at a modest pace of 3.0% amid weaker growth in the advanced economies. The weak growth weighed heavily on global demand, hurting external demand for local exports. Growth in emerging economies was also affected by policy measures introduced to manage domestic vulnerabilities.

The Malaysian economy expanded by 4.7% in 2013 (2012:5.6%) driven by domestic demand. Despite weaker external environment in the first half of the year, domestic demand remained resilient throughout the year led by robust private sector activity. The moderate growth performance was attributed to the poor external markets, poor exports, slower growth in regional economies and lower prices of the country's key commodities.

The agricultural sector growth at 2.1% (2012:1.0%) was attributed mostly by higher CPO output due to better yield amid favourable weather conditions. Production of food commodities – livestock, vegetables and fisheries – was higher as a result of efforts to increase food security as well as efforts to improve agrofood and aquaculture industries.

Inflation rate remained modest at 2.1% in 2013 (2012:1.6%) with rates moving upwards towards year-end due to rising cost brought about by reduction in subsidies such as petrol and sugar. The OPR was kept at 3% in 2013 based on global economic and financial weaknesses and volatility in international financial markets.

Financing continued to support domestic economic activities with financing being sustained through private consumption and investment activity. Financing growth for businesses was at 10.6% (2012:10.4%) due largely from securities and residential property. Financing growth for primary agriculture was at 10.9% (2012:30.4%) due primarily to oil palm sector. However, the growth rate of outstanding financing for personal finances moderated to 4.6% in 2013 (2012:9.1%) as a result of pre-emptive

“Financing approvals amounted to RM2.98 billion in 2013, reflecting improved financing from the business banking segment with greater emphasis on the mandated segment.”

measures introduced by BNM in July 2013 to reinforce responsible lending. Industry NPL ratio declined to 1.85% at year end.

2014 Outlook and Moving Forward

Growth in 2014 is expected to be modest with uneven economic recovery in advanced economies. There is still high uncertainties in the global financial markets and volatile capital flows. However, faced with external challenges, the Malaysian economy is expected to remain on a steady growth path in 2014, and is projected to expand between 4.5%-5.5% to be supported by improved performance in the external sector due to recovery in advanced economies.

Domestic demand is expected to remain the key driver of growth. Factors driving growth will be from private investment which is forecasted to register robust growth driven by on-going implementation of mega projects (infrastructure) and improvement in external demand. Household spending is expected to moderate based on rising inflation which is projected to average between 3%-4% in 2014.

There is expectation of a possible hike in OPR of 25 basis points to 3.25% in the second half of 2014 which may lead to higher lending cost. Key drivers to overall growth is expected from the services and manufacturing sector with growth in the agriculture sector expected at 3.8%. The National Agrofood Policy 2011-2012 (Dasar Agromakanan Negara) and National Commodities Policy 2011-2020 (Dasar Komoditi Negara), Economic Transformation Programme's (ETP's) National Key Economic Areas (NKEAs) and EPPs (Entry Point Projects) will provide opportunities for financing of agriculture projects throughout the value chain.

* Source: BNM 2013 Annual Report



PERFORMANCE

Since its inception in 1969, and corporatisation exercise in April 2008, Agrobank has remained focused in carrying out its developmental role in serving the agriculture community through the provision of financing facilities whilst being sustainable. Towards this end and throughout the year 2013, the Bank has continued its close relationship with its stakeholders, the Ministry of Agriculture and Agro-Based Industry (MOA), Ministry of Finance and Bank Negara Malaysia in ensuring its objectives are met especially towards the rural agricultural community. In line with its objectives, and for greater financial inclusion, the Bank's presence in 2013 was further strengthened to 187 touch points with the establishment of 5 new branches.

The year 2013 was indeed challenging for Agrobank in terms of balancing risks and provision of financing to target groups amid competition from domestic financial institutions. More emphasis was placed on implementing rigorous credit evaluation standards during the year and on strengthening credit processes and procedures in an effort to improve financing quality and sustainability.

Amid the challenges, Agrobank was able to register a net profit before tax and zakat of RM319.31 million for the year 2013. Financing approvals amounted to RM2.98 billion in 2013, reflecting improved financing from the business banking segment with greater emphasis on the mandated segment. Improvement in loan quality was reflected in the lower net financing impairment ratio from 9.53% in 2012 to 6.49% in 2013. Shareholder's fund amounted to RM2,349.39 million, registering a 1% increase over the previous year.

In line with the development of the agriculture sector and the National Agrofood Policy (NAP) which is projected to grow at an average rate of 3.7% and 4.7% respectively during the NAP period 2011-2020, the Bank was able to further expand its mandated role to 74% in 2013 via financing to primary agriculture activities and activities throughout the agriculture value chain. Agrobank's strength lies in its contribution to the food sector accounting for 31.7% of total agriculture financing portfolio relative to the banking system in 2013. Emphasis was also given to the new growth areas under the agriculture NKEA/EPP programmes.

The six key strategic drivers (*financial inclusion, focus on micro/small and medium enterprises (SMEs), strengthen human capital, improve strategic alliances, capitalise on technological enhancement, new business/growth areas and Islamic Banking*) developed under the Bank's Five Year Strategic Plan 2012-2016, continued to provide the framework in the pursuit of the Bank's vision of being a leading bank with a focus on agriculture. One of the objectives rapidly being realised is to be a full-fledged Islamic Bank by 2015. As at year-end 2013, more than 90% of total gross financing portfolio was Shariah compliant. Heightened awareness through training and information of Islamic culture was implemented throughout the year in preparation of full-fledged Islamic banking status.

The Bank continued expanding its outreach especially to the rural areas via expanding utilisation of its electronic banking platform through its Retail Internet Banking Service (AGRONet), promoting affordable savings, credit, remittance, insurance services and mobile banking activities. Strategic alliances with MOA agencies were forged during the year with the signing of Memorandums of Understanding (MOUs) with six agencies; FAMA, MARDI, Department of Fisheries, Department of Veterinary Services, TEKUN and NAFAS under the development agenda for agriculture and to better serve the Bank's core clients of micro and SMEs. These initiatives are in line with the key strategic drivers to develop agriculture related businesses.

In line with the Bank's developmental role, advisory services were provided to selected entrepreneurs under the Agropreneur Development Program (ADP) involving 343 participants through a series of fifteen (15) training programmes conducted during the year. Towards this end, the Bank will continue to work with the various agriculture agencies in identifying the right target group.

Agrobank has also recognised the importance of corporate social responsibility towards the rural community, and the marginalised. Various initiatives were implemented during the year in the form of contributions, donations, zakat and other social activities which have become an essential part of Agrobank's role in fostering closer relationships with the targeted community.

"The Bank was able to further expand its mandated role to 74% in 2013 via financing to primary agriculture activities and activities throughout the agriculture value chain."

Moving forward, Agrobank will remain resolute in achieving its vision of being the leading bank with a focus on agriculture, and roadmap towards being a full-fledged Islamic Bank by 2015. The Bank will continuously improve its products and services to meet the needs of discerning customers and introduce new ones to remain competitive. The Bank will continue its transformation exercise for greater efficiency through reengineering its processes in support of MOA in agriculture related policies (NAP) for greater self-sufficiency and food security. Last but not least, the Bank will remain close to

its stakeholders in balancing its developmental role and sustaining its growth momentum towards the country's vision of being a fully developed nation by 2020.

I wish to thank my fellow Board Members for their support, contribution and commitment in serving their duties professionally and with dedication in the past one year. Their commitment and guidance is invaluable and much needed in the coming year to steer the Bank towards achieving its goals.



On behalf of the Board of Directors, I once again, express our heartfelt gratitude to the Ministry of Agriculture and Agro-Based Industry, Ministry of Finance, Bank Negara Malaysia, other related ministries and agencies, partners, customers and other stakeholders for their unceasing support and guidance. I also wish to thank the Management and staff for their firm commitment in ensuring the Bank's mandated role is achieved.

We hope that the relationship among stakeholders continue to strengthen as only with the co-operation and support from all can we shoulder our responsibilities as the DFI mandated to develop the country's agriculture sector.



TAN SRI FAIZAH MOHD TAHIR

Chairman

President / CEO's Statement



Dear Shareholders,
“What regresses, never progresses.”
– Umar Al Khattab

Ever since I joined Agrobank two and a half years ago, our focus remains the same; to chart our business plan in providing services especially for the rural communities and increase their livelihood by channeling the funds required for the progress of the agriculture industry. By staying true to our mandated role in assisting agropreneurs and the Government in achieving their objectives, Agrobank is very much committed and driven by a policy set forth by the Ministry of Agriculture and Agro-Based Industry (MOA).

I strongly believe that the Bank is on the right track of being the leading bank with a focus on agriculture with the mission to provide a full range of financial services in a market and client-driven, financially sustainable way for agropreneurs, micro, small and medium entrepreneurs and private individuals. We have managed to increase the Bank's mandated financing activities to over 70% by expanding and redefining our mandate to include upstream and downstream production. As a DFI, our mandated role refers to activities relating to agriculture production, processing and marketing throughout the value chain (upstream and downstream activities) as well as uplifting the general well being of the agricultural community targeting entrepreneurs comprising small and medium scale enterprises.

The year 2013 was challenging for the Bank as we witnessed a 2.1% growth in agricultural sector GDP from 1.0% the year before. The minimal growth was due to factors such as extreme weather conditions, weaker commodity prices and food crop diseases. Nevertheless, the agricultural sector GDP is projected to grow to

“We have managed to increase the Bank's mandated lending activities to over 70% by expanding and redefining our mandate to include upstream and downstream production.”

3.0% in the year 2014 which is to be supported by higher production of palm oil and rubber accompanied by rising output from the food sector attributed to the Government's Entry Point Project (EPP) initiatives under the National Key Economic Areas (NKEA).

As we continue the path to offer financial support to the agricultural sector, Agrobank has participated in various programmes launched by Government agencies led by MOA in 2013. Amongst others, there are the Green Lane Policy, a programme which is targeted to acknowledge the contribution of competitive and innovative local SMEs under the 10th Malaysia Plan; EPP 8 (Food Park/ Incubator) programme with the objective of creating an integrated facility for producing ready-to-eat packed food by small and medium enterprise (SMEs), and Skim Masyarakat Perdagangan & Perindustrian Bumiputera (MPPB – HUB) where low-cost working capital financing is to provide financing to the Bumiputera entrepreneurs involved in the agricultural sector value chain.

The Bank's gross financing balance was recorded at RM6.39 billion, contributed by RM3.25 billion or 50.8% commercial/corporate financing and RM3.14 billion or 49.2% from consumer financing. The financing for the mandated role has increased from RM4.47 billion or 69% from total financing in FY2012 to RM4.71 billion or 74% from total financing in FY2013. Based on financing by size, in terms of total number of accounts, the Bank

“Islamic financing activities registered strong performance whereby Islamic Banking profit before tax and zakat came in at RM53.7 million.”

has recorded 94% of financing for small entrepreneurs with the amount of financing below RM100,000 each. Out of total financing balance of RM6.39 billion as at 31 December 2013, 51% constitutes financing size less than RM100,000 each. Concurrently, the Bank registered an operating profit of RM338.3 million and profit before tax and zakat of RM319.3 million.

In line with the Bank's objective in moving towards full-fledged Islamic Banking by 2015, the Islamic financing activities registered strong performance whereby Islamic Banking profit before tax and zakat came in at RM53.7 million. Gross Islamic financing portfolio expanded to reach RM5.81 billion as of 31 December 2013, spurred by strong growth in business and consumer financing.

Due to particular emphasis on credit evaluation standards, the quality of financing assets has improved, with the gross impaired financing ratios reducing to 9.9% as at 31 December 2013.

BECOMING A FULL - FLEDGED ISLAMIC BANK (FFIB)

In order to ensure a smooth transition towards being a full-fledged Islamic bank by 2015, the Bank has formed a dedicated team to ensure that conventional banking operations are converted into Islamic banking operations. With this FFIB team, the purpose of streamlining the implementation process was institutionalised so that any issues with respect to the conversion can be handled diligently.

With this FFIB aspiration, the Bank acknowledges that Shariah principles are the foundation for the practice of Islamic finance through observance of its tenets, conditions and principles. In order to achieve this, the Bank has strengthened its governance process pursuant to the Shariah Governance Framework issued by Bank Negara Malaysia. Agrobank also has established its Shariah compliance and research functions where it consists of Shariah Risk, Shariah Review, Shariah Research and Shariah Audit on top of the additional function of Shariah Training and Secretariat.

A revised code of attire has taken effect from January 2014 as we are committed to portray an Islamic environment within the Bank. We had also strengthened our parameters on training, organising the Bank's activity and programme to mitigate any non-Shariah compliant occurrences. These moves would enable us to provide customers with a complete Shariah approach when the time comes.

WHAT'S NEW

Product branding was one of the initiatives taken to provide to the growing demand for well suited products in distributions, retail, and other businesses that are associated with agriculture. During the year under review, the Bank developed and introduced a suite of products namely, Machinery and Equipment Financing (MAEF-i) for purchase of fixed assets in the manufacturing and production of agricultural products and also trade financing facilities.

Our transformation efforts are extended to every aspect of our business. Henceforth, in July 2013, we introduced Trade Financing products and services to the Bank's specific target groups, namely agropreneurs, small and medium entrepreneurs and corporate customers. Bank Guarantee-i, Trade Working Capital Financing-i, Letter of Credit-i and Murabahah Trust Receipt are among the financing facilities provided and as at 31 December 2013, we managed to secure a total approval of RM303.2 million.

In the same year, the Early Care and Monitoring Department (ECMD) was merged into the Special Asset Management Department (SAMD) for better control and monitoring of current and delinquent accounts. This department was instrumental in bringing significant income for the year which contributed directly to the Bank's bottom line.

On the Electronic Banking front, within a year, the AGRONet registered users have increased twofold to 28,102 users (2012:11,028 users) since its launch in 2012 with total transactions as at the end of December 2013 valued at RM72 million (2012:RM16.1 million).

CSR : ZAKAT AND DONATIONS

Being a responsible DFI is vital to our existence towards the nation, stakeholders, clients and communities throughout the country. Our Corporate Social Responsibility (CSR) efforts are embedded in our core values in the way we conduct our business, develop products and services, and deliver our goals and commitments to the masses.

Agrobank has successfully executed numerous CSR activities in 2013. These include the "Satu Hati, Titian Budi" campaign that was held in Sarawak in September. This campaign helped the management of Agrobank to engage with the communities through Hari Bertemu Pelanggan, visiting families whose houses were affected



by fire and donating to respective mosques in Sarawak. Channeling over RM35,000 in donations, Agrobank also presented the Zakat Perniagaan to the Pusat Pungutan Zakat Sarawak amounting to RM131,870.24 in total.

We have also worked with The Star newspaper by sponsoring the educational pull-out called The Star Newspaper in Education (The Star-NiE) which encourages primary school students to master the English language.

Looking back at our track record in giving Zakat contributions to the needy; 2013 was another significant year where we contributed RM1.83 million worth of Zakat Perniagaan donations nationwide. At the same time, Agrobank also initiated vehicle donations to

orphanages whereby a total of 5 vehicles were donated to Pertubuhan Kebajikan dan Penjagaan Nur Hidayah, Yayasan ADDIN, and YAATIM.

AWARD RECOGNITION

For the second consecutive year, Agrobank was once again honoured to be awarded the Brand Laureatte Award for Best Brand in Corporate Branding, Financial Services – Agriculture Banking for the year 2012 to 2013. We strongly believe that this award, given by the Asia Pacific Brands Foundation (APBF), proves that Agrobank's efforts in championing rural agricultural sectors are recognised regionally and internationally.

GRATITUDE

Entering 2014 will be an even more interesting year for the Bank where a wide array of Shariah compliant products and services will be launched to support the needs of our clients in various segments of the community and industry. We shall continue to expand our market presence and product portfolio in response to the needs of our customers. More programmes are in line with our efforts to provide financing towards the transformation of the agriculture industry into a modern and dynamic sector.

First and foremost, we would like to take this opportunity to express our gratitude to the stakeholders, including Ministry of Finance (MOF), Bank Negara Malaysia (BNM), Ministry of Agriculture and Agro-Based Industry

(MOA) and other regulatory and government bodies for their cooperation and support. Also, appreciation and thanks to our loyal customers for their trust in growing their businesses with us, to the Chairman and Board members for placing their faith in me as President/CEO of the Bank and not forgetting the Management team including all 3,488 Agrobank staff for their dedication and commitment. I believe in the capabilities of our employees in ensuring that the Bank is right on track to achieving greater heights.

Wassalam.



DATO' WAN MOHD FADZMI WAN OTHMAN

President/Chief Executive Officer



The background of the slide features a soft-focus photograph of several small, green seedlings with two leaves each, growing on a light-colored, textured surface. The seedlings are scattered across the frame, with one in the upper left, one in the lower left, one in the center, and one in the lower right. The overall lighting is bright and even, creating a clean and minimalist aesthetic.

OUR LEADERSHIP

One of the greatest pieces of advice given by the Prophet was: “The most beloved actions to Allah are those performed consistently, even if they are few.”

Sahih Bukhari

OUR LEADERSHIP
Board of Directors



The members of the Board of Directors from
the previous to the current report are:



From Left to Right:

- **NG CHIH KAYE** Independent Non-Executive Director • **DATUK DR. SAHARAN HAJI ANANG** Independent Non-Executive Director
- **DATO' WAN MOHD FADZMI WAN OTHMAN** President/Chief Executive Officer • **TAN SRI FAIZAH MOHD TAHIR** Independent Non-Executive Chairman
- **DATUK SERI CHE MOHD HASHIM ABDULLAH** Non-Independent Non-Executive Director • **RASHIDAH MOHD SIES** Non-Independent Non-Executive Director
- **DATUK JOHAR CHE MAT** Independent Non-Executive Director • **MD. HILMI DATUK HAJI MD. NOOR** Independent Non-Executive Director
- **DATO' SALEHUDDIN SAIDIN** Independent Non-Executive Director (*Appointed 3 May 2013*)
- **DATIN RUZAINA WAN HANIFF** Independent Non-Executive Director (*Resigned 28 February 2013*)

Directors' Profiles



TAN SRI FAIZAH MOHD TAHIR
Independent Non-Executive
Chairman

Tan Sri Faizah Mohd Tahir was appointed as an Independent Non-Executive Chairman of Agrobank on 5 August 2010. She is also Chairman of the Nominating Committee and General Purpose Committee of Agrobank.

She holds a Master's Degree (Economic Development) from Williams College, United States of America and a Bachelor Degree (Economics) from University of Malaya.

She began her career in the civil service as an Assistant Director at the Economic Planning Unit (EPU), Prime Minister's Department in 1973. She held several key positions such as the Principal Assistant Director of Fisheries and Livestock Development, EPU and the Distribution Section until 1994. She was later promoted as the Director of the Human Resources Section and the Industry and Commerce Section in the EPU. Prior to her retirement from the civil service in December 2009, she was the Secretary General in the Ministry of Women, Family and Community Development.

She is currently a member of the Boards of Goodyear Malaysia Berhad, Goodyear Marketing & Sales Sdn Bhd and Faith Acres Sdn Bhd.



DATUK SERI CHE MOHD HASHIM ABDULLAH
Non-Independent Non-Executive
Director

Datuk Seri Che Mohd Hashim Abdullah was appointed as a Non-Independent Non-Executive Director of Agrobank on 2 May 2011.

He holds a Master's Degree (Political Science) from University Kebangsaan Malaysia, a Bachelor Degree with Honours (Southeast Asian Studies) from University of Malaya and a Diploma (Public Administration) from the National Institute of Public Administration (INTAN).

Datuk Seri Che Mohd Hashim began his career in civil service in 1980. Among the positions he held were Senior Private Secretary to the Minister of Youth and Sports as well as Minister of Rural Development; Principal Assistant Secretary in the Planning and Valuation Division; Secretary of the Business Development Division in the Ministry of Entrepreneur and Cooperatives Development; and, Deputy Secretary General in the Ministry of Agriculture and Agro-based Industry. He is currently the Secretary General in the Ministry of Agriculture and Agro-based Industry.

Datuk Seri Che Mohd Hashim is also a member of the Board of Trustees at Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN), Board Member of the Fisheries Development Authority of Malaysia, Farmers' Advisory Council, Farmers' Organisation Authority (LPP) and Malaysian Cooperative Commission (SKM).



**DATO' WAN MOHD FADZMI
WAN OTHMAN**
President/Chief Executive Officer

Dato' Wan Mohd Fadzmi Wan Othman was appointed as the President/Chief Executive Officer of Agrobank on 1 July 2011. He also concurrently serves as the Chairman of the Management Committee, Management Credit Committee, Asset Liability Committee, Management Information Technology and Transformation Committee, Management Risk Committee and Human Resource Management Committee.

He holds a Bachelor Degree in Construction Economics from the Royal Melbourne Institute of Technology, Australia. He also attended the Advanced Management Program (AMP) at Wharton Business School, University of Pennsylvania, U.S.A.

Prior to joining Agrobank, he was the Director of Global Financial Banking to RHB Banking Group. He was also attached to Maybank Group for 22 years where he held several senior management positions including Country Head for Maybank's branches in London, New York and Hong Kong.

He is also a Board Member of the Farmers' Organisation Authority Malaysia (LPP).



RASHIDAH MOHD SIES
Non-Independent Non-Executive
Director

Rashidah Mohd Sies was appointed as a Non-Independent Non-Executive Director of Agrobank on 8 June 2010. She is also a member of the Board Audit Committee, Board Credit Committee, and Remuneration Committee of Agrobank.

She holds a Bachelor Degree (Finance in Business Administration) from Idaho State University and Master's Degree (Business Administration) from US International University, California as well as a Diploma (Public Administration) from Intan.

Having had extensive experience within the civil service, her career has propelled her to heights of significance. Rashidah has served with the Ministry of Finance, Investment Section in the capacity of managing Government loans, and later was involved in the privatisation of various agencies and departments under the Government. Rashidah was also involved in the restructuring of Bank Pembangunan Dan Infrastruktur Malaysia Berhad as well as Bank Industri Malaysia Berhad.

She currently serves as Principal Assistant Secretary in the Investment Division, Menteri Kewangan Diperbadankan (MKD) and Privatisation Division, Ministry of Finance Malaysia.



DATUK DR. SAHARAN HAJI ANANG

Independent Non-Executive Director

Datuk Dr. Saharan Haji Anang was appointed as an Independent Non-Executive Director of Agrobank on 9 June 2008. He is also Chairman of the Board Risk Management Committee and is a member of the Board Audit Committee, Board Credit Committee, Board Investment Committee, Nominating Committee and Board General Purpose Committee of Agrobank.

He obtained his PhD (Weed Science) from the University of London, England and Master's Degree (Agriculture Science) from the State Agriculture Development University, Ghent, Belgium, and Bachelor Degree (Agricultural Science) from University of Malaya.

He has held prominent positions locally and internationally in institutions such as: Malaysian Agricultural Research and Development Institute (MARDI), National Council for Scientific Research and Development (MPKSN), Food and Agriculture Organisation of The United Nations (FAO), Asia Pacific Developing Countries to Consultative Group of the International Agriculture Research (CGIAR), Asian Vegetable Research and Development Centre (AVRDC/AVNET), and Steering Committee for Integrated Rice Pest Control (IRRI/IPMNET).



DATUK JOHAR CHE MAT
Independent Non-Executive Director

Datuk Johar Che Mat was appointed as an Independent Non-Executive Director of Agrobank on 1 July 2010. He also serves as the Chairman of the Board Credit Committee and Remuneration Committee of Agrobank.

He is also a member of the Board Audit Committee, Board Risk Management Committee, Board Information Technology Committee, Board Investment Committee, and Nominating Committee.

He holds a Bachelor Degree in Economics.

Datuk Johar has vast experience in the banking industry spanning over 34 years and was a Board Member of Mayban Trustee Berhad, Maybank Islamic Berhad, Mayban Life Assurance Berhad, Maybank Takaful Berhad, Mayban Finance Berhad (Mayfin), Aseamlease Berhad, Aseam Credit Sdn Bhd and Mayban Allied Credit & Leasing Berhad. Datuk Johar was the former Chief Operating Officer of Maybank Berhad prior to his retirement in June 2010.

Datuk Johar is currently a Board Representative of Amanah Raya Berhad, overseeing the management of the company.



**MD. HILMI DATUK HAJI
MD. NOOR**
Independent Non-Executive
Director

Md. Hilmi Datuk Haji Md. Noor was appointed as an Independent Non-Executive Director on 1 March 2011.

He is the Chairman of the Board Audit Committee and Board Information Technology Committee. He is also a member of the Nominating Committee and Board Investment Committee. He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountants (ACCA).

Md. Hilmi has held several positions in various public listed and private companies. His work experience includes auditing, construction, wholesaling and retailing, property development, and privatisation of tolled highways, both locally and overseas.

He is currently the corporate advisor of a construction and trading company in the Middle East and was also the Financial Coordinator to a construction consortium in Malaysia involved with the privatisation of a Highway Project in India.



NG CHIH KAYE
Independent Non-Executive Director

Ng Chih Kaye was appointed as an Independent Non-Executive Director of Agrobank on 8 February 2011. He is also Chairman of the Board Investment Committee and is member of the Board Credit Committee, Board General Purpose Committee, Board Information Technology Committee, Board Risk Management Committee and Remuneration Committee.

He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountants (ACCA).

Mr. Ng Chih Kaye began his career at Blinkhorn, Lyon & Golding, Chartered Accountants, London and later at KPMG, Kuala Lumpur. He then served Maybank for 25 years with his last position as Executive Vice President and was a Board Member of Mayban Allied Credit & Leasing Berhad.

Mr. Ng Chih Kaye is also an Independent Non-Executive Director of CapitaMalls Malaysia REIT Management Sdn Bhd.



DATO' SALEHUDDIN SAIDIN
Independent Non-Executive
Director

Dato' Salehuddin Saidin was appointed as an Independent Non-Executive Director of Agrobank on 3 May 2013. He served as a member of the Board Risk Management Committee until 27 February 2014.

He holds a Degree in Law (Hons.) from University of Malaya, Kuala Lumpur. Dato' Salehuddin has vast knowledge and experience in legal matters; both in Government and the private sector.

Dato' Salehuddin began his career in 1987 as Federal Counsel for the Ministry of Defense until 1990. He is the Managing Director of Messrs. Salehuddin Saidin & Associates and also acts as an Advocate and Solicitor in areas of criminal, corporate, civil, litigation, conveyancing and Shariah.

HARTANI-i

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for the repayment through
Biro Perkhidmatan ANGKASA (BPA)



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BANK PERTANIAN MALAYSIA BERHAD (811810-U)

Shariah Committee



In 2013, Agrobank accepted the appointment of two new members to its Shariah Committee (SC). The list of Agrobank's Shariah Committee Members until December 2013 is as follows:



From Left to Right:

- **DR. MOHAMAD SABRI ZAKARIA** Member • **DR MOHAMED FAIROOZ ABDUL KHIR** Chairman
- **PROF MADYA DR ATIKULLAH HJ ABDULLAH** Member • **TUAN HJ ISMAIL MAHAYUDIN** Member
- **DR MUHAMMAD YAMIN ISMAIL** Member • **HISHAMUDDIN AB HAMID** Secretary
- **PROF. DR. SAIFUL AZHAR ROSLY** Member (*Resigned 31 March 2013*)
- **MOHD ZAKHIRI MD. NOR** Member (*Resigned 31 March 2013*)

Shariah Committee's Profiles



**DR. MOHAMED FAIROOZ
ABDUL KHIR**
Chairman

Dr. Mohamed Fairooz Abdul Khir is a member of MIDF Islamic Assets Shariah Committee, MNRB Retakaful and Maybank Islamic Berhad. He was appointed to Agrobank's Shariah Committee on August 2012. He holds a Degree in Islamic Revealed Knowledge and Human Science majoring in Fiqh and Usul al-Fiqh from International Islamic University Malaysia (IIUM) and a Master's Degree in Shariah from University of Malaya (UM). He also obtained his Doctorate in Islamic Finance from University of Malaya. He is currently attached with International Shariah Research Academy for Islamic Finance (ISRA) as a Researcher. Being a Researcher in ISRA, he is actively involved in the research and publication of Shariah related issues, fatwas as well as Islamic finance parameters.



**PROF. MADYA DR. ATIKULLAH
HJ. ABDULLAH**
Member

Prof. Madya Dr. Atikullah Hj. Abdullah is Assistant Professor of Islamic Studies at University Sains Malaysia. He teaches courses in Islamic Law (Business Muamalat and Contract, Islamic Law in Malaysia), Islamic Jurisprudence and Islamic Economics. He obtained his undergraduate qualification in Shariah from University Malaya and M.A and PhD in Islamic Studies from Birmingham University, United Kingdom. In addition to his teaching and service as a Shariah Committee member since 2006, he also serves as member of the Fatwa Committee in Pulau Pinang.



**DR. MOHAMAD SABRI
ZAKARIA**
Member

Dr. Mohamad Sabri Zakaria is Assistant Professor at International Islamic University Malaysia (IIUM). He obtained his Bachelor Degree (Shariah) from the University of Al-Azhar, Egypt. He then continued his studies in Shariah which eventually earned him a Master's Degree from University Yarmouk, Jordan. Dr. Sabri later obtained his Doctorate from IIUM (Fiqh) and is highly regarded as an expert in his particular field of study.

He also serves as a Shariah Board member in a host of Banking Institutions and is actively involved in writing journals on matters related to Banking and Muamalat matters. Dr. Mohamad Sabri Zakaria is Shariah Advisor to Great Eastern Takaful Sdn. Bhd., MIDF Group as well as the Import-Export outfit for the Banks of Malaysia.



**TUAN HAJI ISMAIL
MAHAYUDIN**
Member

Tuan Haji Ismail Mahayudin was appointed Shariah Committee member in June 2013. He was a senior fellow and serves at Accounting Research Institute (ARI), University Technology MARA, Shah Alam and sits on the Board of Directors for Goodway Integrated Industries Berhad.

Ismail Mahayudin commenced his career as a graduate teacher in economic studies in Sekolah Menengah Dato' Sri Amar Di Raja Muar, Johor. Following his interest in commerce, he moved on to serve at Bank Bumiputra Malaysia Berhad as an officer at the bank's International Trade Department. He then served in Bank of Commerce as a manager; overseeing its billing activities. Ismail Mahayudin continued his career in various capacities at Bank Islam Malaysia Berhad. He sits on the Board of Directors for Takaful Malaysia and Bank Islam (L) LTD Labuan as well as Chairman for BIMB Foreign Currency Clearing Agency and Wakalah Nominees.



DR. MUHAMMAD YAMIN ISMAIL
Member

Dr. Muhammad Yamin Ismail has served as the Chief Executive Officer of the Federal Territory Islamic Religious Council until 2012. He possesses an undergraduate education in Shariah & Law from the University of Al-Azhar in Egypt and has also completed Shariah-graduate studies at the University of Malaya where he continued to seek a doctoral degree in Shariah & Economics. Dr. Muhammad Yamin is also a board member of several professional organisations such as the Professional Institute of Baitulmal MAIWP and Harta Suci Sdn. Bhd.



HISHAMUDDIN AB HAMID
Secretary

Hishamuddin Ab Hamid was appointed Secretary to the Shariah Committee in October 2012. He commenced his career in the legal profession after he finished his study in both Civil Law and Shariah Law from International Islamic University Malaysia. Soon after that he continued to seek a specialised education in Shariah matters in the same university where he completed his Bachelor of Laws (Shariah).

He has since been actively involved in various disciplines in Banking litigation and has served in various establishments discharging his tasks in such a capacity; namely, Alliance Islamic Bank and Bank Muamalat.

Hishamuddin Ab Hamid lends his expertise and experience in being actively involved in Shariah banking principles and compliance matters apart from product development, advisory and training.

TASKS (SAWIT-*i*)

(Tanaman Semula Kelapa Sawit)

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» Fast disbursement



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BANK PERTANIAN MALAYSIA BERHAD (811810-U)

Management Committee



The members of the Management Committee
from the previous to the current report are:



From Left to Right:

- **MUSLIM HUSSAIN** Chief Risk Officer • **ASMUNI SUDIN** Chief Financial Services Officer
- **DATO' WAN MOHD FADZMI WAN OTHMAN** President/Chief Executive Officer
- **AZIZAN AHMAD** Chief Credit Officer • **SYED NAUFAL SHAHABUDIN SYED ABDUL JABBAR SHAHABUDIN** Chief Finance Officer
- **MAD YUSOF YAZID** Chief Operations Officer

- **NIK ABDULLAH SHUKRI NIK MUSTAPHA** Chief Transformation Officer (*Resigned 18 February 2014*)
- **NORHISHAM AHMAD** Chief Human Resource Officer (*Resigned 6 April 2014*)



MANDATED ROLE

“Indeed, Allah will not change the condition of a people until they change what is in themselves.”

Surah Ar-Ra'd: 11



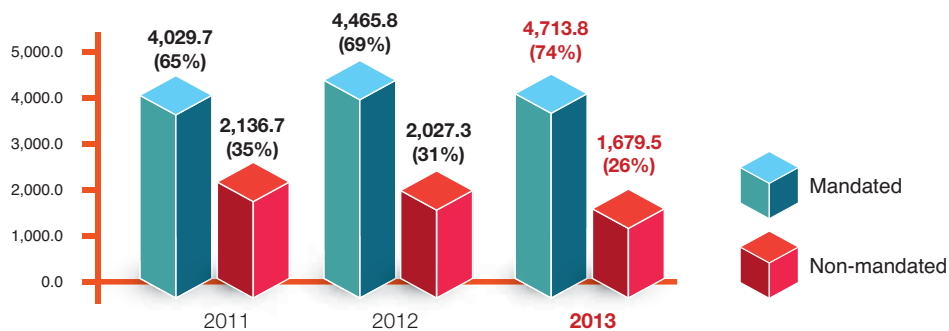
Our Mandated Role

Financing Portfolio

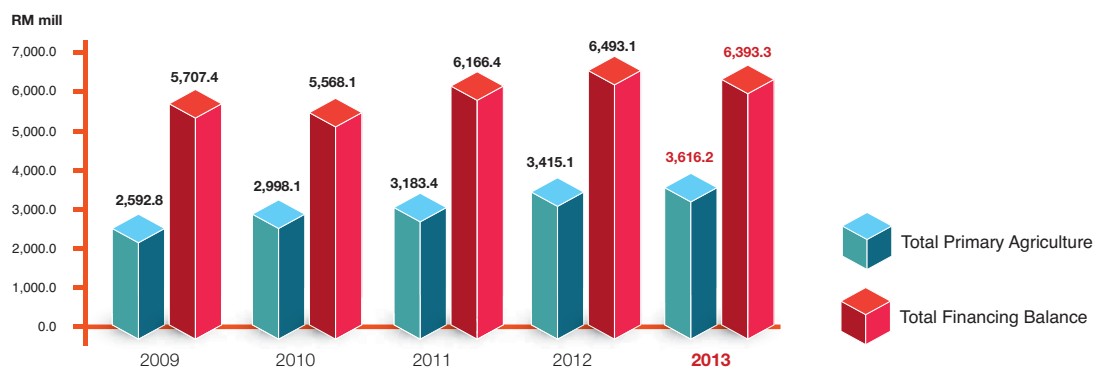
In line with the Bank's mandated role, mandated financing in 2013 increased to 74% from 65% in 2011. The financing balance increased to RM6,393.3 million in 2013 (2009: RM5,707.4 million), with an average growth of 7.0% per annum. The financing balance for primary agriculture increased to RM3,616.2 million for the same period with an average growth rate of 8.0% per annum.

Primary agriculture and agro-based industries accounted for about 59% of total financing and the remaining 41% were channeled towards other financing needs of the agriculture community. Subsectors which received the bulk of financing under primary agriculture include food crops (33.5%), palm oil (27.1%), livestock (18.7%) and fisheries (11.7%).

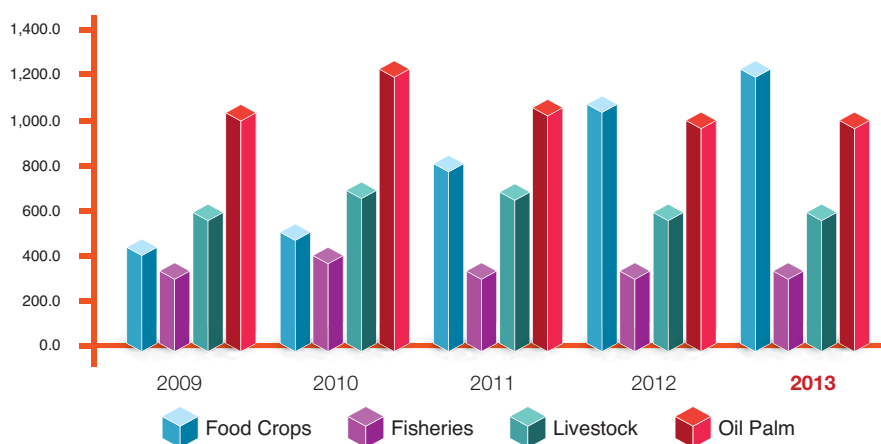
Mandated Financing (RM million)



Financing Balance (RM million)

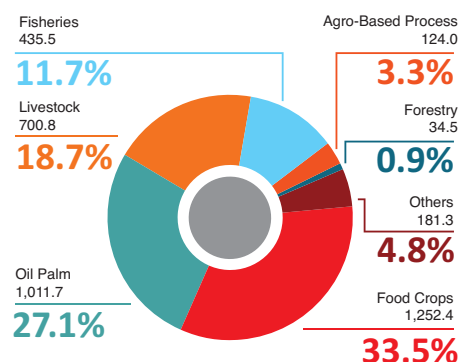


Agriculture Financing Balance (RM million)

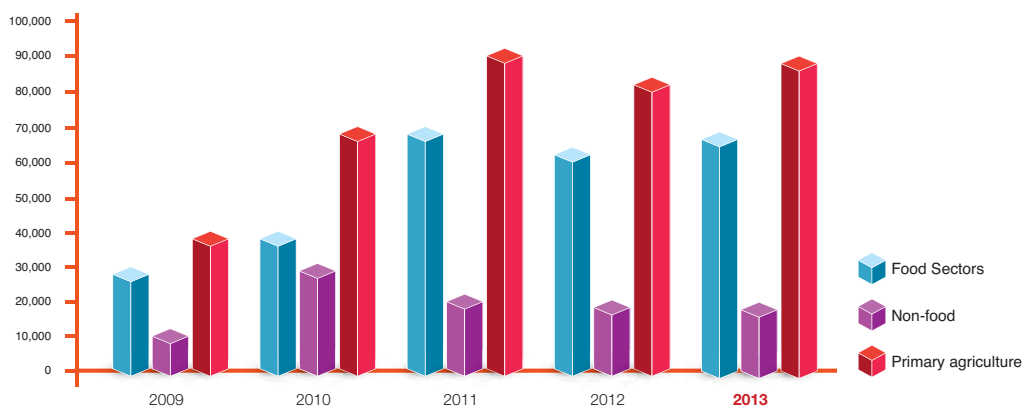


On the whole, Agrobank's financing strength lies in key food commodities such as fisheries, livestock, vegetables, and paddy which have registered an average growth of 12.5% per annum in the past five years, outstripping growth of 1.9% per annum for the non-food segment. The sound growth in the food segment has enabled Agrobank to raise its financing market share to 31.7% in 2013, from 26.7% in 2009.

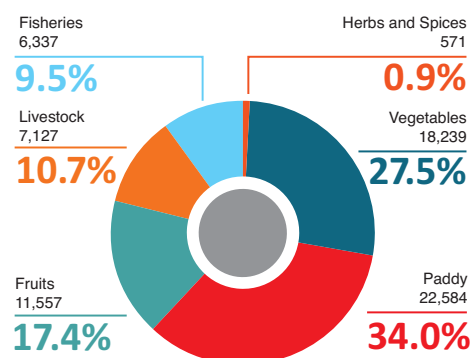
Agriculture Financing, 2013 (RM million & % share)



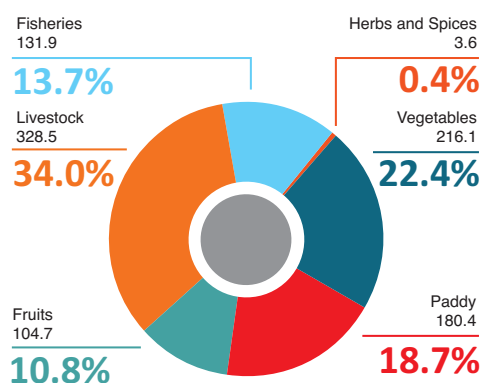
Number of Accounts for Primary Agriculture



Number of Accounts for Food Sector, 2013
(Number & % share)



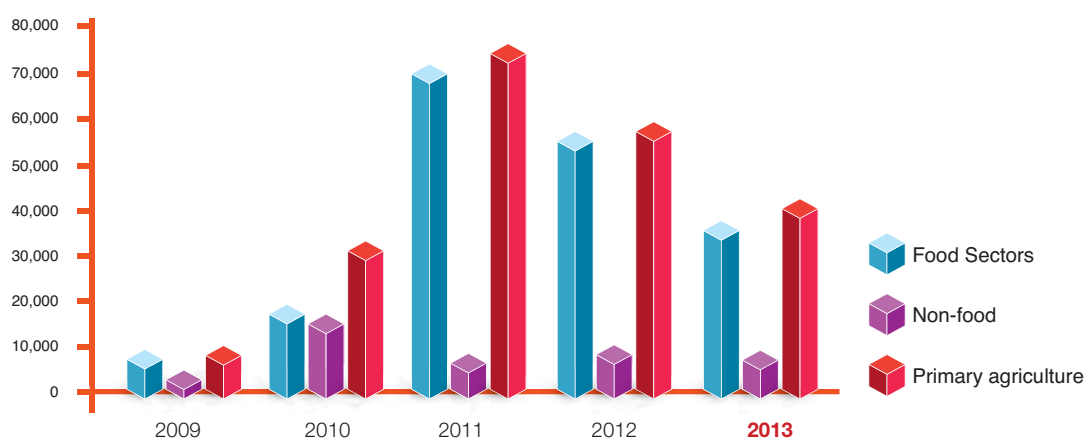
Financing Approval for Food Sector, 2013
(RM million & % share)



The number of financing accounts exceeded 233,055 in 2013, of which 87,941 was under primary agriculture. In line with the National Agrofood Policy, (NAP), the number of financing for the food sector increased from 27,807 in 2009 to 67,939 in 2013, growing an average of 23.1% per annum.

Total approvals in 2013 amounted to RM2.98 billion which grew at an average of 8.2% per annum during 2009-2013. In tandem with national policy to raise the supply of food and enhance food security, Agrobank remained committed to provide financing to the food sector, which represented 55.5% of total approvals.

Financing Approval for Primary Agriculture
(RM million)

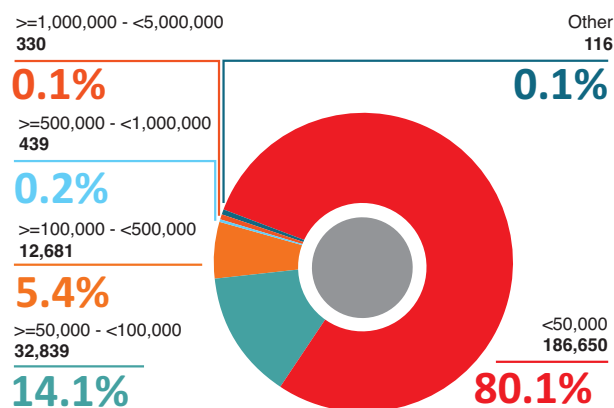


Under the food segment, the largest approval amount went to livestock (34.0%), vegetables (22.4%) and paddy (18.7%) sub-sectors.

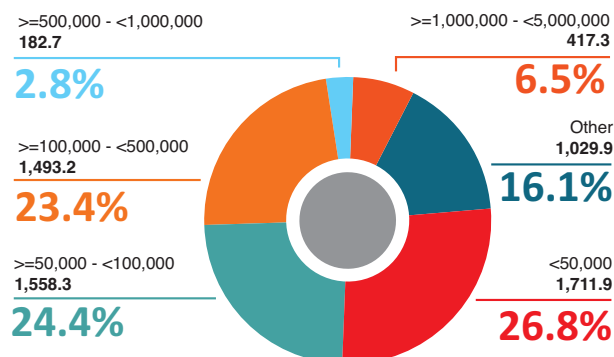
The Bank's focus still remains on the micro, small and medium enterprises (SMEs) which have been the core business for the bank. A clear indication that the Bank is largely servicing the small-scale farmers for micro

and small enterprises is the large number of financing accounts (80% of total) being under RM50,000 and 14% represented accounts of RM50,000 to RM100,000. Accounts RM100,000 and above represented only 6% of all financing accounts. In terms of value however, financing of RM100,000 and below accounted for 51% (micro: 27%) whilst financing of RM100,000 or more constituted about 49% of total financing.

Financing by Size (No. of Account & %share)



Financing by Size (RM million & % share)



MANDATED ROLE Financial Services Division



The Financial Services Division (FSD) consists of the business units Consumer Banking, Business Banking and Trade Finance as core business pillars that work together with the other business enrichment units comprising Electronic Banking, Product Research and Development, and Business Planning and Performance Monitoring team to look at opportunities for expanding the business reach and product capabilities in fulfilling the Bank's mandated role.

The following key strategic areas have been given emphasis by the FSD to improve business growth and contribution to the overall profitability and sustainability of the Bank:

- Growing customer base;
- Investing in technological solutions;
- Enhancing capabilities and platforms to serve customers; and,
- Improving internal processes and operational efficiency.

Support by Business Banking in primary agriculture during the year 2013 saw robust growth in oil palm, poultry and ruminant sectors. In addition, participation in several national development programmes such as the economic corridors ECER, NCER and SDC and collaborating with *Unit Agropreneur Muda* (UAM) under MOA to launch *Program Agropreneur Muda* to produce progressive, competitive, creative and innovative Young Agropreneurs have contributed to strengthening the mandated role of Agrobank. As in the past, the Bank has worked closely with various Government agencies such as TEKUN, FAMA, and Department of Agriculture for technical expertise and to ensure financing is channelled to the right target group especially micro and SMEs via consultative channels.



FSD Consumer Banking arm provides not only financing solutions to improve the well-being of customers but also other banking services such as deposit mobilisation and payment services such as insurance facilities and utility payment.

Emphasis by Electronic Banking Department (EBD) is on providing e-banking channel to enhance customer-centricity and improve overall customer experience. The key focus of EBD in 2013 was on expanding the base in areas of AGROKad-ATM services, and AGRONet, the internet banking service for retail customers. A new banking channel, "AGROAgent", the Bank's Agent Banking service was established during the year aimed at providing service especially to the underserved community, agricultural sector and customers in the rural areas for financial

inclusion. Three pilot locations have been deployed in December 2013 under Pertubuhan Peladang Kawasan (PPK) through strategic collaboration with National Farmers Association (NAFAS).

The year 2014 will see the Bank strengthening its mandated role through continuous support of MOA's policies and programmes in line with the National Agrofood Policy and National Commodities Policy and customer migration to e-payment platform being one of the key KPI for EBD. The implementation of MyClear' Financial Process Exchange (FPX) and Direct Debit Collection, Interbank GIRO transfer service via ATM and introduction of National Bill Payment Scheme (NBPS) via AGRONet will also be included in 2014 to further expand Agrobank's reach to customers both rural and urban.

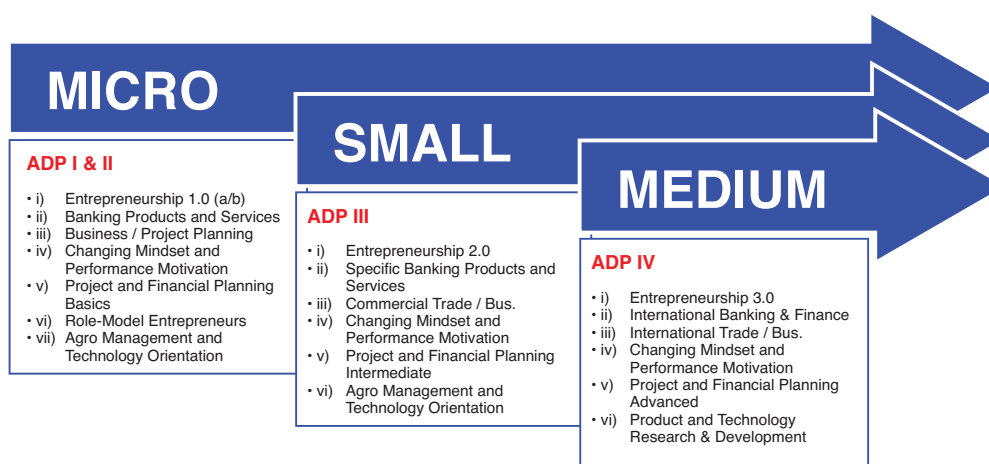
Agropreneur Development Programme



The Agropreneur Development Programme (ADP) was formed in 2013 with the mission to nurture agropreneurs from start-up stage to becoming a successful agropreneur locally and globally in line with the national agriculture development agenda. Its objectives are to provide knowledge, skill and correct attitude, with financial and technical competencies that are vital for project and business success. It is the Bank's concern that our customers remain merely farmers and are unable to evolve into successful entrepreneurs and

develop agriculture into a fast growing business. ADP's main objectives are to expose our customers and future customers to basic skills such as accounting, management of cash flow and development of Business Plan, through training, seminars, forums and workshops.

An Industry Specialist Unit was also established in 2013 and its main function is to research and understand the industry's changes and challenges and to proactively provide advisory services.



In 2013, fifteen courses were conducted under the ADP involving 343 customers bringing the total number of entrepreneurs undergoing training by the Bank to 11,665

at year end 2013. The Bank will continue to work with MOA and its agencies in identifying future entrepreneurs for the programmes conducted.

Entrepreneur Success Stories

Agrobank has been relentless in its pursuit to augment agriculture ventures and promote sophistication through financing and offering various forms of assistance. Many of such recipients have become a testament of the Bank's endeavours and ultimate objective.

Listed below are few of many who have realised their ambitions through Agrobank's products and services:



JERUK MADU PAK ALI ENTERPRISE

Ali Omar acquired financing aid for his pickle producing operations through Agrobank micro credits, property ownership schemes and commercial credits facilities. With better working expenditure as well as higher expenditure capability, he was able to initiate peninsular-wide marketing, and expand beyond that. His products are also now available in Thailand, South Africa, England and the Middle East. Today, Jeruk Madu Pak Ali Enterprise employs 65 staff and has cultivated 20 hectares of plantation land.



PERNIAGAAN ZULKORNAIN

Starting with a backyard cattle farming business; Zulkornain bin Hussain sought financing which saw his business expand significantly; acquiring a bigger lot for his operations measuring 1.3586 hectares in Kampung Bakong. Today, he has become a well-known meat supplier in Kedah and Perlis. In addition, he has also opened a frozen products store. He expects to expand his business further in the future with the acquisition of a slaughterhouse, slaughtering machines and cowsheds.



GANTANG ENTERPRISE

With an initial startup capital of RM1,500.00, Mohamad Hasan bin Mohamed Rawther operated with minimal equipment. In 2002, he moved to a three acre site in Kampung Mengkuang Hujung, Baling. Hassan then sought financing under Modal Usahawan1Malaysia (MUS1M) and Skim Masyarakat Perdagangan & Perindustrian Bumiputera (MPPB) which made it possible to add new equipment and make further improvements to his factory. Hassan was awarded “Anugerah Peladang Jaya Peringkat Negeri” in 2006 and “Anugerah Peladang Jaya Peringkat Kebangsaan” in 2008. This is in light of his daily output of approximately 2.0 tonne. More importantly, his success is owed to the combination of the special taste of Kopi Cap Gantang as well as the financial aid provided by Agrobank.



PEGAGAU AQUACULTURE SDN BHD

Pegagau holds 121 acres of land and 150 ponds in its Umas-Umas farm as well as 60 acres of land with 30 ponds in Apas Parit, Tawau. Pegagau sought assistance in bringing improvements to its operations in the form of upgrades and expansions. Currently, its annual shrimp production is 300 MT and is expected to increase to 350 MT this year, valued at RM55.0 million. 95% of its products are exported to Japan, Korea, Taiwan and Vietnam. Pegagau's success has prompted the company to venture further into Grouper farming.

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10 YEARS

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Commission **BORNE** by the Bank

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GUARANTORS
Required*

FAST Approval at
ALL Branches

ELIGIBILITY OF APPLICANTS

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- Selected GLC employees**
- Repayment via *Biro Perkhidmatan Angkasa (BPA)*
- Permanent employees
- Contract employees must appoint one guarantor
- Gross salary of RM1,000.00 onwards**
- Aged between 18 to 58 years old**

Note: **Subject to terms & conditions

REQUIRED DOCUMENTS

- Copy of IC***
- Original pay slip (latest 3 months)***
- Employer verification letter
- Credited salary bank statement (3 months)
- Retirement option form (if applicable)

Note: ***To be verified by employer



* Subject to changes, terms & conditions.

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A large blue tractor tire and red machinery are visible in the upper right corner of the image. The foreground is filled with rows of young green corn plants growing in dark soil. The background is slightly blurred, showing more of the field and the tractor's body.

OUR ACHIEVEMENTS AND EVENTS

“Allah knows exactly what to give you to help you return to Him. The events in your life are purposeful, appropriate & non-random.”

Shaykh Hamza Yusuf

OUR ACHIEVEMENTS AND EVENTS

Corporate Activities 2013

January 2013

31/1/2013

Soft launch of Agrobank's branch at UTC Felda Tenggaroh (2), Johor



February 2013

14/2/2013

Dato' Wan Mohd Fadzmi Wan Othman with contest winners of Le Tour de Langkawi



15/2/2013

Prime Minister, Dato' Sri Mohd Najib Tun Abdul Razak launches Agrobank's new branch at UTC Perak



March 2013

14/3/2013

The Star-News in Education (Star-NiE) Programme at SK Cerana Putih, Alor Gajah, Melaka.



12/3/2013

Agrobank Scholarship Award Programme



17/3/2013

Zakat contribution in Bachok, Kelantan



21/3/2013

Majlis Bersama Rakyat - DYTMs Tuanku Syed Faizuddin Jamalullail, Raja Muda (Crown Prince) of Perlis (second from right) at the Tuanku Bersama Agrobank dan Rakyat event

April 2013

9/4/2013
Agrobank's
5th Anniversary
Celebration



27/4/2013

Former Minister of Agriculture and Agro-Based Industry, Dato' Seri Noh Omar (second from left) launches Agrobank's new branch in Sungai Buloh



28/4/2013

Dato' Seri Noh Omar launches Agrobank's ATM at Pasir Panjang, Kelantan



11/4/2013

Prime Minister, YAB Dato' Sri Mohd Najib Tun Abdul Razak launches Agrobank's new branch at UTC Pahang



30/4/2013

Ustaz Wan Akashah and Datuk Ustazah Siti Norbahyah at Semanis Kurma Talk Show held at Agrobank HQ

May 2013

2/5/2013

Dato' Wan Mohd Fadzmi Wan Othman provides cash contribution to the underprivileged at Tanjung Karang, Selangor



21/5/2013

Car Donation for PERKAYA in Baling, Kedah



28/5/2013

Agrobank was honoured with the Best Brands in Financial - Agriculture Banking Award 2012-2013



30/5/2013

Ustaz Don Daniyal giving a talk to employees at Agrobank HQ

June 2013

14/6/2013

Official visit by YB Dato' Sri Ismail Sabri Yaakob, Minister of Agriculture and Agro-based Industry (second from right) to Agrobank's HQ



14/6/2013

MoU between all agencies under Ministry of Agriculture and Agro-based Industry (MOA) with Agrobank



27/6/2013

Official launch of AGRONet by Second Finance Minister, Dato' Seri Ahmad Husni Mohamad Hanadzlah (second from right)

July 2013

16/7/2013

Zakat contribution
and vehicle donation
- Pertubuhan
Kebajikan dan
Penjagaan
Nur Hidayah,
Sungai Buloh



23/7/2013

Dato' Wan Mohd
Fadzmi Wan
Othman (right) in
'Bual Biz' talk show,
RTM1



August 2013

2/8/2013

Zakat contribution
- Chenor, Pahang



23/8/2013

Corporate Hari
Raya Aidilfitri
Celebration



September 2013



5/9/2013

YB Dato' Sri
Ismail Sabri
Yaakob with
children from
orphanage



5/9/2013

YB Dato' Sri Ismail Sabri Yaakob
attending Agrobank's Hari Raya Aidilfitri
Celebration



5/9/2013

Official visit
by Tanzanian
Delegation



October 2013

9/10/2013
Prize giving ceremony –
‘Let’s AGRONet’
campaign



22/10/2013
Car donation event –
Yayasan ADDIN,
Perak



23/10/2013
TYT Tun Datuk Seri Utama Mohd Khalil Yaakob,
Yang Di-Pertua Negeri Melaka receiving Agrobank's
zakat contribution on behalf of Pusat
Pungutan Zakat (PPZ) Melaka

November 2013



9/11/2013
Agrobank's booth during Hari Penternak dan
Peladang Peringkat Kebangsaan (HPPNK)
2013 in Kuantan, Pahang



9/11/2013
YAB Dato' Sri Mohd Najib Tun Abdul Razak
giving a speech during HPPNK's Opening
Ceremony

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BANK PERTANIAN MALAYSIA BERHAD (811810-U)

Awards and Recognition



2013

The BrandLaureate Awards 2013, Best Brands in Financial – Agriculture Banking

Agrobank won The BrandLaureate Award 2013 in the category of Best Brands in Financial – Agriculture Banking for two consecutive years accorded by The Asia Pacific Brands Foundation (APBF).

2012

**The BrandLaureate Awards 2012,
Best Brands in Financial – Agriculture Banking**
Agrobank took home the prestigious The BrandLaureate Award 2012, Best Brands in Financial – Agriculture Banking accorded by The Asia Pacific Brands Foundation (APBF).

Malaysia's 100 Leading Graduate Employers 2012
Ranked 76th Most Preferred Employer,
Agrobank was voted one of Malaysia's 100 Leading Graduate Employers for the year of 2012.



2010

Emerging Bank of the Year

Agrobank received the prestigious 'Emerging Bank of the Year' award during the Malaysia Business Leadership Awards 2010 Ceremony.

National Service Challenge 2010

Agrobank received three awards in the National Service Challenge organised by Focus Learning

2009

National Service Challenge 2009

Agrobank took home three awards in the National Service Challenge organised by Focus Learning.

Anugerah Perak – Jualan Wasiat Tertinggi

Agrobank received the Anugerah Perak – Jualan Wasiat Tertinggi Antara Bank from Amanah Raya Berhad (ARB).

2008

Top Development Financial Institution (DFI) 2008

Agrobank was conferred 'Top DFI 2008' award from Credit Guarantee Corporation Malaysia Berhad (CGC) at the Top SMI Supporter Awards 2008.



A photograph of a cornfield with a person's hands in blue gloves holding a small ear of yellow corn. The background is a blurred field of corn plants under a clear sky.

CORPORATE GOVERNANCE

“Then when you have
taken a decision, put
your trust in Allah.”

Surah Ali-Imran: 159

CORPORATE GOVERNANCE

Statement of Corporate Governance

Composition of the Board of Directors

As at 31 December 2013, the Board of Directors comprised eight (8) non-executive members (including the Chairman) and one (1) executive director, the President/Chief Executive Officer.

The Board consists of members with vast experience in various fields such as business, finance, accounting, economics and agriculture. One (1) director is a representative of Ministry of Finance (MOF) while another director represents the Ministry of Agriculture and Agro-Based Industry (MOA).

It is sufficient to say that the Board of Directors consists of members that represent various interests that can improve the Bank's performance as well as have the ability to make sound judgments and decisions on issues involving the Bank's strategy, implementation and performance.

The Board of Directors and their attendance in 2013 Board Meetings are as follows:

Board Members	Position	Attendance*	%
Tan Sri Faizah Mohd Tahir	Chairman	14/14	100
Datuk Seri Che Mohd Hashim Abdullah	Member	9/14	64
Rashidah Mohd Sies	Member	14/14	100
Datuk Dr Saharan Haji Anang	Member	14/14	100
Datuk Johar Che Mat	Member	14/14	100
Md. Hilmi Datuk Haji Md Noor	Member	13/14	93
Ng Chih Kaye	Member	13/14	93
Dato' Salehuddin Saidin (Appointed 3 May 2013)	Member	5/9	56
Dato' Wan Mohd Fadzmi Wan Othman	Member	13/14	93
Datin Ruzaina Wan Haniff (Resigned : 28 February 2013)	Member	1/2	50

* Reflects the number of meetings held during the period the Directors held office.

Appointment of Board of Directors

Appointment of each member of the Board of Directors is subject to the Bank Pertanian Malaysia Berhad Act 2008 and the Company's Articles of Association as well as verification from Bank Negara Malaysia as prescribed under subsection 6(1), Development Financial Institutions Act 2002. The period for the Board of Directors' first appointment is not exceeding two (2) years and subsequent re-appointment tenure of one (1) year.

Objective

The Board performs its oversight role by ensuring that the Bank implements prudent policies and practices. The Board also ensures maximisation of shareholders' interest through diligent oversight of the Bank's affairs. The Board establishes, among others, the corporate values, vision and strategy that will direct the Bank's activities, and remains aware of the types of financial activities the Bank intends to pursue.

The Board is responsible to act in the Bank's best interest and to protect it from inappropriate actions or influences of dominant or controlling shareholders that are detrimental or not in the best interest of the Bank and its shareholders and stakeholders.

Board Meetings and Supply of Information to the Board of Directors

The Board of Directors holds meetings at least once a month while Special Board Meetings are held as and when required.

Directors are expected to contribute actively to the function of the Board and to allocate adequate time and effort to discharge their duties effectively.

Directors must attend at least 75% of the meetings held in a financial year.

In 2013, the Board of Directors met twelve (12) times in addition to two (2) special meetings.

The management is responsible for providing the Board with complete, accurate and adequate information in a timely manner prior to the Board Meetings on an ongoing basis. This enables the Board to examine and review the matters to be discussed at the Board meetings and to make sound judgments and decisions.

All Directors have access to all information and records of the Bank as well as the advice and services of the Company Secretary who is also the secretary to the Board Committees.

Statement of Risk Management

The Bank embraces risk management as an integral component of the Bank's business, operations and decision making process. In ensuring that the Bank achieves optimum returns whilst operating within a sound business environment, the risk management team is involved at the early stage of the risk taking process by providing independent input including relevant valuations, credit evaluations, new product assessment, etc. These input enables the business to be priced appropriately in relation to return.

The key strategic objectives of risk management are:

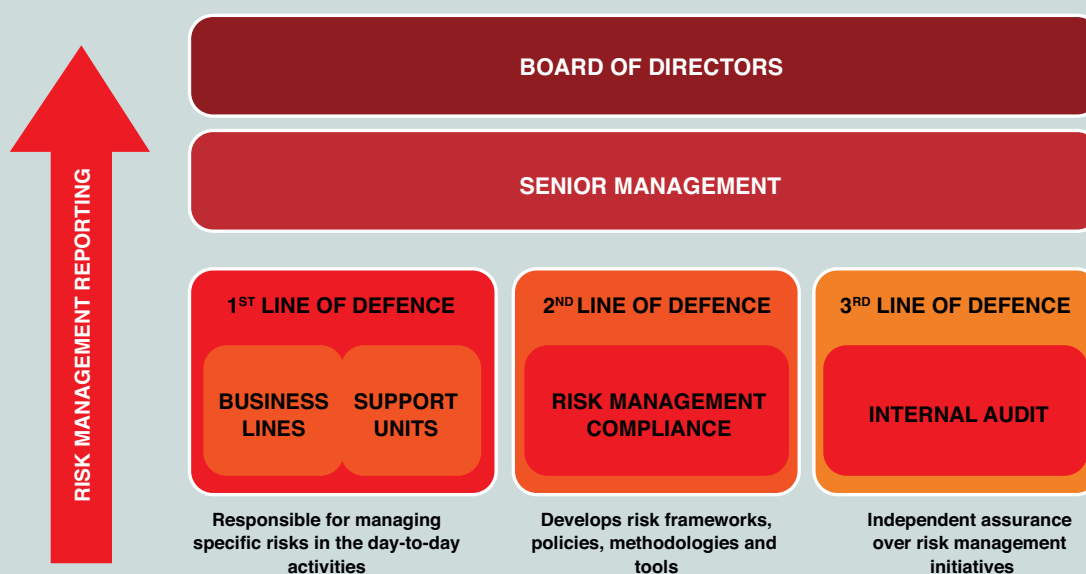
- To protect Agrobank's financial soundness by aligning the Bank's risk appetite with the available and desired risk capital levels.
- To protect Agrobank's reputation by preserving the integrity of the Bank's business.
- To inculcate a risk awareness and transparency culture across the organisation involving all levels of staff.
- To establish risk as an essential and integral component in making sound commercial decisions.
- To put in place risk management independent of business activities.

Seven Broad Risk Management Principles

Agrobank's Risk Management Framework is premised on seven broad principles as follows:

1. The risk management approach is based on the three lines of defence, namely risk-taking units, risk control units and internal audit.
2. Risk-taking units are responsible for the day-to-day management of inherent risks in their business activities while risk control units are responsible to establish risk management frameworks and develop tools and methodologies for the identification, measurement, mitigation, monitoring, control and reporting of risks. Complementing the two lines of defence is Internal Audit, which provides independent assurance of the effectiveness of the risk management approach.
3. Risk management provides oversight function for the major risks, including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks.
4. Risk management ensures that the core risk policies of the Bank are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.
5. Risk management is functionally and organisationally independent of business units and other risk-taking units within the Bank.
6. The Board, through the Board Risk Management Committee is responsible for the oversight function on overall risk exposed by the Bank.
7. Risk management is responsible for the execution of various risk policies and related decisions by the Board.

Diagram 1: Three Lines of Defence Concept in Managing Risk



Risk Management Governance

In accordance with the Bank's risk management structure, the Board Risk Management Committee (BRMC) assumes the ultimate responsibility on behalf of the Board of Directors for the supervision of risk management within the Bank. In line with the best practices, the BRMC determines the risk policy objective of the Bank.

Responsibilities for administering risk management and control is delegated to the Management Risk Committee (MRC). The MRC is chaired by the President/Chief Executive Officer and undertakes the oversight function for overall risk limits, and aligning them to the Bank's risk appetite in addressing one or more of the following :-

- Credit Risk, arising from losses due to obligor, market counterparty or issuer of securities or other

instruments held failing to perform its contractual obligations to the Bank.

- Market Risk, arising from fluctuations in the value of investment exposure arising from changes in market risk factors such as interest / profit rates, currency exchange rates, credit spreads, equity prices, etc.
- Liquidity Risk, arising from the Bank's inability to efficiently meet present and future funding needs or regulator obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses; and,
- Operational Risk, arising from internal processes which may result from inadequacies or failure in process, controls or projects due to fraud, unauthorised activities, error, omission, inefficiency, system failure or from external events.

Diagram 2: **Agrobank Risk Governance Structure**

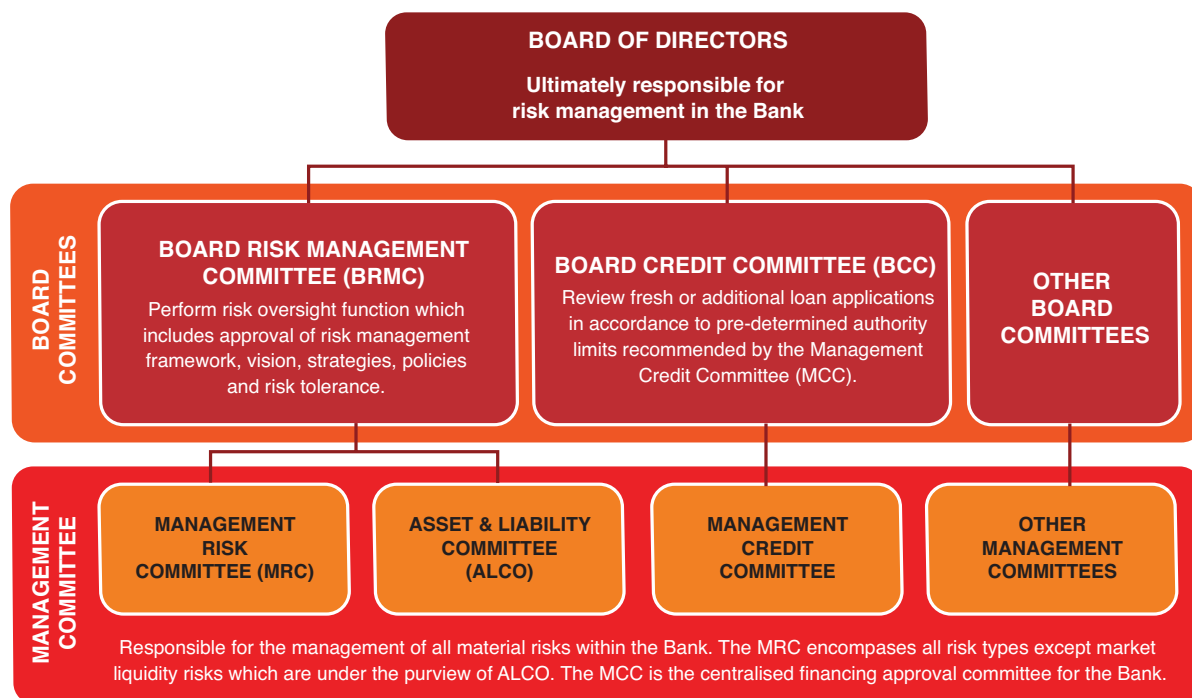
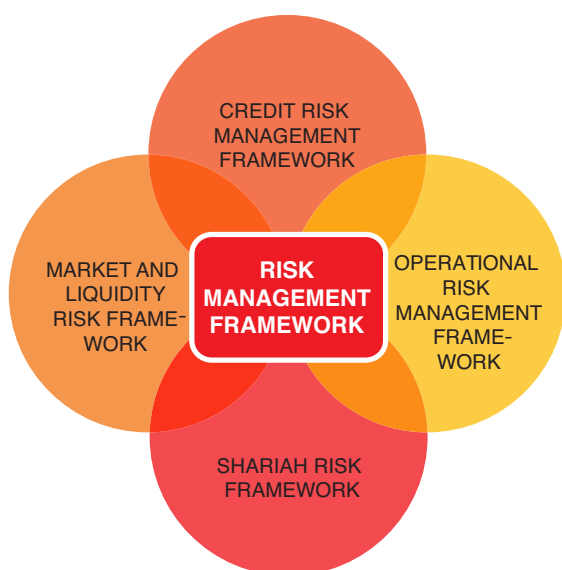


Diagram 3: **Agrobank Risk Management Process**

Risk Origination by Business Units	Risk Identification	Risk Assessment and Measurement	Risk Control and Mitigation	Risk Monitoring and Reporting
Type of Risks	Identify, Understand and Analyse Risks	Quantify and Assess Risk Impact	Recommend Measures to Control and Mitigate Risk	Monitor and Report on Risk Compliance
CREDIT RISK	Concentration risk, benchmarking, "red flags", post-mortem review.	Credit Risk Rating, stress testing, establishing processes to ensure timeliness and consistency of credit assessment.	Policies and procedures, selection of credit personnel, independent credit review, post-appraisal review and credit limits.	Portfolio Analysis, rehabilitation/NPL monitoring and independent credit review.
MARKET RISK	Review on market volatility/outlook, concentration risk, analysis/projections on liquidity and maturity and analysis on capital adequacy	Valuation, stress testing, monitoring, sensitivity/simulation analysis on Earning, Net Interest Income/Capital and Liquidity	Policies and procedures, liquidity, interest rate, risk weighted capital and exposure limits, segregation of duties and diversification strategy	Periodic review of policies, procedures and limits, internal and regulatory compliance.
OPERATIONAL RISK	Assessment risk profile for new product, review of existing products, implementation of RCSA and KRIs, and incident reporting.	Regular review on control adequacy and effectiveness at each process level, business activities and the bank as a whole	Comprehensive internal control, including segregation of functions, segmented/multi-tier authorisation process and regular testing of BCM and DRP.	Monitoring of Key Risk Indicators and performance reports on people, processes, systems and external events.
SHARIAH RISK	Review and assessment of Non-Shariah-compliant products and services.	Valuation on severity of Shariah risks and assessment on its impact due to Shariah non-compliance	Policies and procedures, awareness on Shariah concepts and principles and continuously sharing of knowledge.	Periodical self-monitoring of Shariah risks.

Diagram 4:
Risk Management Framework (RMF)



Agrobank's Risk Management Process

The risk management process within the Bank involves the identification, measurement, mitigation, monitoring and reporting in optimising returns on financing and risk-taking activities. This process is practiced in managing credit, market, operational and shariah risks across the Bank.

The Roles of Chief Risk Officer (CRO) and Risk Management Division

Within the second line of defence is Risk Management Division (RMD), a function independent of business to assist the management and the various committees in the monitoring and controlling the Bank's risk exposures. The RMD comprises Risk Management (Credit, Market,

Operational and Shariah) and Credit Evaluation and Review Department at Head office and Credit Evaluation and Review Unit at the Regional Offices and its key responsibilities are to analyse, assess, measure, control, monitor and report the potential risk which the Bank is exposed to. RMD is headed by the Chief Risk Officer (CRO) who is appointed by the Board to spearhead the risk management functions.

The CRO actively engages the Board and Senior Management on Risk Management issues and initiatives.

The RMD monitors risk taking activities, initiates and proposes risk policies, risk measurement methodologies and risk limits, performs independent review of financing assets quality and financing recovery plan, and coordinates capital market products and deployment.

In propagating and ensuring compliance to the market risk framework, RMD reviews treasury trading strategies, analyses positions, and activities vis-à-vis changes in the financial market.

Towards the implementations of Basel II in the Bank, RMD is developing the internal rating and scoring models.

Key Areas of Risk Management:-

1. Credit Risk

Credit risk is the risk of potential loss due to failure of or unwillingness of customers or counterparties to fulfil their contractual financial obligations as and when they arise.

The goal of credit risk management is to keep credit risk exposure to an acceptable level and to ensure the returns commensurate with risk.

The Bank's exposure to credit risk is primarily from lending/financing activities to retail customers, micro, small and medium-sized enterprises (SMEs) and corporate customers. Investment in equities, bonds and other marketable securities, financial instruments, trading and other banking activities, whether it is classified under banking book or trading book, also expose the Bank to credit risk.

On the oversight function, the Management Risk Committee (MRC) supports the Board Risk Management Committee (BRMC) in credit risk management. Both committees are responsible to approve/review the Bank's credit risk framework and policies, align credit risk management with business strategies and planning, monitor credit profiles and portfolios and deliberate necessary actions to be executed to ensure that credit risks remain within tolerance levels.

The management of credit risk is governed by the Credit Risk Management Framework which sets out the risk management governance and infrastructure, risk management processes and control responsibilities.

The Bank's Credit Risk Management Framework addresses the following areas:

- Management and quality of loan/financing assets including the credit policies and guidelines, credit approval, credit risk measurement and competency of credit personnel;
- Loan preservation which covers the credit review process, early detection and management of vulnerable credits and recovery; and,
- Credit concentration policy for effective portfolio management.

Credit Evaluation and Review undertakes independent assessment done by business units to reflect independency from loan/financing origination and credit activities.

2. Market and Liquidity Risks

Market Risk is potential losses in on and off-Balance sheet arising from unexpected movements in market prices due to volatility in interest profit rates, equity prices, commodity prices, foreign exchange rates etc which significantly affect the profitability of the Bank, represented by Net Profit/Interest Income (NP/II) or Net Profit/Interest Margin (NP/IM) and shareholders' fund.

Liquidity risk is the risk arising from the Bank's inability to meet its cash flow obligation as they fall due, at a reasonable price which may arise due to a mismatch between the bucketed cash flows and the unexpected outflow of funds or deposit run-off. Liquidity Risk is subdivided into two categories as follows;

- **Funding Liquidity Risk**
Arising from the inability of the Bank to fulfil payment or cash flow obligations as they fall due, without incurring unacceptable cost or losses
- **Market Liquidity Risk**
Refers to the inability of the Bank to unwind offset its position in the market within a short span of time or near to previous market price.

Market Risk Management involves the identification of various risk factors, monitoring and measuring exposures to those factors using selected tools and models, assessing the Bank's ability to effectively manage the risks and reporting to relevant committees on limits compliance and mitigation strategies. The Bank's risk appetite is set out at various levels and monitored continuously by the Asset and Liability Committee (ALCO).

Market and liquidity risks are managed through the following system and tools;

- New Liquidity Framework (NLF)
- Maximum Cumulative Outflows (MCO)
- Contingency Funding Plan (CFP)
- Fund Transfer Pricing (FTP)

Market and Liquidity Risk Framework (MLRF) encompasses the following aspects;

- Management of the Bank's market and liquidity risk exposures including the issuance and regularly review of guidelines, policies and manuals.
- The responsibilities of the Board, BRMC, ALCO and MRC with regards to the market and liquidity risk management.

- Clear delineation of the roles and responsibilities of the three lines of defense comprise of the Risk Taking Units (Business Units), Risk Control Units (Market Risk Management Department-MRMD) and Internal Audit to ensure the integrity of risk management system in the Bank.

ALCO is responsible for overseeing the Bank's operations in relation to liquidity and interest rate risks for Conventional and Islamic Banking while BRMC's role is to approve/review prescribed limits and to ensure compliance of those limits.

3. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk. Operational risk is inherent in the Bank's business operations and therefore unavoidable. The objective of operational risk management is to take appropriate actions to manage its operational risk and keep it within an acceptable level.

The Operational Risk Management Department (ORMD) was established to strengthen the management of operational risk. These risks are managed through the following key functions:

- Sound Operational Risk Management Framework and policies;
- Development and Implementation of ORM tools and ORM systems; and,
- Having in place a robust and executable Business Continuity Management plan.

The ORMD has developed and implemented the following Risk Management Tools:

- Incident Management and Data Collection (IMDC)

IMDC provides a structured process to build a repository of risk-related data to support robust and granular reporting of operational risk incidents and losses. The timely detection and monitoring of risks will help to reduce losses due to risk events. The data collected will be used to forecast, measure, monitor and report on potential operational risk exposure in the Bank and to prepare the groundwork for data management, analysis, reporting and monitoring issues for Basel II compliance.

- Risk and Control Self-Assessment (RCSA)

RCSA enables inherent operational risks and controls are continuously assessed to identify control gaps and develop action plans to narrow the gaps. This is a risk profiling tool which is used to reduce the residual risk of critical business processes.

- Key Risk Indicators (KRIs)

KRIs provides early warning signals of increasing risk and/or control failures. ORMD will work with business and support units to develop and review their KRIs with the setting of appropriate thresholds.

4. Shariah Non-Compliance Risk

Shariah risk is the risk arising from Agrobank's failure to comply with the Shariah rules and principles determined by relevant Shariah regulatory councils or committees.

The Shariah Risk Management is established within the Bank to perform Shariah Risk Management functions which is required by Bank Negara Malaysia's Shariah Governance Framework (SGF).

The Shariah Risk Management Framework (SRMF) has been developed and updated with the following objectives:

- Ensure all the Bank's products, services and activities comply with Shariah principles as determined by Shariah Committee;
- Ensure Shariah risks are understood and controls are implemented consistently and uniformly throughout the Bank;
- Identify all Shariah risks arising from people, processes, products, strategies, systems and internal controls; and,
- Establish the process for measuring, monitoring, controlling and reporting of Shariah non-compliance risks.

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Statement of Internal Control

RESPONSIBILITY

The Board acknowledges the responsibility of a sound internal control system especially of its integrity and adequacy.

The risk management underpinning the Bank's internal control framework provides reasonable assurance of protecting the Bank against material misstatement of financial information and records, financial losses or fraud and mismanagement.

Risks affecting the Bank are identified, assessed and addressed by the appropriate control structures and processes. A regular review and update on the structures and processes are carried out in line with the changes arising within the business environment and internal operating conditions. This ongoing process has been in place for the whole financial year under review.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of appropriate internal controls to mitigate and control these risks.

In all material aspects, the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) believe that based on the processes adopted, it is suitable in reviewing the adequacy and integrity of the system of internal controls of the Bank.

KEY INTERNAL CONTROL PROCESSES

Pertinent key processes have been established to review the adequacy and integrity of the system of internal controls which include the following:

- a. Clearly defined framework with appropriate empowerment and authority limits are in place in respect of the day-to-day banking operations,

financing, investment, acquisition and disposal of asset.

- b. Compliance with internal controls and the relevant laws and regulations are set out in operation manuals, guidelines and directives issued by the Bank. These are updated from time to time in tandem with changes in the business environment or regulatory requirements.

- c. Management and oversight of the Bank's core areas has also been enhanced with the establishment of operational committees which include the Management Information Technology Committee, Management Credit Committee and Management Procurement Committee.

- d. Management Risk Committee (MRC)

The MRC was established to assist the Board to oversee the overall management of principal areas of risk. The risk management is further strengthened with the establishment of the Asset Liability Committee which manages market and liquidity risks.

- e. Internal Audit

The Internal Audit function provides independent, objective assurance and consulting services designed to add value and improve the Bank's operations. Accomplishment of the Bank's objectives is facilitated through a systematic and disciplined audit approach. Premised on the risk-based approach, prioritisation of the audit review lies in the risk and control associated with the auditable entities within the established audit universe.

The effectiveness of the governance, risk management and control processes is assessed by forming opinions on whether the identified risks may hinder the fulfilment of particular objectives.

In tandem with the process, improvements are advocated to enhance the governance structure and practices.

Rectification of the issues is followed up by the management and deliberated at the Management Audit Committee (MAC) and Board Audit Committee (BAC).

f. Management Audit Committee (MAC)

The MAC which is chaired by Chief Operations Officer (COO), comprises the senior management members from a broad range of business and support units. The Committee meets monthly to deliberate the findings of audit and investigation reports. The meeting also discusses the necessary actions to resolve arising issues and enhancement of pertinent business processes and operations. Where required, representatives from the parties being audited are requested to attend the meeting to enable more detailed deliberation and expeditious resolution of the matter at hand. Minutes of the MAC meeting are tabled to the BAC together with the audit reports. The actions required by the BAC are followed up by the MAC.

g. Board Audit Committee (BAC).

The BAC meets on a monthly basis to review findings highlighted by the Internal Audit Department, the external auditors, regulatory authorities and management, and to evaluate the adequacy and effectiveness of the Bank's risk management and internal control systems. The committee also conducts a review of the internal audit functions with particular emphasis on the scope of audit, quality of internal audit and independence of the audit function relative to other functions within the Bank. The minutes of the BAC meetings are tabled to the Board on a monthly basis.

h. An annual business plan is prepared by the Bank's business units and approved by the Board. Annual budgets are also approved by the respective Board committees. Actual performances are assessed against the approved budgets by which explanations are provided on significant variances by periodic reporting to the respective Board committees.

i. Proper guidelines for hiring and termination of staff, formal training programmes, annual and semi-annual performance appraisals and other relevant procedures are in place for staff competency development and training to enable their effective discharge of duties and responsibilities.

j. The Board's oversight function is further enhanced through delegated responsibilities in Several Board Committees namely Board Risk Management Committee, Board Credit Committee, Board Information Technology Committee, Board Investment Committee, Nominating Committee and Remuneration Committee, all of which have formalised terms of reference. These Committees have the authority to examine all matters within their scope and report to the Board with their recommendations.

k. The Fraud Management and Whistleblowing Policy which were approved by the Board provides an avenue for employees to report actual or suspected malpractice, misconduct or violations of the Bank's policies and regulations in lieu of an elaborate reporting process. Outcome of the investigation is presented by the Chief Internal Auditor to the BAC for subsequent actions.

Statement of Shariah Governance

Shariah Committee

In 2013, Agrobank accepted the appointment of two (2) new members to its Shariah Committee (SC). The latest list of SC Members until December 2013 is as follows:

Shariah Committee	Status	Position
Dr Mohamed Fairouz bin Abdul Khir	Re-appointed effective 1 June 2013	Chairman
Prof Madya Dr Atikullah Hj Abdullah	Re-appointed effective 1 June 2013	Member
Dr Muhammad Yamin Ismail	Re-appointed effective 1 June 2013	Member
En. Ismail bin Mahayudin	Appointed effective 1 June 2013	Member
Dr. Mohamad Sabri Zakaria	Appointed effective 1 June 2013	Member
Prof. Dr. Saiful Azhar Rosly	Prof. Dr. Saiful Azhar Rosly as SC were ended on 31st March 2013	Member
Mohd Zakhiri bin Md. Nor	En. Mohd Zakhiri Md. Nor as SC were ended on 31st March 2013	Member
Hishamuddin Ab Hamid	-	Secretary

SC Roles and Responsibilities

Among the SC's roles, based on the Shariah Compliance Manual are as follows:

- The SC is required to examine Shariah issues diligently before making any decision as the SC's decisions, views and opinions are binding on the Bank.
- Coordinate supervisory tasks on matters linked to Shariah in the Bank's business operations and activities. Supervision must be executed via the two functions of Shariah Review and Shariah Audit. From the regular Shariah Review report and Shariah Audit observation reports, the SC is able to identify issues which require attention as well as propose remedial responses where appropriate.
- Present sufficient information in the Bank's annual financial report to comply with the Development Financial Institutions Act 2002.



- Provide advice to the Board of Directors on matters related to Shariah.
- To endorse policies, procedures and related documents including manuals, forms, proposals and contracts, agreements, advertising, marketing, illustration, sales brochures and other literature related to Islamic Banking, including the Shariah Compliance Manual.
- To immediately report to the BOD upon discovery of Shariah non-compliant operations and to propose remedial steps.
- To report to Bank Negara Malaysia (BNM) when the Bank does not or fails to execute remedial measures to deal with Shariah non-compliance in banking operations.
- To assist related parties such as Bank officers, legal counsel, auditors or consultants who require advice on Shariah matters.
- To advise the Bank to consult the Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM) on any Shariah matters which have not been resolved or endorsed by the SC.

- To provide written Shariah opinions on matters referred to the SC and to assist the SAC on any matter referred by the Bank.
- To hold knowledge sharing/working paper/proposal sessions upon the Bank's request especially those related to new products that require BNM's approval.

The SC convened a total of sixteen (16) times throughout the year 2013. The attendance of SC members is as follows:

Shariah Committee	Attendance*
Dr Mohamed Fairouz bin Abdul Khir	16/16
Prof Madya Dr Atikullah Hj Abdullah	15/16
Dr Muhammad Yamin Ismail	12/16
Dr. Mohamad Sabri Zakaria	8/11
En. Ismail bin Mahayudin	11/11
Prof. Dr. Saiful Azhar Rosly	5/5
Mohd Zakhiri bin Md. Nor	5/5

* Reflects the number of meetings held during the period of that particular SC member's tenure in 2013

Statement of Compliance



The Board of Directors is committed towards ensuring strong governance and compliance in order to create a solid foundation as well as to enhance the compliance function to all by maintaining public trust through an ethical, effective and cost-efficient organisation.

The Compliance Department aims to maintain the highest operating standards at all times by undertaking regular reviews of procedures and controls to ensure the Bank complies with the relevant laws, regulations and standards of good practice.

Unilaterally, we strive to respond and contribute our ideology by collaborating between industry groups through consultation papers and discussion initiated by regulators and Government. The focus of these activities is to develop the framework for a stable financial sector and sustainable global economy.

To accomplish this mission, we have recruited a group of dedicated professionals who possess a wide range of experience. Such initiatives are used to continually improve the system and processes in the effort to comply with the laws, rules, regulations, policies and best practices; which are key components that make up our compliance framework.

We pledge our importance and dedication by reviewing and monitoring of various activities like business processes, brainstorming, regulatory-liaison and one stop information centre. The outcome will then be further disseminated through all appropriate channels as they will become a testament of whether the Bank has complied with the principles as stipulated by governance.

MUS1M-i

MODAL USAHAWAN MALAYSIA



**FINANCING
UP TO
RM50,000.00***

- For production, processing, services and marketing activities
- Islamic Banking Financing
- 100% financing limit

* Subject to changes, terms & conditions.

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BANK PERTANIAN MALAYSIA BERHAD (811810-U)



2013 AUDITED FINANCIAL STATEMENTS

OUR PERFORMANCE

Someone asked,
“O Rasulullah, which gain is best?”
He said, “A man’s work by his
hand, and every honest business.”

Ahmad

OUR PERFORMANCE

Directors' Report

Company No: 811810-U

BANK PERTANIAN MALAYSIA BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Bank for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are banking, financing, investment and servicing as provided under the Bank Pertanian Malaysia Berhad Act, 2008.

There have been no significant changes in the nature of the principal activities of the Bank during the financial year.

RESULTS

	RM '000
Profit before tax and zakat	319,309
Tax	(77,727)
Zakat	(1,826)
Net profit for the year	239,756

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 Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid or proposed by the Bank are as follows:

	RM '000
In respect of the financial year ended 31 December 2012, a final dividend of 3 sen less 25% tax on 1,000,000,000 ordinary shares declared on 21 June 2013 and paid on 26 June 2013.	22,500
In respect of the financial year ended 31 December 2013, an interim dividend of 1.2 sen less 25% tax on 1,000,000,000 ordinary shares declared on 25 September 2013 and paid on 4 October 2013.	9,000
	31,500

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the current financial year ended 31 December 2013 of 0.8 sen on 1,000,000,000 ordinary shares of RM1.00 each, amounting to dividend payable of RM8,000,000 will be proposed for 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 earnings in the financial year ending 31 December 2014.

ISSUE OF SHARES AND DEBENTURES

The Bank has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Bank to any party during the financial year to take up unissued shares of the Bank.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Bank. As at the end of the financial year, there were no unissued shares of the Bank under options.

DIRECTORS

The following directors served on the Board of the Bank since the date of the last report:

Y. Bhg Tan Sri Faizah Mohd Tahir (Chairman)

Y. Bhg Dato' Wan Mohd Fadzmi bin Wan Othman
(President/Chief Executive Officer)

Y. Bhg Datuk Dr. Saharan Haji Anang

Puan Rashidah Mohd Sies

Y. Bhg Datuk Johar Che Mat

Encik Ng Chih Kaye

Encik Md. Hilmi Datuk Haji Md. Noor

Y. Bhg Dato' Che Mohd Hashim Abdullah

Y. Bhg Dato' Salehuddin Saidin
(appointed on 3 May 2013)

Y. Bhg Datin Ruzaina Wan Haniff
(resigned on 28 February 2013)

DIRECTORS' INTERESTS

None of the directors in office at the end of the financial year held shares or had beneficial interest in the shares of the Bank during and at the end of the financial year.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors from the Bank and related corporations, or the fixed salary of a full time employee of the Bank as disclosed in Note 32 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

OTHER STATUTORY INFORMATION

- (a) Before the statement of financial position and statement of comprehensive income of the Bank were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to so realise.
- (b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render:
 - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Bank misleading.

OTHER STATUTORY INFORMATION (cont'd)

- (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 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 the financial statements of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the 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 Bank which has arisen since the end of the financial year other than those arising from the normal course of business of the Bank.
- (f) In the opinion of the directors:
 - (i) no contingent liability 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 Bank to meet their obligations as and when they fall due; and
 - (ii) no item or 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 Bank for the financial year in which this report is made.

HOLDING COMPANY

Bank Pertanian Malaysia Berhad ("Agrobank") is wholly-owned by the Ministry of Finance (Incorporated) on behalf of the government of Malaysia.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 June 2014.



TAN SRI FAIZAH MOHD TAHIR



DATO' WAN MOHD FADZMI WAN OTHMAN

Statement by Directors

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, **TAN SRI FAIZAH MOHD TAHIR** and **DATO' WAN MOHD FADZMI WAN OTHMAN** being two of the directors of **BANK PERTANIAN MALAYSIA BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 104 to 255 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 December 2013 and of the results and cash flows of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 June 2014.



TAN SRI FAIZAH MOHD TAHIR



DATO' WAN MOHD FADZMI WAN OTHMAN

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, **SYED NAUFAL SHAHABUDIN SYED ABDUL JABBAR SHAHABUDIN** being the officer primarily responsible for the financial management of **BANK PERTANIAN MALAYSIA BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 104 to 255 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.



SYED NAUFAL SHAHABUDIN SYED ABDUL JABBAR SHAHABUDIN

Subscribed and solemnly declared by the abovenamed **SYED NAUFAL SHAHABUDIN SYED ABDUL JABBAR SHAHABUDIN** at **KUALA LUMPUR** in the Federal Territory on 26 June 2014.

Before me,



COMMISSIONER FOR OATHS



Shariah Committee's Report

SHARIAH COMMITTEE'S REPORT

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

Assalamualaikum Warahmatullahi Wabarakatuh

To the shareholder, depositors and customers of Bank Pertanian Malaysia Berhad:

In compliance with the letter of appointment, we are required to submit the following report in relation to the Islamic banking operations at Bank Pertanian Malaysia Berhad.

We have reviewed the Shariah principles and the contracts relating to Islamic banking transactions and applications introduced by Bank Pertanian Malaysia Berhad during the financial year ended 31 December 2013. We have also conducted our review to form an independent opinion as to whether Islamic banking operations of Bank Pertanian Malaysia Berhad has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and the Shariah Committee of the Bank.

As regards to the above, the management of Bank Pertanian Malaysia Berhad is responsible for ensuring that the Bank conducts its Islamic banking operations in accordance with Shariah. It is our responsibility to form an independent review opinion in respect of the Islamic banking operations of Bank Pertanian Malaysia Berhad, based on our review of the Islamic banking operations of Bank Pertanian Malaysia Berhad 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 Bank Pertanian Malaysia Berhad.

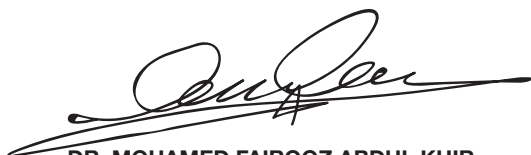
We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Bank Pertanian Malaysia Berhad has not violated Shariah.

SHARIAH COMMITTEE'S REPORT (cont'd)

In our opinion:

- (a) The contracts, transactions and dealings entered into by Bank Pertanian Malaysia Berhad during the financial year ended 31 December 2013 that we have reviewed are in compliance with Shariah. For cases which have been identified as not fulfilling certain requirements under Shariah principles and concepts as explained below, remedial measures have been identified and ongoing rectification efforts on the affected accounts are currently being implemented. In the event the affected accounts cannot be rectified, the income will not be recognised as the Bank's income.
- (b) Remedial measures have been taken for the insufficient distribution of profit for Mudharabah based accounts by providing the undistributed amount to affected customers. As such, the provision has impacted the Bank's performance and retained earnings as disclosed in note (34) to the accounts.
- (c) The allocation of profit and loss relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah.
- (d) All earnings that have been realised from sources or by means prohibited under Shariah will be channelled for charitable purposes.
- (e) The calculation and distribution of zakat is in compliance with Shariah.
- (f) We have also reviewed the exercise of conversion to Full Fledged Islamic Banking ("FFIB") and we are satisfied that the process is in line with Shariah.

We, Dr. Mohamed Fairouz Abdul Khir and Dr. Mohamad Sabri Zakaria, being two of the members of the Shariah Committee of Bank Pertanian Malaysia Berhad, to the best of our knowledge, do hereby confirm on behalf of the members of the Shariah Committee, that the Islamic banking operations of Bank Pertanian Malaysia Berhad for the financial year ended 31 December 2013 have been conducted in conformity with Shariah.



DR. MOHAMED FAIROOZ ABDUL KHIR
Chairman of the Committee



DR. MOHAMAD SABRI ZAKARIA
Member of the Committee

Kuala Lumpur, Malaysia
26 June 2014

Independent Auditors' Report to the Member of Bank Pertanian Malaysia Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank Pertanian Malaysia Berhad, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 104 to 255.

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 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 judgement, 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

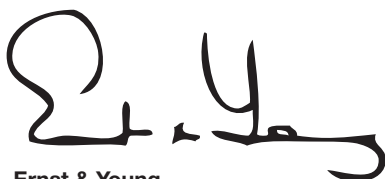
In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions 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



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

Kuala Lumpur, Malaysia

26 June 2014

Statement of Comprehensive Income for the Financial Year Ended 31 December 2013

	Note	2013 RM'000	2012 RM'000 Restated
Interest income	5	117,784	181,272
Interest expense	6	(36,713)	(87,408)
Net interest income		81,071	93,864
Income from Islamic banking business	35(a)	423,825	424,363
		504,896	518,227
Non-interest income:			
Fee and other operating income	7(a)	7,862	18,378
Investment income	7(b)	185,132	241,630
Net income		697,890	778,235
Compensation expenses		-	(18,021)
Overhead expenses	8	(359,634)	(350,257)
Operating profit		338,256	409,957
Government grants	9	20,806	32,433
Net operating profit		359,062	442,390
Allowance for impairment			
on loans, financing and advances	10	(35,835)	(87,290)
(Allowance for)/write back of impairment on			
investment securities	11	(3,918)	263
Profit before tax and zakat		319,309	355,363
Tax expense	12	(77,727)	(7,349)
Zakat	13	(1,826)	(2,082)
Net profit for the year		239,756	345,932

	2013 RM'000	2012 RM'000 Restated
Net profit for the year	239,756	345,932
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		
Unrealised (loss)/gain on fair value changes on available for sale ("AFS") investment securities	(66,728)	16,383
Transfer to profit or loss on disposal of AFS investment securities	(179,433)	(237,167)
Income tax relating to components of other comprehensive income	62,032	54,560
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(184,129)	(166,224)
Total comprehensive income for the year	55,627	179,708

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

Statement of Financial Position as at 31 December 2013

	Note	31 December 2013 RM'000	31 December 2012 RM'000 Restated	1 January 2012 RM'000 Restated
ASSETS				
Cash and short term funds	14	1,273,397	1,827,012	3,413,040
Deposits with financial institutions	15	60,000	-	20,000
Investment securities	16	3,588,054	3,459,062	2,884,941
Loans, financing and advances	17	5,850,154	5,867,648	5,456,358
Other assets	18	96,201	95,920	116,247
Property, plant and equipment	19	195,394	190,856	196,930
Intangible assets	20	26,941	20,898	23,556
Deferred tax assets	21	48,572	-	-
TOTAL ASSETS		11,138,713	11,461,396	12,111,072
LIABILITIES AND EQUITY				
Liabilities				
Deposits from customers	22	6,594,646	6,863,216	7,546,544
Other liabilities				
Other payables and accruals	23(a)	326,935	324,599	231,835
Paddy credit gratuity scheme	23(b)	2,225	2,185	2,249
Deferred tax liabilities	21	-	13,788	61,080
Loan scheme fund	24	1,555,347	1,639,626	1,775,404
Government grants				
Operating	25	35,402	41,872	54,877
Launching	26	17,269	21,598	26,016
Funds	27	257,500	229,250	245,013
Total Liabilities		8,789,324	9,136,134	9,943,018

	Note	31 December 2013 RM'000	31 December 2012 RM'000 Restated	1 January 2012 RM'000 Restated
Equity				
Share capital	28	1,000,000	1,000,000	1,000,000
Reserves	29	1,349,389	1,325,262	1,168,054
Total Equity		2,349,389	2,325,262	2,168,054
TOTAL LIABILITIES AND EQUITY		11,138,713	11,461,396	12,111,072

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

Statement of Changes in Equity for the Financial Year Ended 31 December 2013

	Non-distributable reserves			Distributable reserves	
	Share capital RM'000	Statutory reserves RM'000	Investment revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
As at 1 January 2013, as previously stated	1,000,000	487,109	321,719	659,565	2,468,393
Prior year adjustments (note 34)	-	-	-	(143,131)	(143,131)
As at 1 January 2013, as restated	1,000,000	487,109	321,719	516,434	2,325,262
Net profit for the year	-	-	-	239,756	239,756
Other comprehensive loss for the year	-	-	(184,129)	-	(184,129)
Total comprehensive (loss)/ income for the year	-	-	(184,129)	239,756	55,627
Dividends paid (note 30)	-	-	-	(31,500)	(31,500)
At 31 December 2013	1,000,000	487,109	137,590	724,690	2,349,389

	Non-distributable reserves			Distributable reserves	
	Share capital RM'000	Statutory reserves RM'000	Investment revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
As at 1 January 2012, as previously stated	1,000,000	487,109	487,943	250,932	2,225,984
Prior year adjustments (note 34)	-	-	-	(57,930)	(57,930)
As at 1 January 2012, as restated	1,000,000	487,109	487,943	193,002	2,168,054
Net profit for the year	-	-	-	345,932	345,932
Other comprehensive loss for the year	-	-	(166,224)	-	(166,224)
Total comprehensive (loss)/ income for the year	-	-	(166,224)	345,932	179,708
Dividends paid (note 30)	-	-	-	(22,500)	(22,500)
At 31 December 2012	1,000,000	487,109	321,719	516,434	2,325,262

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

Statement of Cash Flow for the Financial Year Ended 31 December 2013

	2013 RM'000	2012 RM'000 Restated
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and zakat	319,309	355,363
Adjustments for:		
Allowance for impairment on loans, financing and advances-net	116,735	173,006
Allowance for impairment on investment securities	3,918	(263)
Depreciation of property, plant and equipment	27,358	26,999
Amortisation of computer software	12,433	13,628
Interest expense/profit charged on loans/financing scheme fund	215	5,757
Write off of property, plant and equipment	1,589	396
Write off of intangible assets	-	93
Gain on disposal of investment securities	(174,192)	(230,722)
Dividends from investment securities	(10,940)	(10,908)
Government Grants release as income	(10,007)	(15,010)
Amortisation of:		
Special Fund for Terengganu Fishery ("DKSP")	(700)	(661)
Government Grants - Operating	(6,470)	(12,788)
Government Grants - Launching	(3,343)	(3,316)
Operating profit before working capital changes	275,905	301,574
Change in loans, financing and advances	(97,718)	(403,336)
Change in other assets	(281)	20,320
Change in deposits with financial institutions	(60,000)	20,000
Change in deposits from customers	(268,570)	(863,377)
Change in other payables and accruals	(115)	79,188
Change in paddy credit gratuity scheme	40	(64)
Change in deferred tax liabilities	(62,032)	(54,560)
Cash used in operating activities	(212,771)	(900,255)
Tax paid	(76,564)	(74)
Zakat paid	(3,432)	(2,854)
Net cash used in operating activities	(292,767)	(903,183)

Statement of Cash Flow for the Financial Year Ended 31 December 2013 (cont'd)

	2013 RM'000	2012 RM'000 Restated
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in investment securities	(337,552)	(1,806,816)
Purchase of property, plant and equipment	(33,485)	(21,321)
Purchase of computer software	(18,476)	(11,063)
Proceeds from disposal of investment securities	194,705	1,310,801
Dividends received from investment securities	10,940	10,908
Net cash used in investing activities	(183,868)	(517,491)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest/profit paid on loan scheme fund and OECF	(7,261)	(4,909)
Proceeds from:		
Loan from OECF	6,426	-
Fund For Food ("3F")	152,334	652
Food Production Credit Scheme ("SKPM")	-	250
Micro Enterprise Fund	15,759	14,493
Bumiputera Commercial and Industrial Community Scheme HUB ("MPPB HUB")	40,000	-
Repayments of loan scheme fund	(243,855)	(147,968)
Foreign exchange differences	(7,897)	(4,053)
Government grants- Launching utilised	(986)	(1,102)
Government grants- Operating utilised	-	(217)
Dividends paid	(31,500)	(22,500)
Net cash used in financing activities	(76,980)	(165,354)

	2013 RM'000	2012 RM'000 Restated
NET DECREASE IN CASH AND CASH EQUIVALENTS	(553,615)	(1,586,028)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,827,012</u>	<u>3,413,040</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>1,273,397</u>	<u>1,827,012</u>
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash and short term funds (Note 14)	<u>1,273,397</u>	<u>1,827,012</u>

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

Notes to the Financial Statements for the Financial Year Ended 31 December 2013

1. CORPORATE INFORMATION

Bank Pertanian Malaysia Berhad ("the Bank") is a public limited liability company, incorporated and domiciled in Malaysia.

The principal activities of the Bank are banking, financing, investment and related services as provided under the Bank Pertanian Malaysia Berhad Act, 2008.

There have been no significant changes in the nature of the principal activities of the Bank during the financial year.

The registered office is at Level 3, Bangunan Agrobank, Leboh Pasar Besar, 50726 Kuala Lumpur, Malaysia.

The principal place of business of the Bank is at Bangunan Agrobank, Leboh Pasar Besar, 50726 Kuala Lumpur, Malaysia.

The financial statements have been approved and authorised for issuance by the Board of Directors in accordance with a resolution dated 26 June 2014.

2. BASIS OF PREPARATION

The financial statements of the Bank have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

2.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

2.2 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (RM), which is the Bank's functional currency, and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Summary of significant accounting policies

(a) Basis of accounting

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, except for the adoption of the MFRSs, amendments to MFRSs, Issue Committee ("IC") Interpretations and Technical Releases as disclosed in Note 3.2.

(b) Revenue recognition

Interest is recognised as interest income and interest expense in the statement of comprehensive income for all interest bearing financial instruments classified as Held to Maturity ("HTM"), AFS or loans and receivables using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that is used to discount the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating effective interest, the Bank estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(b) Revenue recognition (cont'd)

Unless included in the effective interest calculation, fees and commissions are recognised based on an accrual basis upon rendering of services.

Dividends are recognised when the right to receive payment is established. In the financial statements, this is when the dividends are received or deemed received.

Income from rental is recognised on an accrual basis in accordance with the terms of the agreement.

(c) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Grants from the Government of Malaysia consist of the following:

(i) Government grants - Operating (note 25)

Unutilised operating grants are shown separately from the Bank's other sources of funds. Operating grants received for capital expenditure are recognised as deferred capital grants in the statement of financial position. The grants are amortised to profit or loss on a systematic basis over the useful life of the assets. Operating grants for development expenditure is deducted from the operating grants upon utilisation.

(ii) Government grants - Launching (note 26)

Launching grants received for capital expenditure are recognised as deferred capital grant in the statement of financial position. The grants are amortised to profit or loss on a systematic basis over the useful life of the assets whereas the launching grants for development expenditure is deducted from the launching grants upon utilisation.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(c) Government grants (cont'd)

(iii) Government grants - Funds (note 27)

These funds are received to provide financing to eligible customers and utilise against credit losses and charges arising from these financing. Any credit loss or charges as a result of the financing being defaulted are recognised and utilised against the grants.

(d) Financial assets and liabilities

(1) Initial recognition and subsequent measurement

Financial instruments are classified into the following categories - loans and receivables, financial investments HTM and financial investments AFS.

Management determines the classification of financial instruments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category include cash and balances with banks and loans, financing and advances. These financial assets are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest income on loans and receivables is recognised as "Interest income" in profit or loss.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(d) Financial assets and liabilities (cont'd)

(1) Initial recognition and subsequent measurement (cont'd)

(i) Loans and receivables (cont'd)

Impairment losses on loans, financing and advances are recognised in profit or loss as "Allowance for impairment on loans, financing and advances".

(ii) Held-to-maturity ("HTM")

Financial investments HTM are non-derivative financial assets with fixed or determinable payments that management has the intention and ability to hold to maturity. These financial assets are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest on investments HTM is included in "Interest Income" in profit or loss. Impairment losses, if any, are recognised in profit or loss as "Allowance for impairment on investment securities". Regular way purchases and sales of financial investments HTM are recognised at settlement date. If the Bank was to sell or reclassify more than an insignificant amount of financial investments HTM before maturity, the entire category would be tainted and be reclassified to AFS. Furthermore, the Bank would be prohibited from classifying those financial assets as HTM for the following two years.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(d) Financial assets and liabilities (cont'd)

(1) Initial recognition and subsequent measurement (cont'd)

(iii) Available-for-sale ("AFS")

Financial investments AFS are non-derivative financial assets that are designated as AFS and are not categorised into any of the other categories above. Financial investments AFS include financial assets that are intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in market conditions. These financial assets are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at fair value.

Gains and losses arising from changes in fair value are recognised in the statement of comprehensive income under other comprehensive income, except for impairment losses, which are recognised in profit or loss. If an investment AFS is determined to be impaired, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Likewise, upon disposal of investments AFS, the cumulative fair value gain or loss recognised in equity is also transferred to profit or loss. Interest income on financial investments AFS is included as interest income in profit or loss. Dividends on AFS equity instrument recognised in profit or loss when the Bank's right to receive payment is established. Regular way purchases and sales of financial investments AFS are recognised at settlement date.

Investments in unquoted equity instruments which are classified as AFS and whose fair value cannot be reliably measured are measured at cost. These investments are assessed for impairment at each reporting period.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(d) Financial assets and liabilities (cont'd)

(1) Initial recognition and subsequent measurement (cont'd)

(iv) Financial liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include deposits from customers.

(2) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or when the rights to receive further cash flows from the assets have been transferred to a third party and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they are redeemed or extinguished.

(3) Determination of fair value

The Bank measures financial instruments such as financial investments AFS at fair value at each statement of financial position date.

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:

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(d) Financial assets and liabilities (cont'd)

(3) Determination of fair value (cont'd)

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

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 Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are 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 liabilities.
- 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.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(d) Financial assets and liabilities (cont'd)

(3) Determination of fair value (cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between fair value hierarchy levels by re-assessing 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 disclosure, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risk of the asset or liability and the level of the fair value hierarchy as explained above.

(4) Impairment of financial assets

(i) Loans, financing and advances

Loans, financing and advances ("loan(s)") of the Bank are classified as impaired when they fulfil either of the following criteria:

- (1) principal or interest or both are past due for three (3) months or more;
- (2) where a loan is in arrears for less than three (3) months, but exhibits indications of credit weaknesses; or
- (3) where an impaired loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months for non retail loans and three (3) months for retail loans.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(d) Financial assets and liabilities (cont'd)

(4) Impairment of financial assets (cont'd)

(i) Loans, financing and advances (cont'd)

For the determination of impairment on loans, the Bank conducts assessments at each reporting period whether there is any objective evidence that a loan or a group of loans is impaired. A loan or a group of loans is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (i.e. an "incurred loss event") and that loss event has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment include:

- (1) any significant financial difficulty of the obligor;
- (2) a breach of contract, such as a default or delinquency in interest or principal payments;
- (3) a high probability of bankruptcy or other financial reorganisation of the obligor;
- (4) concerns over the viability of the obligor's business operations and its capacity to trade successfully out of financial difficulties and to generate sufficient cash flows to service its debt obligations; and
- (5) any adverse news or developments affecting the local economic conditions or business environment which will adversely affect the repayment capacity of the borrower.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(d) Financial assets and liabilities (cont'd)

(4) Impairment of financial assets (cont'd)

(i) Loans, financing and advances (cont'd)

The Bank first assesses individually whether objective evidence of impairment exists for loans which are individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is then included as a part of collective assessment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is impaired through the use of an allowance account and the impaired amount of loss is recognised in profit or loss. Where appropriate, the calculation of the present value of estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For collective assessment, the non-impaired loans and impaired loans which are not individually significant are grouped on the basis of homogenous risk characteristics that are indicative of the borrowers' ability to pay all amounts due according to the contractual terms. The collective impairment is computed by multiplying the exposure with the Probability of Default ("PD") and Loss Given Default ("LGD"). The PD is based on migration or regression analysis and the LGD is determined by using the collateral shortfall method. Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are only written off after the necessary procedures have been completed and the amount of the loss has been determined.

Subsequent recoveries of the amounts previously written off are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(d) Financial assets and liabilities (cont'd)

(4) Impairment of financial assets (cont'd)

(i) Loans, financing and advances (cont'd)

Where a loan shows evidence of credit weaknesses, the Bank may seek to renegotiate the loan rather than to take possession of collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new loan terms and conditions via restructuring. Management monitors the renegotiated loan to ensure that all the revised terms are met and that the repayments are made promptly for a continuous period. Where an impaired loan is renegotiated, the borrower must adhere to the revised and/or restructured repayment terms for a continuous period of six months for non retail loans and 3 months for retail loans before the loan is classified as non impaired. These loans continue to be subjected to individual or collective impairment assessment.

(ii) Financial investments AFS

The Bank assesses at each reporting period whether there is objective evidence that a financial investment classified as AFS is impaired. In the case of quoted equity investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised) is removed from equity and recognised in profit or loss. For unquoted equity investments which are measured at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(d) Financial assets and liabilities (cont'd)

(4) Impairment of financial assets (cont'd)

(ii) Financial investments AFS (cont'd)

Impairment losses on AFS 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 AFS 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 and loss.

(iii) Financial investments HTM

The Bank assesses at each reporting period whether objective evidence of impairment of financial investments HTM exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated. Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the acquisition cost and the present value of the estimated future cash flows, less any impairment loss previously recognised.

(e) Foreign currency

(i) Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates i.e. the functional currency. The financial statements of the Bank are presented in RM which is the Bank's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(e) Foreign currency (cont'd)

(ii) Foreign currency transactions

In preparing the financial statements of the Bank, transactions in currencies other than the Bank's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(f) Income tax

(i) 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 for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(g) Income tax (cont'd)

(ii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(f) Income tax (cont'd)

(ii) 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.

(g) Employees' benefit

(i) Short-term benefit

Wages, salaries, other fixed remuneration and bonuses are recognised as expenses in the year that services have been rendered by the employees. Short term accumulated compensated annual leave is limited to 120 days throughout the service tenure and is recognised when service has been rendered. With the approval of the head of department, the annual leave is allowed to be carried forward for a maximum period of two (2) years after which it will be forfeited and no compensation will be paid. Medical leave is recognised when the absences occur.

(ii) Defined contribution plan

The Bank is required by law to make monthly contributions to the Employees Provident Fund ("EPF") at certain prescribed rates based on the employees' salaries. Such contributions are recognised as expense in profit or loss as incurred.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(g) Employees' benefit (cont'd)

(iii) Retirement benefit

Eligible staff are entitled for a lump sum gratuity payment upon attainment of normal retirement age of 60 years or early retirement age of 45 years for female employees and 50 years for male employees. The gratuity payment is equivalent to 0.75 of their last drawn salary multiplied by the number of years of service and a leave replacement benefit payment equivalent to 4 times their last drawn salary.

The retirement benefit liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for actuarial gains/losses and unrecognised past service cost reflecting only the number of years of service completed up to the statement of financial position date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, by discounting the estimated future cash outflows using market yields at the end of the reporting period on Malaysian Government Securities which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in retained earnings in other comprehensive income in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to profit or loss in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(h) Impairment of non-financial assets

The carrying amount of property, plant and equipment is reviewed to determine whether there is any indication of impairment. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset for which the estimates of future cash flow have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised in profit or loss immediately.

(i) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land and work in progress are not depreciated.

Property, plant and equipment are depreciated on a straight-line method at rates calculated to write off the cost less residual value of the assets over their estimated useful lives. The annual depreciation rates used are as follows:

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(i) Property, plant and equipment (cont'd)

Buildings	2%
Motor vehicles	20%
Furniture and fixtures	20%
Equipment and office machines	10%
Computer hardware	20%

Where parts of items of property, plant and equipment have different useful lives, the cost of the items is allocated on a reasonable basis and is depreciated separately.

Leasehold land is depreciated over the period of its respective leases.

At each reporting period, the residual values and useful lives of the property, plant and equipment are reviewed, and the effect of any changes is recognised prospectively. Gain and loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Costs of repair and maintenance are charged to profit or loss in the year in which the costs are incurred.

(j) Intangible assets

The intangible asset consists of computer software which are initially recorded at cost. Subsequent to the recognition, computer software are measured at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of computer software over their estimated useful lives of 3 years. Gain or loss arising from the disposal of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(j) Intangible assets (cont'd)

Subsequent expenditure on an intangible asset after its purchase or completion is recognised as an expense when it is incurred, unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably.

(k) Leases

Leases are classified as finance lease or operating lease. Leases are classified as finance leases where the Bank assumes substantially all the risks and rewards of ownership of the assets. Assets under operating leases are not recognised in the statement of financial position as the risks and rewards rest with the lessor.

Lease rental is charged to profit or loss on the straight-line basis over the lease term. Benefit received or receivable as an incentive to enter into an operating lease are recognised on the straight-line basis over the lease term. However, contingent rentals arising from operating leases are recognised as an expense in a manner consistent with the basis on which they are determined.

(l) Foreclosed properties

Foreclosed properties are those acquired in order to settle the debts and are stated at the lower of cost and net realisable value.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Summary of significant accounting policies (cont'd)

(m) Provisions

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

Provisions are reviewed at the end of each reporting period and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability.

(n) Share capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Costs directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

(o) Cash flow statement

The Bank adopts the indirect method in the preparation of cash flow statement.

(p) Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Changes in accounting policies

On 1 January 2013, the Bank adopted the following new and amended MFRS and IC Interpretations mandatory for financial periods beginning on or after 1 January 2013.

Effective for annual periods beginning on or after 1 July 2012

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

Effective for annual periods beginning on or after 1 January 2013

MFRS 3 *Business Combinations* (IFRS 3 *Business Combinations* issued by IASB in March 2004)

MFRS 127 *Consolidated and Separate Financial Statements* (IAS 27 revised by IASB in December 2003)

MFRS 10 *Consolidated Financial Statements*

MFRS 11 *Joint Arrangements*

MFRS 12 *Disclosure of Interests in Other Entities*

MFRS 13 *Fair Value Measurement*

MFRS 119 *Employee Benefits* (IAS 19 as amended by IASB in June 2011)

MFRS 127 *Separate Financial Statements* (IAS 27 as amended by IASB in May 2011)

MFRS 128 *Investments in Associates and Joint Ventures* (IAS 28 as amended by IASB in May 2011)

IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

Amendments to MFRS 7 *Disclosures: Offsetting Financial Assets and Financial Liabilities*

Annual Improvement 2009-2011 Cycle

Amendments to MFRS 1: *Government Loans*

Amendments to MFRS 10, 11 and 12 : *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transitional Guidance*

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Changes in accounting policies (cont'd)

Adoption of the above standards and interpretations did not have any effect material on the financial performance or position of the Bank except for those discussed below:

MFRS 13 *Fair Value Measurement*

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Bank re-assessed its policies for measuring fair values, in particular, its valuation inputs such as on-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Bank. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Amendments to MFRS 101: *Presentation of Items of Other Comprehensive Income*

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (eg. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (eg. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Bank's financial position or performance.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Standards issued but not yet effective

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

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 132: *Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 10, MFRS 12 and MFRS 127: *Investment Entities*

Amendments to MFRS 136: *Recoverable Amount Disclosures for Non-Financial Assets*

Amendments to MFRS 139: *Novation of Derivatives and Continuation of Hedge Accounting*

IC Interpretation 21 *Levies*

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 119: *Defined Benefit Plans: Employee Contributions*

Annual Improvements to MFRSs 2010–2012 Cycle

Annual Improvements to MFRSs 2011–2013 Cycle

Effective dates to be announced by MASB

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in November 2009)

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in October 2010)

MFRS 9 *Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7, and MFRS 139*

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Standards issued but not yet effective (cont'd)

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but will not have an impact on classification and measurements of the Bank's financial liabilities. The Bank will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expense, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (cont'd)

Key sources of estimation uncertainty

- (a) Allowance for impairment on loans, financing and advances

The Bank reviews 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, and the estimation of realisable amount from impaired loans when determining the level of allowance required (Note 10).

- (b) Impairment assessment of AFS financial investments

The Bank records impairment charges on AFS financial investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of AFS financial investments is less than its cost (Note 11).

- (c) Fair value estimation of AFS 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 and discounted cash flow method (Note 16).

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

5. INTEREST INCOME

	2013 RM'000	2012 RM'000
Loans and advances	70,443	103,106
Investment securities:		
HTM	675	3,579
AFS	15,175	40,292
Deposits with financial institutions	31,491	34,295
	117,784	181,272
Of which:		
Interest income earned on impaired loans and advances	12,153	15,006

6. INTEREST EXPENSE

	2013 RM'000	2012 RM'000
Savings deposits and Agro Perdana	23,053	54,245
Fixed/Special deposits	14,518	31,014
Loan scheme fund and OECF	(858)	2,149
	36,713	87,408

7. NON-INTEREST INCOME

(a) Fee and other operating income	2013 RM'000	2012 RM'000
Fee income		
Service charges and fees	3,510	6,628
Loan processing fees	296	2,552
	3,806	9,180
Other income		
Reimbursement of gapping cost	661	1,994
Income from Project Ladang Sungai Tazan	659	833
Income from staff loans and financing	1,030	1,173
Rental	57	111
Non operational income	1,649	5,087
	4,056	9,198
	7,862	18,378
(b) Investment income	2013 RM'000	2012 RM'000
Net gain on disposal of AFS investment securities	174,192	230,722
Dividend income	10,940	10,908
	185,132	241,630

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

8. OVERHEAD EXPENSES

	2013 RM'000	2012 RM'000
Personnel cost		
Salary, allowances and bonus	186,556	169,876
EPF contributions	21,139	17,826
SOCSSO contributions	1,712	1,700
Staff welfare	5,925	5,097
Staff training	4,240	4,281
Recruitment fees	217	461
Directors allowance	1,172	1,780
Medical insurance	4,922	4,592
Retirement benefits scheme	(10,035)	10,668
Others	2,397	594
	218,245	216,875
Maintenance cost		
Depreciation of property, plant and equipment (Note 19)	27,358	26,999
Amortisation of computer software (Note 20)	12,433	13,628
Insurance on property, plant and equipment	3,212	5,346
Rental of premises	8,639	7,912
Printing, stationery and office supplies	7,793	9,203
Water and electricity	8,010	7,990
Computer maintenance	14,215	9,854
Building maintenance	3,217	2,996
Office maintenance	3,452	3,072
Computer supply	980	1,544
Others	2,830	2,973
	92,139	91,517
Marketing expenses		
Advertising and promotions	4,139	2,577
Others	645	264
	4,784	2,841

8. OVERHEAD EXPENSES (cont'd)

	2013 RM'000	2012 RM'000
General administrative expenses		
Communication expenses	14,015	14,097
Government grants - Launching	986	1,102
Government grants - Operating	-	217
Legal fees	16,743	13,695
Auditor's remuneration		
- Statutory audit	380	380
- Other assurance related	80	180
- Other services - tax compliance	120	40
Security charges	9,980	7,761
Others	2,162	1,552
	44,466	39,024
	359,634	350,257

9. GOVERNMENT GRANTS

	2013 RM'000	2012 RM'000
Launching Grant:		
Development expenditure	986	1,102
Amortisation of capital expenditure	3,343	3,316
Operating Grant:		
Development expenditure	-	217
Amortisation of capital expenditure	6,470	12,788
Government grants - Funds (recovered)/released:		
Entrepreneur Scheme for Graduates ("SUTKS") (note 27 (b))	(573)	(225)
Special Fund for Terengganu Fishery ("DKSP") (note 27 (c))	104	5
Fund for Ministry of Youth and Sports ("DKBS") (note 27 (d))	83	532
National Key Economic Area ("NKEA") (note 27 (f))	125	-
Micro Economic Stimulation Package ("Micro-ESP") (note 27 (g))	10,268	14,698
	20,806	32,433

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

10. ALLOWANCE FOR IMPAIRMENT ON LOANS, FINANCING AND ADVANCES

	2013 RM'000	2012 RM'000
Loans, financing and advances :		
Allowance for the year	(91,248)	(105,480)
Amount written back upon recoveries and reversal of allowance	55,431	85,051
Individual impairment allowance - net	(35,817)	(20,429)
Allowance for the year	(98,308)	(193,386)
Amount written back	17,390	41,070
Collective impairment allowance - net	(80,918)	(152,316)
Bad debts and financing :		
Written off	-	(261)
Recovered	80,900	85,716
	(35,835)	(87,290)

11. (ALLOWANCE FOR)/ WRITEBACK OF IMPAIRMENT ON INVESTMENT SECURITIES

	2013 RM'000	2012 RM'000
Allowance for impairment:		
Corporate bonds	(4,995)	-
Quoted shares	1,077	263
	(3,918)	263

12. TAX EXPENSE

	2013 RM'000	2012 RM'000
Income tax:		
Malaysian income tax	79,152	75
(Over)/under provision in prior years	(1,097)	6
	78,055	81
Deferred tax:		
Relating to origination and reversal of temporary differences	(5,073)	7,268
Under provision in prior years	4,745	-
	77,727	7,349

Income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. The reconciliation between tax expense and accounting profit of the Bank multiplied by the applicable corporate tax rate are as follows:

	2013 RM'000	2012 RM'000 Restated
Profit before tax and zakat	319,309	355,363
Tax at the applicable statutory tax rate of 25% (2012: 25%)	79,827	88,841
Tax effects of:		
Income not subject to tax	(8,366)	(91,774)
Expenses not deductible for tax purposes	2,618	10,276
Under provision of deferred tax in prior years	4,745	-
(Over)/under provision of tax in prior years	(1,097)	6
	77,727	7,349

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

12. TAX EXPENSE (cont'd)

The Ministry of Finance by notification in the Malaysian Gazette P.U.(A) 95/2008 issued an order on 1 April 2008 vesting all properties, rights and liabilities of Bank Pertanian Malaysia (prior corporatisation) to the Bank without any conveyance, assignment or transfer. Based on the order, the Ministry of Finance in a letter dated 25 June 2008 made the decision to extend the right for tax exemption on all income for years of assessment 2002 to 2012 except for tax on dividend income. In addition, the Bank is allowed to carry forward the unabsorbed capital allowances and unabsorbed tax losses for the said exempt period. The exemption was not extended and the Bank is subject to income tax from the current financial year ended 31 December 2013.

13. ZAKAT

	2013 RM'000	2012 RM'000
Zakat for the year	1,826	2,082

This represents amount to be paid by the Bank in accordance with Shariah and approved by the Shariah Council. The Bank uses the asset growth method to compute zakat.

14. CASH AND SHORT TERMS FUNDS

	31 December 2013 RM'000	31 December 2012 RM'000
Cash in hand	84,774	76,757
Cash at banks	78,882	79,730
Short term deposits maturing within three months:		
Licensed banks	628,343	936,050
Other financial institutions	481,398	734,475
	1,273,397	1,827,012

15. DEPOSITS WITH FINANCIAL INSTITUTIONS

	31 December 2013 RM'000	31 December 2012 RM'000
Other financial institutions	60,000	-
Maturity structure of deposits with financial institutions is as follows:		
Six months to nine months	60,000	-

16. INVESTMENT SECURITIES

	31 December 2013 RM'000	31 December 2012 RM'000
Debt securities		
AFS - at fair value		
Corporate bonds	2,283,604	1,763,986
Malaysian Government Securities ("MGS") / Government Investment Issue ("GII")	998,293	1,212,144
	3,281,897	2,976,130
HTM - at amortised cost		
Corporate bonds	32,978	42,368
Commercial papers	19,901	9,955
Malaysian Government Securities ("MGS") / Government Investment Issue ("GII")	161,283	161,756
	214,162	214,079
	3,496,059	3,190,209

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

16. INVESTMENT SECURITIES (cont'd)

	31 December 2013 RM'000	31 December 2012 RM'000
Equity securities		
AFS - at fair value		
Quoted shares in Malaysia	98,592	271,532
Total before allowances	3,594,651	3,461,741
Allowance for impairment		
Corporate bonds	(6,354)	(1,359)
Quoted shares in Malaysia	(243)	(1,320)
	(6,597)	(2,679)
Net	3,588,054	3,459,062
Maturity structure for HTM investments is as follows:		
Maturity within six months	44,926	19,955
Between six months to one year	-	-
Between one year to three years	119,205	25,119
Between three years to five years	50,031	169,005
More than five years	-	-
	214,162	214,079
Market values of HTM investments are as follows:		
Market Value		
Corporate bonds	33,038	42,627
Commercial papers	19,810	9,943
Malaysian Government Securities ("MGS") / Government Investment Issue ("GII")	160,302	162,014
	213,150	214,584

16. INVESTMENT SECURITIES (cont'd)

	Corporate bonds RM'000	Quoted Shares RM'000	Total RM'000
Movement in allowance for impairment			
At 1 January 2013	1,359	1,320	2,679
Allowance for/(reversal of allowance) during the year	4,995	(1,077)	3,918
At 31 December 2013	6,354	243	6,597

17. LOANS, FINANCING AND ADVANCES

	31 December 2013 RM'000	31 December 2012 RM'000 Restated	1 January 2012 RM'000 Restated
At amortised cost:			
Islamic financing and advances (Note 35(g))	5,766,570	5,491,789	4,753,457
Wawasan Tani Loans	115,126	269,100	443,756
Project and Equipment Loans	226,918	318,432	445,831
Capital Entrepreneur Tani ("MUST")	48,314	103,714	164,804
Agribusiness Loans	107,492	122,096	129,544
Fund For Food ("3F")	18,797	32,381	54,697
Insani Education Loans	37,819	55,302	66,879
Paddy Credit Scheme	1,192	17,110	19,265
MAP and MPPB Loans	1,175	4,716	5,258
Fund for Small and Medium Size Industries ("TIKS")	788	1,203	2,169

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

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

	31 December 2013 RM'000	31 December 2012 RM'000 Restated	1 January 2012 RM'000 Restated
At amortised cost (cont'd):			
Contract Tani Loans	1,613	2,953	2,385
Agriculture Special Credit Scheme ("SPKP")	-	3	1,700
Special Advances on Fixed Deposit	156	521	522
Tobacco Scheme	333	609	591
Asean-Japan Development Fund ("AJDF")	55	154	534
Banking Facilities	2	19	79
Other Loans	1,885	2,031	2,214
	6,328,235	6,422,133	6,093,685
Loans, financing and advances to employees	65,098	70,990	72,690
	6,393,333	6,493,123	6,166,375
Less:			
Individual impairment allowance	(237,264)	(207,777)	(268,380)
Collective impairment allowance	(305,915)	(417,698)	(441,637)
Net	5,850,154	5,867,648	5,456,358

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

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

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
Maturity within six months	583,805	819,291
Between six months to one year	91,590	89,898
Between one year to three years	526,081	542,565
Between three years to five years	818,220	777,486
More than five years	4,373,637	4,263,883
	6,393,333	6,493,123

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

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
Sectors:		
Support	2,653,171	2,945,095
Crops	2,445,278	2,286,218
Livestock	700,814	687,978
Fishery	435,527	402,747
Forestry	34,547	38,120
Other agricultural based processing	123,996	132,965
	6,393,333	6,493,123

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

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

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

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
Regions:		
Kuala Lumpur	549,698	790,568
Selangor	756,453	681,730
Pahang	537,703	459,978
Perak	766,500	762,078
Negeri Sembilan/Melaka	465,618	456,204
Johor	525,394	539,256
Kelantan	364,439	364,667
Kedah/Perlis	583,327	536,643
Sarawak	655,559	685,403
Sabah	618,189	578,299
Pulau Pinang	248,087	328,973
Terengganu	322,366	309,324
	6,393,333	6,493,123

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

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
Neither past due nor impaired	5,337,602	5,124,064
Past due but not impaired	418,876	562,041
Impaired	636,855	807,018
	6,393,333	6,493,123

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 but less than three (3) months.

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

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

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
At beginning of the year	807,018	907,175
Additions during the year	378,902	500,500
Reclassified as non impaired during the year	(90,134)	(121,588)
Recoveries during the year	(231,324)	(222,564)
Reclassified to off balance sheet during the year	(23,782)	-
Amount written off	(203,825)	(256,505)
At end of the year	636,855	807,018
Gross impaired loans as a percentage of gross loans, financing and advances	9.96%	12.43%

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

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
Sectors:		
Support	161,988	342,673
Crops	251,044	222,852
Livestock	103,728	112,381
Fishery	75,612	78,958
Forestry	31,044	33,220
Other agricultural based processing	13,439	16,934
	636,855	807,018

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

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

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

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
Regions:		
Kuala Lumpur	139,635	197,477
Selangor	94,751	122,257
Pahang	66,906	73,536
Perak	72,318	88,644
Negeri Sembilan/Melaka	42,281	63,651
Johor	38,999	61,293
Kelantan	38,897	44,983
Kedah/Perlis	58,627	39,154
Sarawak	22,920	35,686
Sabah	31,354	29,695
Pulau Pinang	17,374	31,482
Terengganu	12,793	19,160
	636,855	807,018

(vi) Movement in individual impairment allowance are as follows:

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
Individual impairment allowance		
At beginning of the year	207,777	268,380
Allowance for the year	91,248	105,480
Amount written back upon recoveries and reversal of allowance	(55,431)	(85,051)
Net allowance for the year	35,817	20,429
Amount written off	(6,330)	(81,032)
At end of the year	237,264	207,777

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

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
(vii) Movement in collective impairment allowance are as follows:		
Collective impairment allowance		
At beginning of the year	417,698	441,637
Allowance for the year	98,308	193,386
Amount written back	(17,390)	(41,070)
Net allowance for the year	80,918	152,316
Amount written off	(192,701)	(176,255)
At end of the year	305,915	417,698
Collective impairment allowance as a percentage of gross loans, financing and advances less individual impairment allowance	4.97%	6.65%

Included in net collective impairment allowance for the year are collective impairment allowance on loans, financing and advances funded by government grants which are as follows:

Entrepreneur Scheme for Graduates "SUTKS" (note 27 (b))	(573)	(225)
Special Fund for Terengganu Fishery ("DKSP") (note 27 (c))	104	5
Fund for Ministry of Youth and Sports ("DKBS") (note 27 (d))	83	532
National Key Economic Area ("NKEA") (note 27 (f))	125	-
Micro Economic Stimulation Package ("Micro-ESP") (note 27 (g))	10,268	14,698

The total amount of collective impairment allowance includes collective allowances for non impaired loans of RM135,002,910 (2012: RM136,578,158).

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

18. OTHER ASSETS

	31 December 2013 RM'000	31 December 2012 RM'000
Other receivables	39,380	31,730
Interest and income receivable	54,632	61,222
Foreclosed properties	5,752	7,836
Project Ladang BPM - Sg Tasan	3,377	3,377
	103,141	104,165
Less: impairment allowance	(6,940)	(8,245)
Net	96,201	95,920
Movement in impairment allowance		
At beginning of the year	8,245	11,956
Addition during the year	-	2,472
Reversal during the year	(1,305)	(6,183)
At end of the year	6,940	8,245

19. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Freehold building RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Motor vehicles RM'000	Furniture and fixtures RM'000	Equipment and office machines RM'000	Computer hardware RM'000	Total RM'000
Cost									
At 1 January 2013	3,591	11,732	8,034	85,327	13,769	131,336	50,912	71,596	376,297
Additions	-	-	-	2,155	1,041	18,071	7,792	4,426	33,485
Write off/disposal	-	-	-	(335)	(1,036)	(3,340)	(1,493)	(2,372)	(8,576)
At 31 December 2013	3,591	11,732	8,034	87,147	13,774	146,067	57,211	73,650	401,206
Accumulated depreciation									
At 1 January 2013	-	3,389	1,712	20,220	11,282	68,544	23,998	56,296	185,441
Charge for the year	-	304	76	1,696	174	12,775	4,693	7,640	27,358
Write off/disposal	-	-	-	(140)	(1,036)	(2,164)	(1,285)	(2,362)	(6,987)
At 31 December 2013	-	3,693	1,788	21,776	10,420	79,155	27,406	61,574	205,812
Net book value									
At 31 December 2013	3,591	8,039	6,246	65,371	3,354	66,912	29,805	12,076	195,394
At 31 December 2012	3,591	8,343	6,322	65,107	2,487	62,792	26,914	15,300	190,856

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

19. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (i) The property, plant and equipment acquired from government grants- launching with net book value amounting to RM8,103,729 (2012: RM10,002,184) are as follows:

	Motor vehicles RM'000	Furniture and fixtures RM'000	Equipment and office machines RM'000	Computer hardware RM'000	Total RM'000
At 31 December 2013					
Cost	696	14,023	1,867	1,547	18,133
Accumulated depreciation	(696)	(6,886)	(900)	(1,547)	(10,029)
Net book value	-	7,137	967	-	8,104
At 31 December 2012					
Cost	696	14,047	1,934	1,548	18,225
Accumulated depreciation	(673)	(5,450)	(714)	(1,386)	(8,223)
Net book value	23	8,597	1,220	162	10,002

19. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (ii) The property, plant and equipment acquired from government grants- operating under the 9th Malaysian Plan ("RMK 9") with net book value amounting to RM19,189,677 (2012: RM24,500,261) are as follows:

	Buildings RM'000	Motor vehicles RM'000	Furniture and fixtures RM'000	Equipment and office machines RM'000	Computer hardware RM'000	Total RM'000
At 31 December 2013						
Cost	13,600	1,709	28,188	4,000	23,975	71,472
Accumulated depreciation	(3,874)	(1,709)	(24,027)	(2,039)	(20,633)	(52,282)
Net book value	9,726	-	4,161	1,961	3,342	19,190
At 31 December 2012						
Cost	13,600	1,709	28,188	4,000	23,975	71,472
Accumulated depreciation	(3,733)	(1,709)	(23,139)	(1,638)	(16,752)	(46,971)
Net book value	9,867	-	5,049	2,362	7,223	24,501

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

20. INTANGIBLE ASSETS

	Computer software RM'000
Cost	
At 1 January 2013	63,651
Additions	18,476
Write off	(49)
At 31 December 2013	82,078
Accumulated amortisation	
At 1 January 2013	42,753
Charge for the year	12,433
Write off	(49)
At 31 December 2013	55,137
Net book value	
At 31 December 2013	26,941
At 31 December 2012	20,898

Included in the above are computer software acquired from the following government grants:

a) Government Grant- Launching

	Cost RM'000	Accumulated amortisation RM'000	Net book value RM'000
2013	6,304	4,870	1,434
2012	6,304	3,333	2,971

20. INTANGIBLE ASSETS (cont'd)

b) Government Grant- Operating under the 9th Malaysian Plan ("RMK 9")

	Cost RM'000	Accumulated amortisation RM'000	Net book value RM'000
2013	24,079	22,554	1,525
2012	24,079	21,395	2,684

21. DEFERRED TAX ASSETS/(LIABILITIES)

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
At 1 January, as previously stated	(32,322)	(80,390)
Prior year adjustments (note 34(iii))	18,534	19,310
At 1 January, as restated	(13,788)	(61,080)
Recognised in income statement	328	(7,268)
Recognised in equity	62,032	54,560
At 31 December	48,572	(13,788)
Presented after appropriate offsetting as follows:		
Deferred tax assets	61,657	54,159
Deferred tax liabilities	(13,085)	(67,947)
	48,572	(13,788)

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

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

21. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

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

	At 1 January 2012 RM'000 Restated	Recognised in income statement RM'000 Restated	Recognised directly in equity RM'000 Restated	At 31 December 2012 RM'000 Restated	Recognised in income statement RM'000	Recognised directly in equity RM'000	At 31 December 2013 RM'000
Deferred tax liabilities:							
Property, plant and equipment	(9,074)	3,876	-	(5,198)	(7,170)	-	(12,368)
Investment revaluation reserve	(117,309)	-	54,560	(62,749)	-	62,032	(717)
	(126,383)	3,876	54,560	(67,947)	(7,170)	62,032	(13,085)
Deferred tax assets:							
Allowance for impairment on loans, financing and advances	31,964	(31,964)	-	-	-	-	-
Allowance for impairment on securities	2,408	(2,408)	-	-	-	-	-
Provision for undistributed profit	19,310	21,106	-	40,416	13,036	-	53,452
Other temporary differences	11,621	2,122	-	13,743	(5,538)	-	8,205
	65,303	(11,144)	-	54,159	7,498	-	61,657
Net deferred tax assets/(liabilities)	(61,080)	(7,268)	54,560	(13,788)	328	62,032	48,572

22. DEPOSITS FROM CUSTOMERS

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
At amortised cost:		
Fixed/money market deposits	3,514,693	3,779,419
Savings deposits	1,581,660	1,640,654
Agro Perdana	1,498,293	1,443,143
	6,594,646	6,863,216
Maturity structure of fixed/money market deposits from customers is as follows:		
Within six months	1,458,119	2,843,736
Between six months to one year	1,953,240	857,159
Between one year to three years	28,359	29,688
Between three years to five years	74,975	48,836
	3,514,693	3,779,419
The deposits are sourced from the following types of customers:		
Government	2,695,451	2,492,133
Individuals	2,619,842	2,760,759
Domestic business enterprises	436,464	601,653
Domestic other entities	814,321	965,618
Domestic non-banking institutions	28,568	43,053
	6,594,646	6,863,216

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

23. OTHER LIABILITIES

(a) Other payables and accruals

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
Accrued expenses	52,653	52,314
Sundry creditors	52,966	61,558
Donation/charity	11	155
Zakat payable	2,469	4,075
Provision for undistributed profit (i)	213,809	161,665
Provision for tax expense	2,682	1,191
Retirement benefits scheme (ii)	2,345	43,641
	326,935	324,599

(i) Provision for undistributed profit

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
At 1 January, as previously stated	-	-
Prior year adjustments (note 34(ii))	161,665	77,240
At 1 January, as restated	161,665	77,240
Provision for the year	52,144	84,425
At 31 December	213,809	161,665

Provision for undistributed profit relates to under accrual of profit payable on Mudharabah deposits in prior years as disclosed further in note 34(ii).

23. OTHER LIABILITIES (cont'd)

(a) Other payables and accruals (cont'd)

(ii) Retirement benefits scheme

(a) The provision for retirement benefits scheme is as follows:

	RM'000
At 1 January 2013	43,641
Current service cost ¹	197
Benefits paid from plan	(31,261)
Accumulated overprovision	(10,232)
At 31 December 2013	2,345

¹ Current service cost represents the increase in the retirement benefit at each reporting date resulting from an additional year of service rendered by the employee.

(b) The principal assumptions used to determine the estimated costs and obligations are as follows:

	31 December 2013
Turnover and early retirement rate	
Age brackets:	
Less than 20 years	8.12%
25 - 29 years	7.48%
30 - 34 years	6.22%
35 - 39 years	4.76%
40 - 44 years	3.36%
45 - 49 years	1.96%
50 years and over	0.81%
Salaries increase rate (per annum)	5.00%
Average remaining years of service of employees	16 years

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

23. OTHER LIABILITIES (cont'd)

(a) Other payables and accruals (cont'd)

(ii) Retirement benefits scheme (cont'd)

(c) Sensitivity analysis for discount rate risk

A one percentage (1%) point decrease or increase in the assumed discount rate would have the following effects:

- (i) Current service cost to increase by RM16,000 or decrease by RM14,000 respectively.
- (ii) Provision for retirement benefit scheme to increase to RM2,718,000 or decrease to RM2,041,000 respectively.

(b) Paddy credit gratuity scheme

	31 December 2013 RM'000	31 December 2012 RM'000
At beginning of the year	2,185	2,249
Additions	134	170
Payment	(94)	(234)
At the end of year	2,225	2,185

The Bank sets up this scheme to manage the gratuity to the paddy credit scheme loanees. The fund under this scheme is contributed through the withholding of an amount from the loans disbursed to the loanees for payment of future death benefits to the legal heir of the loanees upon their demise.

24. LOAN SCHEME FUND

Summary of loan scheme fund is as follows:

	Note	31 December 2013 RM'000	31 December 2012 RM'000
Loan from OECF	(a)	-	20,638
Fund for Food ("3F")	(b)	1,003,316	970,463
MPPB Funds	(c)	51,134	70,486
Oil Palm Replanting Scheme ("TASKS")	(d)	13,000	14,000
Paddy Credit Scheme	(e)	76,701	105,715
Food Production Credit Scheme ("SKPM")	(f)	74,923	100,744
Fishery Boat Financing Scheme ("SPBP")	(g)	140,000	140,000
Entrepreneur Scheme for Graduates ("SUTKS - Financing")	(h)	6,015	8,010
Loan for Small and Medium Size Industries ("PKS")	(i)	73,048	100,730
Non-Food Production Credit Scheme ("SKPBM")	(j)	22,594	25,073
Micro Enterprise Fund	(k)	94,616	83,767
		1,555,347	1,639,626

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

24. LOAN SCHEME FUND (cont'd)

(a) Loan from OECF

	Principal RM'000	Interest RM'000	Total RM'000
At 1 January 2013	20,063	575	20,638
Addition	6,426	-	6,426
Interest charged	-	(84)	(84)
Repayment	(18,592)	(491)	(19,083)
Foreign exchange differences	(7,897)	-	(7,897)
At 31 December 2013	-	-	-

31 December 2013 RM'000	31 December 2012 RM'000
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Maturity structure of loan from OECF is as follows:

Within one year	-	20,638
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This loan was obtained from the Overseas Economic Cooperation Fund ("OECF") in 1988, at an interest rate of 3.5% per annum for 25 years. The repayment period commenced in 1995 and the loan was fully settled in 2013.

(b) Fund For Food ("3F")

	Principal RM'000	Profit RM'000	Total RM'000
At 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)
At 31 December 2013	1,003,006	310	1,003,316

24. LOAN SCHEME FUND (cont'd)

(b) Fund For Food ("3F") (cont'd)

Under the 9th Malaysian Plan ("RMK 9"), the Government agreed to channel RM1,000 million 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.

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

	Principal RM'000	Profit RM'000	Total RM'000
At 1 January 2013	70,000	486	70,486
Profit charged	-	27	27
Repayments	(18,901)	(478)	(19,379)
At 31 December 2013	51,099	35	51,134

Under the 9th Malaysian Plan ("RMK 9"), the Government agreed to channel RM100 million for a tenure of 15 years (3 years grace period) at a 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.

(d) Oil Palm Replanting Scheme ("TASKS")	Principal RM'000	Profit RM'000	Total RM'000
At 1 January 2013	14,000	-	14,000
Repayments	(1,000)	-	(1,000)
At 31 December 2013	13,000	-	13,000

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

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

24. LOAN SCHEME FUND (cont'd)

(e) Paddy Credit Scheme

	Principal RM'000	Profit RM'000	Total RM'000
At 1 January 2013	105,000	715	105,715
Profit charged	-	54	54
Repayments	(28,351)	(717)	(29,068)
At 31 December 2013	76,649	52	76,701

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

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

	Principal RM'000	Profit RM'000	Total RM'000
At 1 January 2013	100,000	744	100,744
Profit charged	-	243	243
Repayments	(25,421)	(643)	(26,064)
At 31 December 2013	74,579	344	74,923

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.

24. LOAN SCHEME FUND (cont'd)

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

	Principal RM'000
At 1 January 2013	140,000
Repayments	-
At 31 December 2013	140,000

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.

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

	Principal RM'000	Profit RM'000	Total RM'000
At 1 January 2013	8,010	-	8,010
Profit charged	-	20	20
Repayments	(1,995)	(20)	(2,015)
At 31 December 2013	6,015	-	6,015

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.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

24. LOAN SCHEME FUND (cont'd)

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

	Principal RM'000	Profit RM'000	Total RM'000
At 1 January 2013	100,000	730	100,730
Profit charged	-	2	2
Repayments	(27,001)	(683)	(27,684)
At 31 December 2013	72,999	49	73,048

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.

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

	Principal RM'000	Profit RM'000	Total RM'000
At 1 January 2013	25,062	11	25,073
Profit charged	-	62	62
Repayments	(2,478)	(63)	(2,541)
At 31 December 2013	22,584	10	22,594

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.

24. LOAN SCHEME FUND (cont'd)

(k) Micro Enterprise Fund

	Principal RM'000	Profit RM'000	Total RM'000
At 1 January 2013	83,770	(3)	83,767
Additions	15,759	-	15,759
Profit charged	-	1,357	1,357
Repayments	(4,912)	(1,355)	(6,267)
At 31 December 2013	94,617	(1)	94,616

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

25. GOVERNMENT GRANTS - OPERATING

	Capital Expenditure RM'000	Development Expenditure RM'000	Total RM'000
At 1 January 2013	41,795	77	41,872
Amortisation during the year	(6,470)	-	(6,470)
At 31 December 2013	35,325	77	35,402

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 expenditure to finance the acquisition of property, plant and equipment and development expenditure to finance the training courses given to entrepreneurs.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

26. GOVERNMENT GRANTS - LAUNCHING

	Capital Expenditure RM'000	Development Expenditure RM'000	Total RM'000
At 1 January 2013	14,301	7,297	21,598
Reclassification	(613)	613	-
Utilisation during the year	-	(986)	(986)
Amortisation during the year	(3,343)	-	(3,343)
At 31 December 2013	10,345	6,924	17,269

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.

27. GOVERNMENT GRANTS - FUNDS

Summary of government grant funds is as follows:

		31 December 2013 RM'000	31 December 2012 RM'000 Restated	1 January 2012 RM'000 Restated
	Note			
Development Programme for Hard-core Poor ("PPRT")	(a)	2,560	2,560	2,560
Entrepreneur Scheme for Graduates ("SUTKS")	(b)	1,358	785	560
Special Fund For Terengganu Fishery ("DKSP")	(c)	587	1,391	2,057
Fund for Ministry of Youth and Sports ("DKBS")	(d)	11,689	11,772	12,304
Bumiputera Commercial and Industrial Community Scheme HUB ("MPPB HUB")	(e)	40,000	-	-
National Key Economic Area ("NKEA")	(f)	53,832	55,000	55,000
Micro Economic Stimulation Package ("Micro - ESP")	(g)	147,474	157,742	172,532
		257,500	229,250	245,013

27. GOVERNMENT GRANTS - FUNDS (cont'd)

(a) Development Programme for Hard-core Poor ("PPRT")

RM'000

At 31 December 2012 and 31 December 2013

2,560

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

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

	31 December 2013 RM'000	31 December 2012 RM'000
At beginning of the year	785	560
Government Grants- Funds recovered (note 9)	573	225
At end of the year	1,358	785

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 AI – Bai' Bithaman Ajil which imposes a profit rate of 3% per annum.

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

	31 December 2013 RM'000	31 December 2012 RM'000
At beginning of the year	1,391	2,057
Amortisation for the year	(700)	(661)
Government Grants- Funds released (note 9)	(104)	(5)
At end of the year	587	1,391

The objective of this fund is to raise the socio-economic status of fishermen, fish breeders and aquaculture entrepreneurs. The financing is offered under AI – 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.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

27. GOVERNMENT GRANTS - FUNDS (cont'd)

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

	31 December 2013 RM'000	31 December 2012 RM'000
At beginning of the year	11,772	12,304
Government Grants- Funds released (note 9)	(83)	(532)
At end of the year	11,689	11,772

The purpose of this fund is to encourage youth to be involved in the agricultural industry under *Skim Belia Tani*.

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

	31 December 2013 RM'000	31 December 2012 RM'000
At beginning of the year	-	-
Received during the year	40,000	-
At end of the year	40,000	-

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")

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
At beginning of the year	55,000	55,000
Amortisation for the year	(1,043)	-
Government Grants- Funds released (note 9)	(125)	-
At end of the year	53,832	55,000

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

27. GOVERNMENT GRANTS - FUNDS (cont'd)

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

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
At beginning of the year	157,742	172,532
Legal fees	-	(92)
Government Grants- Funds released (note 9)	(10,268)	(14,698)
At end of the year	147,474	157,742

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

28. SHARE CAPITAL

	31 December 2013 RM'000	31 December 2012 RM'000
Authorised:		
Ordinary shares of RM1 each	2,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of RM1 each	1,000,000	1,000,000

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

29. RESERVES

	Note	31 December 2013 RM'000	31 December 2012 RM'000
Non-distributable reserve:			
Statutory reserves	(a)	487,109	487,109
Investment revaluation reserve	(b)	137,590	321,719
Distributable reserve:			
Retained earnings		724,690	516,434
		1,349,389	1,325,262

(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 gain and loss on financial investments AFS.

30. DIVIDENDS

	2013 RM'000	2012 RM'000
Interim dividend of 1.2 sen less 25% tax, on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2013	9,000	-
Final dividend of 3 sen less 25% tax, on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2012	22,500	-
Final dividend of 3 sen less 25% tax, on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2011	-	22,500
	31,500	22,500

30. DIVIDENDS (cont'd)

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the current financial year ended 31 December 2013 of 0.8 sen on 1,000,000,000 ordinary shares of RM1.00 each, amounting to dividend payable of RM8,000,000 will be proposed for 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 earnings in the next financial year ending 31 December 2014.

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the section 108 balance of the Income Tax Act 1967 and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Bank did not elect for the irrevocable option to disregard the section 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the section 108 balance to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2013, the Company has sufficient credit in the section 108 balance to pay franked dividends out of its entire retained earnings. Any section 108 balance which has not been utilised as at 31 December 2013 is disregarded. Thereafter, the Bank may distribute dividends out of its entire retained earnings under the single tier system.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

31. COMMITMENTS AND CONTINGENCIES

	31 December 2013 RM'000	31 December 2012 RM'000
Guarantee:		
Guarantee letters issued to the customers of the Bank	11,670	15,535
Capital commitment		
Approved and contracted for:		
Capital expenditure	6,212	5,205
Commitment on loans, financing and advances	246,510	396,520
	252,722	401,725
Approved but not contracted for:		
Capital expenditure	-	811
Commitment on loans, financing and advances	12,778	76,952
	12,778	77,763
	265,500	479,488
Contingent liabilities		
Certain legal actions taken against the Bank with compensation claims	383,105	363,932
	660,275	858,955

31. COMMITMENTS AND CONTINGENCIES (cont'd)

A summary of the status of material legal actions against the Bank are as follows:

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.

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 an even chance of succeeding in establishing its defence to the counter claim.

Case 2

The borrower filed a legal action against the Bank seeking compensation for damages suffered resulting from the Bank rescinding the loan facility previously approved. The Bank filed a counterclaim against the borrower to recover outstanding loans of approximately RM15.9 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 13 September 2012, the Court of Appeal had set aside the damages granted against the Bank and ordered that the damages be reassessed by the Senior Assistance Register of the High Court. The Court of Appeal further allowed the Bank's counterclaim. The Bank's application for leave to appeal to 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 appeal at the Federal Court.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

31. COMMITMENTS AND CONTINGENCIES (cont'd)

A summary of the status of material legal actions against the Bank are as follows: (cont'd)

Case 3

The customer has filed a legal action against the Bank seeking damages in lieu of specific performance from the Bank on the grounds that the Bank has breached its promise to grant a term loan of RM85 million. The customer is claiming that a contract existed based on the Letter of Offer and Acceptance ("LOA") issued by the Bank 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 other 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.

32. RELATED PARTY DISCLOSURES

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

b) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly including any director (whether executive or otherwise) of the bank. Remuneration paid to key management personnel of the Bank includes the following :

32. RELATED PARTY DISCLOSURES (cont'd)

b) Key management personnel compensation (cont'd)

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

Key management personnel	Short Term	Post Employment
	2013 RM'000	Benefit 2013 RM'000
Executive director	755	129
Non-executive directors	1,172	-
Senior management	2,840	345
	4,767	474
	2012 RM'000	2012 RM'000
Executive director	716	122
Non-executive directors	1,868	-
Senior management	2,831	294
	5,415	416

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

32. RELATED PARTY DISCLOSURES (cont'd)

(c) Transactions with key management personnel

The following table provides the total amount of transactions, which have been entered into with key management personnel for the relevant financial year.

	31 December 2013 RM'000	31 December 2012 RM'000
Deposit	10	9

No loans have been granted to the directors of the Bank.

d) Transactions with related parties

	Notes	2013 RM'000	2012 RM'000 Restated
Income			
Gapping	(i)	23,562	35,059
Management fees	(ii)	14,193	18,623
Commission	(iii)	1,440	1,590
Interest/profit income on deposits placed with government linked entities		53,675	94,442
Expense			
Interest/profit expense on deposits placed by government linked entities		9,906	9,917
Interest/profit expense on loan scheme fund paid and payable to the Ministry of Finance and BNM		7,261	5,757
Employee Provident Fund ("EPF")		21,139	17,826
Social Security Organisation ("SOCSO")		1,712	1,700
Compensation paid to a state linked agency		-	18,021

32. RELATED PARTY DISCLOSURES (cont'd)

d) Transactions with related parties (cont'd)

Description for income with related parties are as follows:

- (i) Income from Ministry of Finance Incorporated for the interest differential between market rate and subsidised rate on loans disbursed by the Bank at subsidised rate.
- (ii) Fees earned for managing of government funds for loan disbursement paid by Ministry of Agriculture and Ministry of Finance.
- (iii) Commission earned as bills collection agent from Government of Malaysia controlled entities.

e) Outstanding balances arising from transactions with related parties

	Amount owed to/ by related parties	
	31 December 2013 RM'000	31 December 2012 RM'000 Restated
Government Grants - Operating	35,402	41,872
Government Grants - Launching	17,269	21,598
Government Grants - Funds	257,500	229,250
Loan scheme fund	1,555,347	1,639,626
Foreign exchange receivable from Ministry of Finance	3,058	12,472
Loan to related parties	12,359	14,951
Deposit/placement with related parties	954,685	3,278,966
Deposit from related entities	2,695,451	2,665,134

f) Terms and conditions

Transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS

A. FINANCIAL RISK MANAGEMENT

(a) General risk management

(i) Introduction and overview

The Bank embraces risk management as an integral component of its business, operations and decision making process to ensure that optimum returns are generated with high regard to uncertainties in the business and market environment. The risk management encompasses every aspect of the bank's business and operations as early as product development stage by providing independent inputs and relevant valuations, credit evaluation and review, treasury related portfolio assessment and review, simulation and review on business continuity and disaster recovery etc. The inputs provided enables product development team and other business units to assess the risk-return of their propositions and thus enables risks are properly priced, in relation to return. The Bank has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Shariah risk

(ii) Risk management objectives

The Bank's risk management activities have the following aims:

- Identify, quantify, mitigate, monitor and report various risk exposures;
- Ensure all risk taking activities are consistent and in-line with prescribed risk policies and regulatory frameworks;
- Create and enhance shareholders' value by prudent and robust methodologies and policies.

33. FINANCIAL INSTRUMENTS (cont'd.)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(a) General risk management (cont'd)

(iii) Risk management framework (cont'd)

The Board of Directors ("The Board") is responsible for the establishment an oversight of the Bank's risk management framework. The Board had established the Risk Management Committees at senior management and Board level to monitor, evaluate, strategise and deliberate risk management activities within respective areas.

The Bank has the broad risk management framework ("BRMF") that encompasses credit, market and liquidity, operational and Shariah risks as part of its risk governance. The objectives of the BRMF are as follows:

- Ensure that all risks faced by the Bank are identified, monitored and adequately managed;
- Provide the Management and the Board with a bank-wide view of the Bank's risks and their likely impact, enabling the Bank to take strategic actions to avoid or otherwise mitigate potential losses;
- Provide Management and the Board with bank-wide view of inter-relationships between risks and the manner in which reducing one risk exposure may increase /impact another;
- Provide an explicit link between risk and return through an integrated view of risk exposures and common measures to communicate and measure the magnitude of exposures of the varying risk types;
- Provide a means of prioritising the myriad of risks and the corresponding mitigating control initiatives.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(a) General risk management (cont'd)

(iv) Risk governance framework

The ultimate responsibility in managing risks lies with the Board. This shall include responsibility to ensure that risk management frameworks and policies are established for the various categories of risk. The Board carries out its duties by the establishment of appropriate committees as below for the oversight of risk management processes.

- Board Risk Management Committee ("BRMC")
- Board Credit Committee ("BCC")
- Board Investment Committee ("BIVC")
- Board IT Committee ("BITC")
- Board Audit Committee ("BAC")

At senior management level the following committees had been established to oversight risk management activities and risk exposures.

- Management Risk Committee ("MRC")
- Asset Liability Committee ("ALCO")
- Management Audit Committee ("MAC")

(b) Credit risk

(i) Nature of credit risk

The Bank's exposure to credit risk is primarily from lending/financing activities to retail consumers, micro, small and medium-sized enterprises ("SMEs") and corporate customers. Lending activities are guided by internal credit policies and guidelines. Evaluation templates have been introduced and continuous enhancement has been made to credit evaluation and approving processes for each customer types to ensure accountability and responsibility. Investment in equities, bonds and other marketable securities, financial instruments trading and other banking activities, whether it is classified as banking book or trading book, may also expose the Bank to credit risk and counterparty credit risk.

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(ii) Definition of credit risk

Credit risk is the risk of potential loss due to failure of or unwillingness of the customers or counterparties to fulfil their contractual financial obligations as and when they arise.

(iii) Objective of credit risk management

The goal of credit risk management is to keep credit risk exposure to an acceptable level and to ensure the returns are commensurate with risk.

(iv) Management of credit risk

The management of credit risk is governed by the credit risk management framework which sets out the risk management governance and infrastructure, risk management processes and control responsibilities.

Credit risk assessment also forms part of the new product sign-off processes to ensure that new products comply with appropriate policies and guidelines and taking into consideration potential risk exposures, prior to the introduction of the product.

The Bank's credit risk management framework addresses the following areas:-

- Management and quality of loan/financing assets including the credit policies and guidelines, credit approval, credit risk measurement and competency of credit personnel.
- Loan preservation which covers credit review process, early detection and management of vulnerable credits and recovery.
- Credit concentration policy for effective portfolio management.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(iv) Management of credit risk (cont'd)

Policies, procedures and guidelines for credit operations are documented and are made available through the Bank's intranet portal. These policies and procedures are subject to review and enhancement periodically to ensure its relevancy and in line with business directions and environment.

The Management Risk Committee ("MRC") supports the Board Risk Management Committee ("BRMC") in credit risk management oversight. The MRC reviews the Bank's credit risk management framework and policies, aligned credit risk management with business strategies and planning, monitoring credit profile and portfolios and recommend necessary actions to ensure that credit risks remain within tolerance level.

(v) Measurement of credit risk

Credit risk concentration in loans, financing and advances

Concentrations of credit risk are monitored by economic activities under the agriculture sub-sectors. The table below set out the breakdown of credit exposure by agriculture sub-sector as follows:

Sector:	2013 RM'000	2012 RM'000 Restated
Support	2,653,171	2,945,095
Crops	2,445,278	2,286,218
Livestock	700,814	687,978
Fishery	435,527	402,747
Forestry	34,547	38,120
Other agricultural based processing	123,996	132,965
	6,393,333	6,493,123

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(v) Measurement of credit risk (cont'd)

Collateral position in loans, financing and advances

Credit facilities are granted on the basis of the customer's credit standing, project viability and repayment capacity as per the Bank's credit policy. However, due to the nature of its financing, the Bank generally requires collateral against loans, financing and advances to customers in the form of charges over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and is revalued once in two years or when a loan/financing is impaired.

The main types of collateral held by the Bank to mitigate credit risk are as follows:

- (i) Project Loans/financing – charges over land, buildings, plant and machinery, fishing vessels, ownership claim over vehicles, fixed deposits and pledges over shares and marketable securities.
- (ii) Retail loans – charges over land and fixed deposits for certain types of loan.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(v) Measurement of credit risk (cont'd)

Collateral position in loans, financing and advances (cont'd)

The table below set out the collateral position of exposure by status of repayment:

	Secured RM'000	Unsecured RM'000	Total RM'000	Financial effect of collateral* %
2013				
Current	2,187,552	3,150,050	5,337,602	94.8
Past due but not impaired	295,747	123,129	418,876	133.7
Impaired	399,279	237,576	636,855	76.2
	2,882,578	3,510,755	6,393,333	95.5
2012 (restated)				
Current	2,390,526	2,733,538	5,124,064	65.6
Past due but not impaired	361,047	200,994	562,041	77.9
Impaired	653,930	153,088	807,018	66.8
	3,405,503	3,087,620	6,493,123	67.1

* Based on quantification of the extent to which collateral and other credit enhancements mitigate credit risk.

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Credit quality of gross loans, financing and advances

Impaired loans

The breakdown of the gross loans, financing and advances individually assessed as impaired, by sectors and the fair value of related collateral held by Bank as security are as follows:

	Gross individually impaired loans RM'000	Individual impairment allowance RM'000	Financial effect of collateral* %
2013			
Sectors:			
Crops	155,401	85,379	45.1
Fishery	46,429	40,948	11.8
Value added	1,903	1,720	9.6
Forestry	29,588	29,588	-
Livestock	68,457	60,542	11.6
Support	19,860	19,087	33.7
	321,638	237,264	28.1

* Based on quantification of the extent to which collateral and other credit enhancements mitigate credit risk.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Collateral position in loans, financing and advances (cont'd)

Credit quality of gross loans, financing and advances (cont'd)

Impaired loans (cont'd)

	Gross individually impaired loans RM'000	Individual impairment allowance RM'000	Financial effect of collateral* %
2012			
Sectors:			
Crops	129,606	60,277	53.5
Fishery	42,687	38,335	10.2
Value added	1,466	1,276	12.9
Forestry	39,885	27,580	30.9
Livestock	76,351	63,428	16.9
Support	23,326	16,881	53.1
	313,321	207,777	35.6

* Based on quantification of the extent to which collateral and other credit enhancements mitigate credit risk.

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Collateral position in loans, financing and advances (cont'd)

Credit quality of gross loans, financing and advances (cont'd)

Impaired loans (cont'd)

The breakdown of collective impairment allowance for loans, financing and advances by sectors are as follows:

	2013 RM'000	2012 RM'000
Sectors:	46,145	48,498
Crops	26,133	26,187
Fishery	1,178	695
Value added	767	385
Forestry	30,909	42,780
Livestock	52,147	56,036
Micro Credit - MUST	70,187	59,459
Support	20,142	14,975
Support - Ar-Rahnu	44,086	68,225
Support - Agrocash	3,186	3,103
Fund for Ministry of Youth and Sports ("DKBS")	48	949
Entrepreneur Scheme for Graduates ("SUTKS")	76	312
Special Fund for Terengganu Fishery ("DKSP")	1,083	-
NKEA	4,295	87,166
Micro-ESP		
	300,382	408,770

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Collateral position in loans, financing and advances (cont'd)

Credit quality of gross loans, financing and advances (cont'd)

Impaired loans (cont'd)

	2013 RM'000	2012 RM'000
Collective impairment allowance for fully secured loans/financing		
Sectors:		
Crops	4,645	6,240
Fishery	147	27
Value added	-	87
Forestry	-	242
Livestock	429	1,984
Support	312	348
	5,533	8,928
Collective impairment allowance	305,915	417,698

Credit risk in investment activities

The credit risk management approach for investment activities is primarily deliberated at the Board Investment Committee ("BIVC"). In the case of investment portfolio, the setting of credit limits is done and regularly reviewed by Market Risk Management Department ("MRMD"), as the middle office for treasury operations. Various credit limits on investment exposures are proposed to the Management Risk Committee ("MRC") for endorsement and escalated to BRMC or Board for approval. Report on compliance of various investment exposure limits are done by MRMD which is presented and deliberated at Asset Liability Committee ("ALCO") on monthly basis.

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Credit risk in investment activities (cont'd)

The Bank's investment policy stipulates the minimum investment grade for debt securities, types of permissible transactions, exposure limits for single customer/counterparty, credit rating, industry/sector and risk level (high, medium, low). In addition, the Bank has also set interbank limits for placements which are reviewed on regular basis to mitigate concentration limits in its investment portfolio.

Investment portfolio concentration

The portfolio profile is as follows:

	RM'000	Composition (%)
Deposits with financial institutions	60,000	2
Corporate bonds	2,310,228	62
Commercial papers	19,901	1
MGS / GII	1,159,576	32
Equity securities	98,349	3
Carrying amount at 31 December 2013	3,648,054	100
Corporate bonds	1,804,995	51
Commercial papers	9,955	1
MGS / GII	1,373,900	40
Equity securities	270,212	8
Carrying amount at 31 December 2012	3,459,062	100

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Credit risk in investment activities (cont'd)

Credit quality of investment securities

The following table presents the Bank's exposure to credit risk of financial instruments analysed by ratings from external credit rating agencies:

AFS securities

	2013	2012
Ratings	Non-money market instruments RM'000	Non-money market instruments RM'000
Corporate bonds		
Government-Guaranteed ("GG")	970,428	817,315
Quasi-Govt/AAAbg	263,675	277,252
AAA / AAAbg	683,997	510,636
AA / Abg	359,089	138,418
A	-	15,346
BBB	6,415	5,019
TOTAL	2,283,604	1,763,986

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Credit risk in investment activities (cont'd)

Credit quality of investment securities (cont'd)

The following table presents the Bank's exposure to credit risk of financial instruments analysed by ratings from external credit rating agencies:

HTM securities

Ratings	2013			2012		
	Money market instruments	Non-money market instruments	Total	Money market instruments	Non-money market instruments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Corporate bonds</u>						
GG	-	18,000	18,000	-	27,311	27,311
Quasi-Govt/AAAAbg	-	14,978	14,978	-	15,057	15,057
AAA / AAbg	-	-	-	-	-	-
AA / Abg	-	-	-	-	-	-
<u>Commercial papers</u>						
P1 / M1	19,901	-	19,901	9,955	-	9,955
TOTAL	19,901	32,978	52,879	9,955	42,368	52,323

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity risk

(i) Nature of liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet current and future financial commitments and obligations (anticipated or unanticipated) when they fall due without incurring unacceptable losses.

Liquidity risk may arise when there is a mismatch between funding against lending within predetermined time buckets. The mismatches may lead to the inability for Bank to fulfil its contractual obligations when they fall due. As such, the Bank has to maintain a portion of liquid assets in term of cash, cash equivalents and marketable securities to match maturity buckets.

(ii) Definition of liquidity risk

Liquidity risk is defined as the inability of the Bank to meet timely payment on any of its financial obligations to customers or counterparties when they fall due. The liquidity risk is divided into two components as follows:

- **Funding liquidity risk**

Funding liquidity risk arises when the Bank is unable to meet its financial obligations that arise from withdrawals of deposits, repayments of purchased funds at maturity dates, extension of credit or working capital needs.

- **Market liquidity risk**

Market liquidity risk is the risk that the Bank is unable to or cannot easily unwind or offset a particular position at/or near the previous market price because of inadequate market depth or because of disruptions in the market place caused by the change in market sentiment or due to a specific event or series of events.

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity risk (cont'd)

(iii) Management of liquidity risk

The Board shall approve all policies in relation to liquidity risk management which shall be reviewed at least on annual basis. The Board may delegate part of its authority and responsibility to its sub-committee, BRMC to oversee the effectiveness and compliance of those policies as well as approve new and revised policies.

Senior management is responsible to monitor and oversee liquidity risk exposures through the Asset Liability Committee ("ALCO") using primary tools such as maturity mismatch analysis, funding gap, maximum cumulative outflows and funding concentration using internal as well as market wide information to address possible liquidity problems. The Bank oversees its statement of financial position structure and places controls, within prudent limits and bucketing to manage risks arising from mismatches of maturities across the financial position structure, as well as from exposures of undrawn commitments and other contingent obligations.

The structure of statement of financial position is managed as such to maintain diversification and to minimise funding concentration as well as maintaining high quality of liquefiable assets. The mismatches in the financial position structure, particularly in the lending against funding portfolio or Loan/Financing Deposit Ratio ("LDR/FDR") is reported monthly to the ALCO. The ALCO formulates and determines strategies to minimise the mismatch between lending and funding activities between assets and liabilities, both for Conventional and Islamic books as well as Commercial and Concessionary books and the Bank as a whole.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity risk (cont'd)

(iii) Management of liquidity risk (cont'd)

Liquidity position are monitored by Market Risk Management Department ("MRMD") which report to Chief Risk Officer ("CRO"). The limit for each bucket is monitored daily and any significant shortfall or excess will be addressed within stipulated timeframe to mitigate liquidity risk exposure by the Bank. The Bank's liquidity position is reported to ALCO at least on monthly basis. Treasury Department ("TD") is responsible to manage the day to day liquidity requirements and funding strategy. TD is involved in mobilising funds from corporates through Money Market Desks and place out the fund as investment in money market as well as capital market instruments.

(iv) Measurement of liquidity risk

The liquidity risk management of the Bank is aligned with the New Liquidity Framework ("NLF") issued by BNM, and is measured and managed based on projected cash flows. In addition to ensuring compliance with the NLF, the Banks maintains a liquidity compliance buffer to meet any unexpected cash outflows. The measurement of liquidity risk is done through financial position profiling using predetermined time buckets. The exposure limits for each bucket, in particular within a one year band is closely monitored and analysed to ensure that the Bank has sufficient cash and liquefiable assets to meet contractual and behavioural maturities/commitments, and to determine the causes and ways to improve the gaps. The Bank maintains sufficient liquid assets (minimum 5% of total deposit) to meet contractual and behavioural maturities and commitments up to one week tenure. For up to one month bucket, the Bank maintains liquid assets of at least 7% of total deposit to meet contractual and behavioural maturities and commitments when they fall due.

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity risk (cont'd)

(v) Contingency funding plan ("CFP")

The Bank has a Contingency Funding Plan ("CFP") in place to deal with liquidity crisis situation. The CFP enables Management to make timely and well-informed decision in managing any liquidity crisis caused by the Bank's specific risk adverse positions as well as unfavourable market developments. The Bank sets out early warning indicators through various triggers, crisis escalation process, crisis management team and funding strategies to mitigate liquidity crisis situations. The CFP is tested and reviewed regularly to update latest position and matters in relation to liquidity risk profiles of the Bank.

(vi) Stress testing on liquidity risk

As part of liquidity management, liquidity risk exposures are also measured through funding concentration, loan/financing deposit ratios, cash and liquid asset ratio stress testing is conducted to quantify the worst case scenario of liquidity position of the Bank based on deposit run-off, market crisis shock, capital erosion and negative publicity. The Bank emphasises on the importance of low cost stable and retail deposits as the primary source of funds to finance its lending activities in additions to corporate and other high cost deposit.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of financial assets and financial liabilities based on contracted discounted cash flows:

		1-3	3 - 6	6 - 12	1 - 5		Non- specific	
	<1 month	months	months	months	years	>5 years	maturity	Total
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets								
Cash and short term funds	755,416	517,981	-	-	-	-	-	1,273,397
Deposits with financial institutions	-	-	-	60,000	-	-	-	60,000
Investment securities	-	50,197	35,078	116,013	939,913	2,348,504	98,349	3,588,054
Loan, financing and advances	767,850	351,695	286,634	196,261	1,569,960	2,677,754	-	5,850,154
Other assets	-	-	-	-	-	-	96,201	96,201
	1,523,266	919,873	321,712	372,274	2,509,873	5,026,258	194,550	10,867,806

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of financial assets and financial liabilities based on contracted discounted cash flows: (cont'd)

		1-3	3 - 6	6 - 12	1 - 5		Non- specific	
2013	<1 month	months	months	months	years	>5 years	maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities								
Deposit from customers								
Saving giro	3,079,953	-	-	-	-	-	-	3,079,953
Fixed deposits	300,348	762,345	395,426	1,953,240	103,334	-	-	3,514,693
Loan scheme fund								
Government	-	-	-	126,483	626,341	544,083	-	1,296,907
BNM	-	-	-	-	-	258,440	-	258,440
Other liabilities								
Other payables	23,620	6,039	(1,857)	5,149	293,495	489	-	326,935
Government grants	-	-	-	-	-	-	310,171	310,171
Paddy credit gratuity scheme	120	-	-	-	2,105	-	-	2,225
	3,404,041	768,384	393,569	2,084,872	1,025,275	803,012	310,171	8,789,324
Net maturity mismatch								
	(1,880,775)	151,489	(71,857)	(1,712,598)	1,484,598	4,223,246	(115,621)	2,078,482

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of financial assets and financial liabilities based on contracted discounted cash flows: (cont'd)

		1-3	3 - 6	6 - 12	1 - 5		Non- specific	
	<1 month	months	months	months	years	>5 years	maturity	Total
2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets								
Cash and short term funds	1,400,093	426,919	-	-	-	-	-	1,827,012
Investment securities	-	-	19,955	160,000	539,790	2,469,105	270,212	3,459,062
Loan, financing and advances	758,291	344,366	353,060	446,761	1,276,903	2,688,267	-	5,867,648
Other assets	-	-	-	-	-	-	95,920	95,920
	2,158,384	771,285	373,015	606,761	1,816,693	5,157,372	366,132	11,249,642

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of financial assets and financial liabilities based on contracted discounted cash flows: (cont'd)

		1-3	3 - 6	6 - 12	1 - 5		Non- specific	
2012	<1 month	months	months	months	years	>5 years	maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities								
Deposit from customers								
Saving/giro	3,083,797	-	-	-	-	-	-	3,083,797
Fixed deposits	1,464,969	721,355	657,412	857,159	78,524	-	-	3,779,419
Loan scheme fund								
Government	-	-	-	-	-	1,506,691	-	1,506,691
BNM	-	-	-	-	-	112,297	-	112,297
Others	-	-	6,295	6,189	8,154	-	-	20,638
Other liabilities								
Other payables	285,862	19,730	14,866	4,141	-	-	-	324,599
Government grants	-	-	-	-	-	-	292,720	292,720
Paddy credit gratuity scheme	216	432	540	324	673	-	-	2,185
	4,834,844	741,517	679,113	867,813	87,351	1,618,988	292,720	9,122,346
Net maturity mismatch								
	(2,676,460)	29,768	(306,098)	(261,052)	1,729,342	3,538,384	73,412	2,127,296

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of financial assets and financial liabilities based on contracted undiscounted cash flows: (cont'd)

		1-3	3 - 6	6 - 12	1 - 5		Non- specific	
2013	<1 month	months	months	months	years	>5 years	maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities								
Deposit from customers								
Saving/giro	3,663,119	-	-	-	-	-	-	3,663,119
Fixed deposits	1,126,784	924,238	63,744	31,031	439,363	519,463	-	3,104,623
Loan scheme fund								
Government	-	-	-	-	-	1,308,596	-	1,308,596
BNM	-	-	-	-	-	163,824	-	163,824
Other liabilities								
Other payables	23,620	6,039	(1,857)	5,149	293,495	489	-	326,935
Government grants	-	-	-	-	-	-	310,171	310,171
Paddy credit gratuity scheme	120	-	-	-	2,105	-	-	2,225
	4,813,643	930,277	61,887	36,180	734,963	1,992,372	310,171	8,879,493

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of financial assets and financial liabilities based on contracted undiscounted cash flows: (cont'd)

		1-3	3 - 6	6 - 12	1 - 5		Non- specific	
2012	<1 month	months	months	months	years	>5 years	maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities								
Deposit from customers								
Saving/giro	3,779,215	-	-	-	-	-	-	3,779,215
Fixed deposits	1,056,978	199,688	492,559	677,351	1,261,235	(268,760)	-	3,419,051
Loan scheme fund								
Government	-	-	-	-	-	1,518,462	-	1,518,462
BNM	-	-	-	-	-	28,529	-	28,529
Others	-	-	6,295	6,189	8,154	-	-	20,638
Other liabilities								
Other payables	285,862	19,730	14,866	4,141	-	-	-	324,599
Government grants	-	-	-	-	-	-	292,720	292,720
Paddy credit gratuity scheme	216	432	540	324	673	-	-	2,185
	5,122,271	219,850	514,260	688,005	1,270,062	1,278,231	292,720	9,385,399

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk

(i) Nature of market risk

Market risks arises from volatilities in interest rates, equity prices, commodity prices, credit spreads and foreign exchange rates which inherent in the investment portfolio. The market risk in the Bank shall relate to all financial assets and liabilities held by the Bank for investment as well as trading purposes in the banking book. As the Bank's investment portfolio, focus on interest/profit rate bearing asset and liability, interest rate may pose major and significant risk to investment portfolio of the Bank.

(ii) Definition of market risk

Market risk is defined as the risk of losses in On and Off Balance Sheet positions arising from unexpected movements in market prices due to volatility in interest rates, equity prices, commodity price, foreign exchange rates etc.

(iii) Management of market risk

The board shall approve all policies related to market risk management which shall be reviewed at least on annual basis. The Board may delegate part of its authority and responsibility to its sub-committee, BRMC as well as BIVC to oversee the effectiveness and compliance of those policies as well as approve new and revised policies. At senior management level, ALCO deliberates market risk management by executing decisions, business strategies and action plan within the policies and guidelines approved by BRMC or Board.

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(iii) Management of market risk (cont'd)

The daily management of investment portfolio is executed by the TD. On the other hand, MRMD acts as the middle office for investment and treasury related activities which are executed through risk governance and risk assessment practices. MRMD also provides independent assessment on market risk in relation to investment activities, including recommendation for new acquisitions and evaluation on mark-to-market prices and yield curves on investment return, in particular for AFS portfolio. MRMD provides monthly report to ALCO and BIVC for investment portfolio governance.

For bank-wide market risk management, MRMD monitors the profit/interest rate risk sensitivity through Profit/Interest Rate Sensitivity Gap ("PIRG"), Earning at Risk ("EAR") and Duration Weighted Gap ("DWG") which are presented to ALCO every month. MRMD also reviews new product proposal papers and signing off documents (together with other risk management units) by incorporating relevant assessments and advice on market and liquidity risks prior to escalation to higher levels for Bank Negara Malaysia ("BNM") approval.

(iv) Measurement of profit/interest rate risk

The measurement of the Bank's exposures to profit/interest rate risk is done through the following techniques;

- **Stress test analysis/Scenario analysis**

Stress testing/scenario analysis are based on macro economic variables particularly "interest rates on bond values" and "beta measure on equity". The stress tests employ a range of simulated scenarios on the Bank's investment portfolio to assess the impact on investment values, profitability and capital of the Bank.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(iv) Measurement of profit/interest rate risk (cont'd)

- **Sensitivity analysis**

Sensitivity analysis is a technique used to determine how different values of an independent variable will impact a particular dependent variable under a given set of assumptions. This technique is used within specific boundaries that will depend on one or more input variables, such as the effect of changes in interest rates on bonds' prices.

Sensitivity analysis is a mean to predict the outcome of a decision if a situation turns out to be different compared to the key prediction(s). Simulation analysis evaluates the effects of interest risk changes on the earnings or economic value by modelling the potential direction of interest rates and its effect on cash flows.

- **Profit/interest rate gap ("PIRG") analysis**

Gap analysis is conducted to determine the gap between the assets and liabilities that are sensitive to interest rates for any given period of time. Assets and liabilities lacking definite repricing intervals are assigned to buckets according to the judgment and past experience of the Bank. The Bank applies sensitivity analysis to gauge the impact of interest/profit rate movements on its bottom line and capital. The Bank establishes a limit on the sensitivity on interest/profit rate movements. The assets and liabilities are segregated between sensitive and non sensitive assets or liabilities. The sensitive assets and liabilities are classified into pre determined buckets based on the respective sensitivity on any movement in interest/profit rates in the market based on the respective tenure (original maturity). The gap between sensitive assets and sensitive liabilities for each bucket represented by amounts and percentages are considered as PIRG. For the measurement of IRG the Bank takes the position of all the buckets within one year and matches it against the determined limit to reflect sensitivity to any movement in interest/profit. The non sensitive assets or liabilities as well as shareholders fund are not subjected to bucketing analysis.

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(iv) Measurement of profit/interest rate risk (cont'd.)

- **Duration weighted gap ("DWG") analysis**

DWG analysis is the time-weighted average maturity of the present value of the cash flows from assets, liabilities and off-balance sheet items. It measures the relative sensitivity of the value of these instruments to changing interest rates (the average term to repricing), and therefore reflects how changes in interest rates will affect the Bank's economic value, that is, the present value of equity. The Bank applies DWG to measure its capital and balance sheet sensitivity to the interest/profit rate for all buckets as per PIRG with the incorporation of weights.

- **Earning at risk ("EaR") analysis**

EaR analysis is done to quantify the impact on the projection of net profit/interest income ("NPII") in the event of an adverse change in prevailing interest rates for a period of 1 year, depending on profit/interest rates sensitivity of the Bank, either it is experiencing an asset sensitive position or liability sensitive position. Currently, the Bank has yet to adopt the Value at Risk ("VaR") approach in measuring interest rate risk on its investment portfolio. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

Profit/Interest rate sensitivity

	Current position			Scenario 1 25bps increase in YTM		Scenario 2 50bps increase in YTM		Scenario 3 75bps increase in YTM	
				Market value	Potential loss provisions	Market value	Potential loss provisions	Market value	Potential loss provisions
	Net book value	Market value	Difference						
2013	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
PDS	2,372	2,316	(56)	2,284	(88)	2,251	(121)	2,219	(153)
MGS / GII	1,188	1,160	(28)	1,143	(45)	1,127	(61)	1,110	(78)
	3,560	3,476	(84)	3,427	(133)	3,378	(182)	3,329	(231)
2012									
PDS	1,799	1,805	6	1,781	(18)	1,758	(41)	1,735	(64)
MGS / GII	1,207	1,212	5	1,193	(14)	1,174	(33)	1,155	(52)
	3,006	3,017	11	2,974	(32)	2,932	(74)	2,890	(116)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(v) Foreign exchange risk

The Bank is not subject to foreign exchange gain or loss on fluctuation of Japanese Yen ("JPY") exchange rate in respect of the JPY denominated loan as the foreign exchange gain or loss on settlement of the JPY term loans is compensated by the Government of Malaysia.

The financial liability of the Bank that are not denominated in its functional currency and guaranteed by the Government of Malaysia is as follows:

	Financial liabilities held in non-functional currency	
	2013	2012
	RM'000	RM'000
Functional currency of the Bank		
Term loans - JPY	-	20,638

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market Risk (cont'd)

(vi) Interest Rate Risk

The table below summarises the Bank's exposure to interest rate risk.

	<1 year RM '000	>1-2 years RM '000	>2-3 years RM '000	>3-5 years RM '000	>5 years RM '000	Non- interest /profit sensitive RM '000	Total RM '000	Effective Interest Rate
2013								
Financial assets								
Cash and short term funds	1,109,741	-	-	-	-	163,656	1,273,397	3.20%
Deposits with financial institutions	60,000	-	-	-	-	-	60,000	3.20%
Investment securities	19,901	-	125,241	521,023	2,913,576	8,313	3,588,054	3.85%
Loans, financing and advances	3,819,164	6,942	13,165	165,575	793,424	1,051,884	5,850,154	7.23%
Other assets	-	-	-	-	-	96,201	96,201	-
	5,008,806	6,942	138,406	686,598	3,707,000	1,320,054	10,867,806	4.37%

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market Risk (cont'd)

(vi) Interest Rate Risk (cont'd)

	<1 year RM '000	>1-2 years RM '000	>2-3 years RM '000	>3-5 years RM '000	>5 years RM '000	Non- interest /profit sensitive RM '000	Total RM '000	Effective Interest Rate
2013 (cont'd)								
Financial liabilities								
Deposits from customers	3,549,298	7,781	7,980	15,717	17	3,013,853	6,594,646	2.34%
Loan scheme fund	-	-	-	-	-	1,555,347	1,555,347	0.32%
Government grants	-	-	-	-	-	310,171	310,171	-
Other liabilities	-	-	-	-	-	329,160	329,160	-
	3,549,298	7,781	7,980	15,717	17	5,208,531	8,789,324	1.33%
Equity								
Shareholder's fund	-	-	-	-	-	2,349,389	2,349,389	-
Total financial liabilities and equity	3,549,298	7,781	7,980	15,717	17	7,557,920	11,138,713	1.33%

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market Risk (cont'd)

(vi) Interest Rate Risk (cont'd)

The table below summarises the Bank's exposure to interest rate risk.

	<1 year RM '000	>1-2 years RM '000	>2-3 years RM '000	>3-5 years RM '000	>5 years RM '000	Non- interest /profit sensitive RM '000	Total RM '000	Effective Interest Rate
2012								
Financial assets								
Cash and short term funds	1,670,525	-	-	-	-	156,487	1,827,012	3.08%
Investment securities	9,955	-	100,136	537,219	2,530,979	280,773	3,459,062	3.79%
Loans, financing and advances	3,530,315	2,015	7,954	200,802	630,934	1,495,628	5,867,648	7.11%
Other assets	-	-	-	-	-	95,920	95,920	-
	5,210,795	2,015	108,090	738,021	3,161,913	2,028,808	11,249,642	4.66%

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market Risk (cont'd)

(vi) Interest Rate Risk (cont'd)

	<1 year RM '000	>1-2 years RM '000	>2-3 years RM '000	>3-5 years RM '000	>5 years RM '000	Non- interest /profit sensitive RM '000	Total RM '000	Effective Interest Rate
2012 (cont'd)								
Financial liabilities								
Deposits from								
customers	3,471,934	11,191	16,221	65,800	17	3,298,053	6,863,216	2.19%
Loan from OECF	-	-	-	-	-	20,638	20,638	3.50%
Loan scheme fund	-	-	-	-	-	1,618,988	1,618,988	0.37%
Government grants	-	-	-	-	-	292,720	292,720	-
Other liabilities	-	-	-	-	-	340,572	340,572	-
	3,471,934	11,191	16,221	65,800	17	5,570,971	9,136,134	2.02%
Equity								
Shareholder's fund	-	-	-	-	-	2,325,262	2,325,262	-
Total financial liabilities and equity	3,471,934	11,191	16,221	65,800	17	7,896,233	11,461,396	2.02%

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Operational risk

The Bank's Operational Risk Management Framework ("ORMF") provides a structured and disciplined process defined by the regulatory guidelines set by the Bank of International Settlements ("BIS") Basel Accords and BNM.

The Bank is laying the foundations in compliance to the Basel requirements within a period of five years. This is in line with the Bank's vision to achieve The Standardised Approach ("TSA") within five years. However, as a start, the Bank shall apply the Basic Indicator Approach (BIA) in its capital allocation computation for Operational Risk.

Approach to operational risk management

The Bank adopts the five core components as the guiding principles for an effective and efficient management of its operational risks as follows:

- **Governance**

The Board of Directors defines the key objectives for managing the Bank's operational risk and oversees progress towards achieving its objectives. The Board defines the overall operational risk culture and sets the tone as to how the Bank implements and executes its operational risk management strategy.

Management takes the responsibility of managing the business risks, the ultimate responsibility for establishing and maintaining appropriate risk management processes, making risk management an integral part of the Bank's operations, aligning risk management to internal policies and procedures as well as ensuring that all risk based-limits are adhered to by the business divisions, departments and units.

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Operational risk (cont'd)

Approach to operational risk management (cont'd)

- **Oversight structure and lines of defence**

The interplay between the risk owners at the business level, Risk Management Division ("RMD") and Internal Audit forms the framework for the Bank's "three lines of defence" in the management of risks.

The first line of defence is the Business risk owners, who are responsible for the day-to-day operational risk management where Key Performance Indicators ("KPIs"), Key Risk Indicators ("KRIs") and Key Control Indicators ("KCIIs"), Risk Maps, Key Risk Control Self-Assessment ("RCSA") and Incident Management and Data Collection ("IMDC") are to be in place in relation to the business objectives.

The second line of defence is the RMD, which is responsible for operational risk management oversight.

The third line of defence is Internal Audit, which is being entrusted to perform independent assurance over the effectiveness of the operational risk management initiatives by RMD and the Business Units.

- **Risk management process**

Operational risk management ("ORM") refers to the end-to-end process that ensures operational risks are effectively managed from the time they are identified to the time the risks are mitigated within the risk appetite of the Bank. It is the responsibility of everyone in the Bank. This generic process is used to manage operational risks at all levels from units to Head office. The operational risk management process comprises 4 steps namely:

- (i) Risk identification
- (ii) Risk assessment
- (iii) Managing and controlling risk
- (iv) Monitoring and reporting risk

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Operational risk (cont'd)

Approach to operational risk management (cont'd)

- **Reporting and communication guidelines**

In establishing a sound ORM at the Bank, the reporting and communication lines are extremely important. As operational risk is pervasive across the organisation and the range and type of incidents is broad, from fraud to product and system failures and from errors in the front office to the back office, it is important to share information at all levels.

Information sharing should be through both formal reporting lines and face-to-face communication.

- **Culture**

Operational risk culture encompasses general awareness, attitude, behaviour of employees to the key operational risk causes such as people, process, systems external events.

Adequate awareness and training in operational risk is to be given to the staff and their roles and responsibilities clearly defined. In addition, the performance management process encourages staff to perform and behave in a manner consistent with the Bank's operational risk management objectives. Adequate training is to be provided to the staff to ensure that they have acquired adequate level of knowledge and skill sets to perform their roles and responsibilities in operational risk management.

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Capital management

Regulatory capital

BNM sets and monitors capital requirements for The Bank as a whole.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, perpetual bonds (which are classified as innovative tier 1 securities), retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, government grants and collective impairment allowances for non-impaired loans.

Various limits are applied to elements of the capital base. The amount of innovative tier 1 securities cannot exceed 15 percent of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. Management uses regulatory capital ratios in order to monitor its capital base, and these capital ratios remain the international standards for measuring capital adequacy. The Bank is in the process on developing Capital Management Plan ("CMP") to facilitate effective management of capital and address potential impact from loan deterioration as well as to provide adequate buffer to support business expansion.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Capital management (cont'd)

Capital allocation

Capital allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be varied to reflect differing risk profile, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is subject to review by the ALCO as appropriate.

Capital Adequacy

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

	31 December 2013 %	31 December 2012 % Restated
Before deducting proposed dividend:		
Core capital ratio	28.17	26.27
Risk-weighted capital ratio	33.97	31.90
After deducting proposed dividend:		
Core capital ratio	28.07	25.98
Risk-weighted capital ratio	33.87	31.61

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Capital management (cont'd)

Capital allocation

The capital adequacy ratio of the Bank as at 31 December 2013 has incorporated the market risk pursuant to BNM Market Risk Capital Adequacy Framework which became effective on 1 April 2005.

	31 December 2013 %	31 December 2012 % Restated
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	724,690	516,434
Less: Deferred tax assets	(48,572)	-
Total Tier I capital	2,163,227	2,003,543
Tier II capital		
Collective impairment allowance ¹	135,003	136,579
Government Grants - Operating	35,402	41,872
Government Grants - Launching	17,269	21,598
Government Grants - Funds	257,500	229,250
Total Tier II capital	445,174	429,299
Total capital base	2,608,401	2,432,842

¹ The eligible amount for Tier II capital is limited to only collective impairment allowance on non-impaired loans, financing and advances.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Capital management (cont'd)

Capital allocation

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

	Notional RM'000	Risk- weighted RM'000
0%	2,311,660	-
10%	-	-
20%	1,553,679	310,736
50%	50,502	25,251
100%	7,174,300	7,174,300
Off balance sheet risk-weighted assets	-	167,670
Total risk-weighted assets at 31 December 2013	11,090,141	7,677,957
0%	2,410,682	-
10%	-	-
20%	1,970,173	394,035
50%	54,449	27,224
100%	7,026,092	7,026,092
Off balance sheet risk-weighted assets	-	178,604
Total risk-weighted assets at 31 December 2012	11,461,396	7,625,955

33. FINANCIAL INSTRUMENTS (cont'd)

B. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the amount at which the financial assets could be exchanged or financial liabilities could be settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the best estimates of fair values as of the reporting period.

Set out below, is a comparison by class of the carrying amounts and fair value of the Bank's financial instruments, other than those with carrying amounts that are reasonable approximation of their fair values:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2013					
Financial assets					
Investment securities-HTM	-	213,150	-	213,150	214,162
Investment securities-AFS	1,096,885	2,283,604	-	3,380,489	3,380,489
Loans, financing and advances	-	2,984,627	2,827,718	5,812,345	5,850,154
Financial liabilities					
Deposits from customers	-	6,510,886	-	6,510,886	6,594,646
Loan scheme fund	-	1,520,112	-	1,520,112	1,555,347
2012 (restated)					
Financial assets					
Investment securities-HTM	-	214,584	-	214,584	214,079
Investment securities-AFS	1,483,676	1,763,986	-	3,247,662	3,247,662
Loans, financing and advances	-	3,194,481	2,754,601	5,949,082	5,867,648
Financial liabilities					
Deposits from customers	-	6,897,583	-	6,897,583	6,863,216
Loan scheme fund	-	1,539,658	-	1,539,658	1,639,626

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

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

B. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

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

(i) Investment securities - HTM

The fair values of instrument of investments are estimated based on the market value at the end of the reporting period.

As for commercial papers which are generally short-term funds, the fair values approximate the respective carrying values.

(ii) Investment securities - AFS

AFS financial assets valued using valuation techniques or pricing models primarily consists of unquoted equities and debt securities.

These assets are valued using models that use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

(iii) Loans, financing and advances

For fixed-rate loans with maturities within a year, and loans, financing and advances at variable rates, the estimated fair values approximate their respective carrying values.

For fixed-rate loans with maturities more than a year, the fair values are estimated based on expected future cash flows of contractual instalments and discounted at prevailing rate at the end of the reporting period offered for similar loans to new borrowers with similar credit profiles, where applicable.

33. FINANCIAL INSTRUMENTS (cont'd)

B. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

The methods and assumptions used in estimating the fair values of financial instruments are as follows: (cont'd)

(iv) Deposits from customers

The fair values of deposits from customers with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturities of more than one year are estimated using discounted cash flows based on market rates for similar deposits from customers. The fair values of Islamic deposits are deemed to approximate their carrying amounts as profit rates are determined at the end of their holding periods based on the profit generated from the assets invested.

(v) Loan scheme fund

The estimated fair values of loan scheme fund are based on future cash flows discounted at the current rate as of the end of the reporting period.

Fair value hierarchy

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 assets 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;

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

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

C. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

	HTM securities RM'000	Loans and receivables RM'000	AFS securities RM'000	Financial assets and liabilities at amortised cost RM'000	Total RM'000
2013					
Financial assets					
Cash and short term funds	-	1,273,397	-	-	1,273,397
Deposits with financial institutions	-	60,000	-	-	60,000
Investment securities	214,162	-	3,373,892	-	3,588,054
Loans, financing and advances	-	5,850,154	-	-	5,850,154
	214,162	7,183,551	3,373,892	-	10,771,605
Financial liabilities					
Deposits from customers	-	-	-	6,594,646	6,594,646
Loan scheme fund	-	-	-	1,555,347	1,555,347
	-	-	-	8,149,993	8,149,993

33. FINANCIAL INSTRUMENTS (cont'd)

C. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (cont'd)

	HTM securities RM'000	Loans and receivables RM'000	AFS securities RM'000	Financial assets and liabilities at amortised cost RM'000	Total RM'000
2012					
Financial assets					
Cash and short term funds	-	1,827,012	-	-	1,827,012
Investment securities	214,079	-	3,244,983	-	3,459,062
Loans, financing and advances	-	5,867,648	-	-	5,867,648
	214,079	7,694,660	3,244,983	-	11,153,722
Financial liabilities					
Deposits from customers	-	-	-	6,863,216	6,863,216
Loan from OECF	-	-	-	20,638	20,638
Loan scheme fund	-	-	-	1,618,988	1,618,988
	-	-	-	8,502,842	8,502,842

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

34. PRIOR YEAR ADJUSTMENTS

Details of prior year adjustments are as follows:

(i) Accounting for government grants

In 2009, the Bank received RM300.0 million as part of the second Economic Stimulus Package ("ESP"). The funds were allocated to the Ministry of Agriculture and Agro-based Industry ("MOA") under the mini-budget and channelled to the Bank to implement the 'Skim Kredit Mikro', which was subsequently renamed 'Skim Pembiayaan Mikro Pertanian'.

As there were no guidelines from the Government relating to the rights and obligations of the Bank in regards to these funds, disbursements from the fund were not included in the financial statements. During the year, clarification was received from the Government that the funds were given as a grant to the Bank to be disbursed to eligible customers.

This clarification has resulted in the funds and the loans disbursed being brought on to the balance sheet. The above change in the accounting treatment has been adjusted for retrospectively.

(ii) Undistributed profit on Mudharabah deposits

Under a Mudharabah contract, depositors are the capital providers while the Bank assumes the role of an entrepreneur who manages the depositors' funds. Profit arising from those investments are shared between the depositors and the Bank based on pre-agreed Profit Sharing Ratio ("PSR"). Losses, if any, will be borne by the depositors, except in cases where there is evidence of negligence by the Bank in managing the depositors' funds.

Consequent to a review of the Bank's existing Mudharabah contracts, it was noted that the liability for distributable income to the depositors had been under recognised. The adjustment to reflect the revised computation of distributable income has been effected retrospectively.

34. PRIOR YEAR ADJUSTMENTS (cont'd)

Details of prior year adjustments are as follows: (cont'd)

(iii) Tax deductibility of collective impairment allowance on loans, advances and financing

Collective impairment allowance on loans, financing and advances were treated as non-deductible for tax purposes and a deferred tax asset was recognised. However, based on the Guidelines on Income Tax Treatment from Adopting FRS 139 issued by Ministry of Finance, the allowance should be deductible for tax purposes. Due to its tax exempt status in the prior year, the Bank has reversed the deferred tax arising from collective impairment allowance of 2012 retrospectively.

The effect of prior year adjustment to the Bank are as follows:

As at 1 January 2012				
		As previously stated RM'000	Prior year adjustment RM'000	As restated RM'000
Statement of financial position				
Asset				
Loans, financing and advances*	(i)	5,774,520	123,475	5,897,995
Collective impairment allowance	(i)	(369,169)	(72,468)	(441,637)
		5,405,351	51,007	5,456,358
Liabilities				
Government grants - Funds	(i)	17,481	227,532	245,013
Deposits from customers	(i)	7,723,069	(176,525)	7,546,544
Provision for undistributed profit	(ii)	-	77,240	77,240
Deferred tax liabilities	(ii)	80,390	(19,310)	61,080
Equity				
Retained earnings	(ii)	250,932	(57,930)	193,002
		8,071,872	51,007	8,122,879

*Gross loans, financing and advances less individual impairment allowance.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

34. PRIOR YEAR ADJUSTMENTS (cont'd)

The effect of prior year adjustment to the Bank are as follows: (cont'd)

		As at 31 December 2012		
		As previously stated RM'000	Prior year adjustment RM'000	As restated RM'000
Statement of financial position				
Asset				
Loans, financing and advances*	(i)	6,158,439	126,907	6,285,346
Collective impairment allowance	(i)	(330,532)	(87,166)	(417,698)
		5,827,907	39,741	5,867,648
Liabilities				
Government grants - Funds	(i)	16,508	212,742	229,250
Deposits from customers	(i)	7,036,217	(173,001)	6,863,216
Provision for undistributed profit	(ii)	-	161,665	161,665
Deferred tax liabilities	(ii)	32,322	(40,416)	13,788
	(iii)	-	21,882	-
Equity				
Retained earnings	(ii)	659,565	(121,249)	516,434
	(iii)	-	(21,882)	-
		7,744,612	39,741	7,784,353

*Gross loans, financing and advances less individual impairment allowance.

34. PRIOR YEAR ADJUSTMENTS (cont'd)

Details of prior year adjustments are as follows: (cont'd)

The effect of prior year adjustment to the Bank are as follows: (cont'd)

For the financial year ended 31 December 2012				
		As previously stated RM'000	Prior year adjustment RM'000	As restated RM'000
Statement of comprehensive income				
Allowance for impairment on loans, financing and advances	(i)	(72,280)	(15,010)	(87,290)
Government grants - Funds released	(i)	17,423	15,010	32,433
Income from Islamic banking business	(ii)	508,788	(84,425)	424,363
Tax expense	(ii)	(6,572)	(21,106)	(7,349)
	(iii)	-	20,329	-

The effect of prior year adjustment to the Islamic banking notes are as follows:

As at 1 January 2012				
		As previously stated RM'000	Prior year adjustment RM'000	As restated RM'000
Statement of financial position				
Asset				
Financing and advances*	(i)	4,487,847	123,475	4,611,322
Collective impairment allowance	(i)	(223,988)	(72,468)	(296,456)
Deferred tax assets	(ii)	-	19,310	19,310
		4,263,859	70,317	4,334,176

*Gross loans, financing and advances less individual impairment allowance.

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

34. PRIOR YEAR ADJUSTMENTS (cont'd)

Details of prior year adjustments are as follows: (cont'd)

The effect of prior year adjustment to the Islamic banking notes are as follows: (cont'd)

As at 1 January 2012				
		As previously stated RM'000	Prior year adjustment RM'000	As restated RM'000
Statement of financial position (cont'd)				
Liabilities				
Government grants - Funds	(i)	14,921	227,532	242,453
Deposits from customers	(i)	5,020,901	(176,525)	4,844,376
Provision for undistributed profit	(ii)	-	77,240	77,240
Equity				
Islamic banking fund	(ii)	417,752	(57,930)	359,822
		5,453,574	70,317	5,523,891
As at 31 December 2012				
		As previously stated RM'000	Prior year adjustment RM'000	As restated RM'000
Statement of financial position				
Asset				
Financing and advances*	(i)	5,264,075	126,907	5,390,982
Collective impairment allowance	(i)	(226,612)	(87,166)	(313,778)
Deferred tax assets	(ii)	-	40,416	40,416
		5,037,463	80,157	5,117,620

*Gross loans, financing and advances less individual impairment allowance.

34. PRIOR YEAR ADJUSTMENTS (cont'd)

Details of prior year adjustments are as follows: (cont'd)

The effect of prior year adjustment to the Islamic banking notes are as follows: (cont'd)

As at 31 December 2012				
		As previously stated RM'000	Prior year adjustment RM'000	As restated RM'000
Statement of financial position (cont'd)				
Liabilities				
Government grants - Funds	(i)	16,508	212,742	229,250
Deposits from customers	(i)	5,643,765	(173,001)	5,470,764
Provision for undistributed profit	(ii)	-	161,665	161,665
Equity				
Islamic banking fund	(ii)	1,472,866	(121,249)	1,351,617
		7,133,139	80,157	7,213,296
As at 1 January 2012				
		As previously stated RM'000	Prior year adjustment RM'000	As restated RM'000
Statement of comprehensive income				
Allowance for impairment on financing and advances	(i)	(138,572)	(15,010)	(153,582)
Government grants - Funds released	(i)	-	15,010	15,010
Income from Islamic banking business	(ii)	508,788	(84,425)	424,363
Tax credit	(ii)	-	21,106	21,106

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

35. 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:

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000 Restated
Income from Islamic banking business	a	423,825	424,363
Government grants released		10,007	15,010
Allowance for impairment on financing and advances	b	(81,161)	(153,582)
Net income		352,671	285,791
Overhead expenses	c	(298,977)	(290,268)
Profit/ (loss) before tax and zakat		53,694	(4,477)
Tax (expense)/ income		(19,896)	21,106
Zakat		(1,826)	(2,082)
Profit after tax and zakat		31,972	14,547
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods			
Unrealised (loss)/gain on fair value changes on AFS investment securities		(71,601)	10,380
Transfer to profit or loss on disposal of AFS investment securities		(12,301)	(11,436)
Income tax relating to components of other comprehensive income		18,692	-
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(65,210)	(1,056)
Total comprehensive (loss)/ income for the year		(33,238)	13,491

35. ISLAMIC BANKING (cont'd)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	31 December 2013 RM'000	31 December 2013 RM'000	1 January 2012 RM'000 Restated
Assets				
Cash and short term funds	d	644,492	1,095,975	1,564,541
Deposits with financial institutions	e	60,000	-	20,000
Investment securities	f	2,862,495	2,562,041	1,102,164
Financing and advances	g	5,398,911	5,077,204	4,314,866
Property, plant and equipment		222,335	191,721	2,851
Other assets	h	63,756	51,355	45,950
Deferred tax assets		67,981	40,416	19,310
TOTAL ASSETS		9,319,970	9,018,712	7,069,682
LIABILITIES AND EQUITY				
Liabilities				
Deposits from customers	i	5,912,217	5,470,764	4,844,376
Profit payable and others	j	428,766	284,623	192,804
Financing scheme fund	k	1,555,347	1,618,988	1,430,227
Government grants		52,671	63,470	-
Government grants - Funds	l	257,500	229,250	242,453
Total Liabilities		8,206,501	7,667,095	6,709,860
Equity				
Islamic banking fund	m	1,113,469	1,351,617	359,822
Total Equity		1,113,469	1,351,617	359,822
TOTAL LIABILITIES AND EQUITY		9,319,970	9,018,712	7,069,682

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

35. ISLAMIC BANKING (cont'd)

STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 RM'000	2012 RM'000 Restated
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax and zakat	53,694	(4,477)
Adjustments for:		
Allowance for impairment on financing and advances	102,493	166,113
Profit expense on financing scheme fund	299	4,435
Depreciation of property, plant and equipment	39,791	8,431
Write off of property, plant and equipment	1,589	170
Amortisation of :		
Special Fund for Terengganu Fishery ("DKSP")	(700)	(661)
Government Grants- Operating	(6,470)	-
Government Grants- Launching	(3,343)	-
	187,353	174,011
Operating profit before working capital changes		
Change in financing and advances	(395,249)	(914,173)
Change in other assets	(12,401)	(5,405)
Change in deposits with financial institutions	(60,000)	20,000
Change in deposits from customers	441,453	622,864
Change in profit payables and others	57,872	77,578
Change in deferred tax assets	21,106	19,310
Reimbursement to conventional system	(176,600)	1,129,339
	63,534	1,123,524
Cash generated from operating activities		
Zakat paid	(3,432)	(2,854)
	60,102	1,120,670

35. ISLAMIC BANKING (cont'd)

STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

	2013 RM'000	2012 RM'000 Restated
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in investment securities	(365,665)	(1,460,341)
Purchase of property, plant and equipment	(71,994)	(25,938)
Net cash used in investing activities	(437,659)	(1,486,279)
CASH FLOW FROM FINANCING ACTIVITIES		
Profit paid on financing scheme fund	(6,770)	(2,299)
Proceeds from:		
Fund For Food ("3F")	152,334	652
Food Production Credit Scheme ("SKPM")	-	250
Micro Enterprise Fund	15,759	14,493
Government grants- Launching utilised	(986)	-
Repayments of financing scheme fund	(225,263)	(116,053)
Dividends paid	(9,000)	-
Net cash used in financing activities	(73,926)	(102,957)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(451,483)	(468,566)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,095,975	1,564,541
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	644,492	1,095,975
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash and short term funds	644,492	1,095,975

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

35. ISLAMIC BANKING (cont'd)

(a) Income from Islamic banking business

	2013 RM'000	2012 RM'000
Income from financing	337,048	280,489
Income from financial institutions		
Profits from deposits with financial institutions	22,184	60,148
Profits from investment securities:		
HTM	6,332	8,293
AFS	90,847	64,603
Gain on disposal of investment securities:		
AFS	13,622	13,345
Fee Income		
Financing processing fees	11,118	16,483
Banking service fees	20,855	20,206
Reimbursement of gapping cost	22,901	33,065
Ar-Rahnu fees	50,114	116,634
Special Fund for Terengganu Fishery ("DKSP")	700	661
Staff financing	1,105	1,085
Reimbursement of Special Relief Grant for Flood ("SRGF")	155	222
Other income	1,365	1,035
	578,346	616,269
Less : Profit attributable to customers		
Al-Mudharabah deposits	54,745	109,082
Al-Mudharabah savings	6,532	8,218
Agroprima	48	13
Fixed Return Investment Account - i	32,085	1,408
Agro Perdana-i	26,777	30,776
Agro-i deposits	27,476	32,631
Al-Wadiah savings	482	560
Agro Muda-i	3,875	3,724
Agro Tetangga-i	1,596	1,710
	153,616	188,122

35. ISLAMIC BANKING (cont'd)

(a) Income from Islamic banking business (cont'd)

	2013 RM'000	2012 RM'000 Restated
Less : Profit paid on financing scheme fund		
Fund For Food ("3F")	(1,462)	2,618
Food Production Credit Scheme ("SKPM")	243	250
Loan for Small and Medium Size Industries ("PKS")	2	250
Fund For Small and Medium-Sized Industries ("TIKS")	-	16
Non-Food Production Credit Scheme ("SKPBM")	62	68
Micro Enterprise Fund	1,357	407
Others	703	175
	905	3,784
Income from Islamic banking business	423,825	424,363
Of which:		
Profit income earned on impaired financing and advances	10,176	16,195

(b) Allowance for impairment on financing

	2013 RM'000	2012 RM'000 Restated
Financing and advances :		
Allowance for the year	70,597	73,193
Amount written back upon recoveries and reversal of allowance	(40,305)	(59,535)
Individual impairment allowance - net	30,292	13,658
Collective impairment allowance - net	72,201	152,145
Bad debts and financing :		
Written off	-	311
Recovered	(21,332)	(12,532)
	81,161	153,582

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

35. ISLAMIC BANKING (cont'd)

(c) Overhead expenses

	2013 RM'000	2012 RM'000
Personnel costs		
Salary, allowance and bonus	162,525	163,271
EPF contributions	18,421	20,180
SOCSSO contributions	1,492	1,925
Staff welfare	5,160	5,011
Retirement benefits scheme	(8,745)	10,668
Others	8,599	7,102
	187,452	208,157
Maintenance costs		
Printing, stationery and office supplies	6,721	8,224
Insurance	2,794	688
Depreciation of property, plant and equipment	23,775	8,431
Water and electricity	6,979	7,420
Rental of premises	7,414	5,783
Amortisation of computer software	10,835	5,042
Building and office maintenance	5,796	5,640
Rental of computers	854	2,425
Computer maintenance	12,387	8,673
Others	2,315	1,915
	79,870	54,241
Marketing expenses		
Advertising and promotions	3,751	3,688
Others	562	313
	4,313	4,001

35. ISLAMIC BANKING (cont'd)

(c) Overhead expenses (cont'd)

	2013 RM'000	2012 RM'000
General administrative expenses		
Communication expenses	12,198	12,597
Security charges	8,285	6,144
Legal fees	3,895	3,694
Others	2,964	1,434
	27,342	23,869
	298,977	290,268

(d) Cash and short term funds

	31 December 2013 RM'000	31 December 2012 RM'000
Cash and bank balances	136,251	120,450
Short term deposits maturing within three months:		
Licensed banks	248,044	568,050
Other financial institutions	260,197	407,475
	644,492	1,095,975

(e) Deposits with financial institutions

	31 December 2013 RM'000	31 December 2012 RM'000
Other financial institutions	60,000	-

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

35. ISLAMIC BANKING (cont'd)

(f) Investment securities

	31 December 2013 RM'000	31 December 2012 RM'000
<u>Debt Securities</u>		
AFS - at fair value		
Corporate bonds	1,785,079	1,341,087
Government Investment Issue	898,174	1,021,934
	2,683,253	2,363,021
HTM - at amortised cost		
Corporate bonds	17,959	27,311
Commercial papers	-	9,955
Government Investment Issue	161,283	161,754
	179,242	199,020
Net	2,862,495	2,562,041
Maturity structure for investments		
HTM is as follows:		
Maturity within six months	10,006	19,955
Between six months to one year	-	-
Between one year to three years	119,205	10,062
Between three years to five years	50,031	169,003
More than five years	-	-
	179,242	199,020

35. ISLAMIC BANKING (cont'd)

(g) Financing and advances	31 December 2013 RM'000	31 December 2012 RM'000 Restated	1 January 2012 RM'000 Restated
Agrocash	4,975,710	4,708,421	2,484,968
BBA Project and Vehicle	2,009,299	1,536,586	1,389,132
Fund For Food ("3F")	1,057,730	906,598	814,110
Ar-Rahnu	247,196	556,528	913,855
Fishery Boat Financing Scheme ("SPBP")	64,809	81,363	92,845
MUST-i	229,359	173,838	117,005
Oil Palm Replanting Scheme ("TASKS")	20,991	31,363	45,164
MAP and MPPB Financing	86,614	98,971	104,098
Financing for Small and Medium Size Industries ("PKS")	55,106	66,294	66,786
Non-Food Production Credit Scheme ("SKPBM")	77,182	92,664	107,041
Food Production Credit Scheme ("SKPM")	10,244	13,038	20,834
Belia Tani Scheme	9,326	11,018	12,892
Entrepreneur Scheme for Graduates ("SUTKS - Financing")	958	5,549	7,449
Special Fund For Terengganu Fishery ("DKSP")	664	1,352	1,879
Fund For Small and Medium Size Industries ("TIKS")	2,262	2,357	2,557
Modal Pusingan-i	100,958	41,907	4,412
Paddy Credit Scheme	53,248	3,806	-
Micro ESP	38,979	60,281	58,651
NKEA	43,091	66,626	64,824
Trade Finance	17,617	-	-
Insani	183	-	-
	9,101,526	8,458,560	6,308,502
Less: Unearned profit	(3,334,956)	(2,966,771)	(1,555,045)
	5,766,570	5,491,789	4,753,457
Staff financing and advances	43,426	38,089	37,355
Less:			
Individual impairment allowance	(172,019)	(138,896)	(179,490)
Collective impairment allowance	(239,066)	(313,778)	(296,456)
Net	5,398,911	5,077,204	4,314,866

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

35. ISLAMIC BANKING (cont'd)

(g) Financing and advances (cont'd)

Movement in impaired gross financing and advances is as follows:

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
At beginning of the year	578,495	630,944
Additions during the year	285,705	402,841
Reclassified as non impaired during the year	(69,818)	(181,343)
Recoveries during the year	(170,864)	(87,360)
Reclassified to off balance sheet during the year	(23,782)	-
Amount written off	(153,544)	(186,587)
At end of the year	446,192	578,495

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

Sectors:

Support	96,333	227,779
Crops	176,397	150,481
Livestock	95,795	101,919
Fishery	67,393	73,504
Forestry	904	12,925
Other agricultural based processing	9,370	11,887
	446,192	578,495

35. ISLAMIC BANKING (cont'd)

(g) Financing and advances (cont'd)

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

	31 December 2013 RM'000	31 December 2012 RM'000 Restated
Regions:		
Kuala Lumpur	84,257	136,906
Selangor	64,902	89,427
Pahang	63,957	67,657
Perak	30,988	46,174
Negeri Sembilan/Melaka	35,129	53,870
Johor	32,003	48,479
Kelantan	23,378	29,347
Kedah/Perlis	51,763	29,762
Sarawak	15,939	25,975
Sabah	23,320	20,470
Pulau Pinang	11,682	17,342
Terengganu	8,874	13,086
	446,192	578,495
Maturity structure for financing and advances is as follows:		
Maturity within six months	417,194	629,176
Between six months to one year	73,587	50,395
Between one year to three years	443,127	423,088
Between three years to five years	725,970	677,519
More than five years	4,106,692	3,711,611
	5,766,570	5,491,789

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

35. ISLAMIC BANKING (cont'd)

(g) Financing and advances (cont'd)

Financing by types and Shariah Contract

2013	BBA RM'000	Bai-Al-Inah RM'000	Qard RM'000
Term Financing	3,369,462	-	247,196
Revolving Financing	187,572	-	-
Cash Line	-	5,297,296	-
	3,557,034	5,297,296	247,196
2012 (restated)			
Term Financing	2,748,182	-	556,528
Revolving Financing	140,878	-	-
Cash Line	-	5,012,972	-
	2,889,060	5,012,972	556,528

(h) Other assets

	31 December 2013 RM'000	31 December 2012 RM'000
Profit receivable from investment securities	22,952	18,054
Profit receivable	7,893	-
Foreclosed properties	777	-
Project Ladang BPM - Sg Tasan	3,377	-
Income receivables from Ar-Rahnu	18,379	31,012
Refundable deposits and prepayments	10,378	2,289
	63,756	51,355

35. ISLAMIC BANKING (cont'd)

(i) Deposits from customers

	31 December 2013 RM'000	31 December 2012 RM'000
<u>Mudharabah</u>		
Al-Mudharabah savings	249,235	277,100
Al-Mudharabah general deposits	1,026,102	2,068,485
Agro Perdana-i	1,498,293	1,443,143
Patriot savings	1,158,246	1,201,825
Deposit securities	106,329	89,814
Basic Saving Account	749	769
	4,038,954	5,081,136
<u>Non-Mudharabah</u>		
Fixed Return Investment Account- i (FRIA-i)	1,807,140	319,657
Al-Wadiah savings	66,123	69,971
	5,912,217	5,470,764
Maturity structure for Al-Mudharabah general deposits and FRIA-i is as follows:		
Within six months	1,296,003	1,629,070
Between six months to one year	1,463,515	676,748
Between one year to three years	13,696	16,317
Between three years to five years	60,028	66,007
	2,833,242	2,388,142

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

35. ISLAMIC BANKING (cont'd)

(i) Deposits from customers (cont'd)

The deposits are sourced from the following types of customers:

	31 December 2013 RM'000	31 December 2012 RM'000
Government	2,632,069	2,440,509
Individuals	2,140,992	2,073,528
Domestic business enterprises	426,854	580,840
Domestic other entities	690,009	332,834
Domestic non-banking institutions	22,293	43,053
	5,912,217	5,470,764

(j) Profits payable and others

	31 December 2013 RM'000	31 December 2012 RM'000 Restated	1 January 2012 RM'000 Restated
Other liabilities	210,143	75,242	76,189
Provision for undistributed profit	213,809	161,665	77,240
Retirement benefits scheme	2,345	43,641	34,529
Zakat payable	2,469	4,075	4,846
	428,766	284,623	192,804

35. ISLAMIC BANKING (cont'd)

(k) Financing scheme funds

	31 December 2013 RM'000	31 December 2012 RM'000
Fund For Food ("3F")	1,003,316	970,463
Oil Palm Replanting Scheme ("TASKS")	13,000	14,000
Food Production Credit Scheme ("SKPM")	74,923	100,744
Fishery Boat Financing Scheme ("SPBP")	140,000	140,000
Entrepreneur Scheme for Graduates ("SUTKS-Financing")	6,015	8,010
Non-Food Production Credit Scheme ("SKPBM")	22,594	25,073
Financing for Small and Medium Size Industries ("PKS")	73,048	100,730
MPPB Funds	51,134	70,486
Paddy Credit Scheme	76,701	105,715
Micro Enterprise Fund	94,616	83,767
	1,555,347	1,618,988

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

35. ISLAMIC BANKING (cont'd)

(I) Government Grants - Funds

	31 December 2013 RM'000	31 December 2012 RM'000 Restated	1 January 2012 RM'000 Restated
Development Programme for Hardcore Poor ("PPRT")	2,560	2,560	-
Entrepreneur Scheme for Graduates ("SUTKS")	1,358	785	560
Special Fund for Terengganu Fishery ("DKSP")	587	1,391	2,057
Fund for Ministry Youth and Sports ("DKBS")	11,689	11,772	12,304
Bumiputera Commercial and Industrial Community Scheme HUB ("MPPB HUB")	40,000	-	-
National Key Economic Area ("NKEA")	53,832	55,000	55,000
Micro Economic Stimulation Package ("Micro - ESP")	147,474	157,742	172,532
	257,500	229,250	242,453

35. ISLAMIC BANKING (cont'd)

(m) Islamic banking fund

	31 December 2013 RM'000	31 December 2012 RM'000 Restated	1 January 2012 RM'000 Restated
Retained earnings	569,578	546,606	532,059
General reserve	849,742	849,742	849,742
Reimbursement to conventional system	(250,370)	(54,460)	(1,032,171)
Investment revaluation reserve	(55,481)	9,729	10,192
	1,113,469	1,351,617	359,822
Retained earnings			
At beginning of the year	546,606	532,059	334,796
Profit after zakat	31,972	14,547	205,929
Dividends paid	(9,000)	-	(8,666)
At end of the year	569,578	546,606	532,059
Reimbursement to conventional system			
At beginning of the year	(54,460)	(1,032,171)	(10,821)
Net reimbursement	(195,910)	977,711	(1,021,350)
At end of the year	(250,370)	(54,460)	(1,032,171)
Investment revaluation reserve			
At beginning of the year	9,729	10,192	2,888
Retained profit AFS	-	593	-
Other comprehensive loss	(65,210)	(1,056)	7,304
At end of the year	(55,481)	9,729	10,192

Notes to the Financial Statements for the Financial Year Ended 31 December 2013 (cont'd)

35. ISLAMIC BANKING (cont'd)

(n) Capital adequacy	31 December	31 December
	2013	2012
	RM'000	RM'000
	%	%
	Restated	
Before deducting proposed dividend:		
Core capital ratio	16.44	21.26
Risk-weighted capital ratio	22.84	27.07
After deducting proposed dividend:		
Core capital ratio	16.32	20.90
Risk-weighted capital ratio	22.72	26.70
Components of Tier I and Tier II capital		
	31 December	31 December
	2013	2012
	RM'000	RM'000
	Restated	
Tier I capital		
General reserve	849,742	849,742
Reimbursement to conventional system	(250,370)	(54,460)
Retained earnings	569,578	546,606
Less: Deferred tax assets	(67,981)	(40,416)
Total Tier I capital	1,100,969	1,301,472
Tier II capital		
Collective impairment allowance ¹	117,813	62,389
Government grants	52,671	63,470
Government grant - funds	257,500	229,250
Total Tier II capital	427,984	355,109
Total capital base	1,528,953	1,656,581

¹ The eligible amount for Tier II capital is limited to only collective impairment allowance on non-impaired loans, advances and financing.

35. ISLAMIC BANKING (cont'd)

(n) 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%	2,002,352	-
10%	-	-
20%	828,041	165,608
50%	29,296	14,648
100%	6,392,300	6,392,300
Off balance sheet risk-weighted assets	-	122,803
Total risk-weighted assets at 31 December 2013	9,251,989	6,695,359
0%	2,074,056	-
10%	-	-
20%	1,149,237	229,847
50%	27,308	13,654
100%	5,727,695	5,727,695
Off balance sheet risk-weighted assets	-	149,152
Total risk-weighted assets at 31 December 2012	8,978,296	6,120,348





CORPORATE INFORMATION

“Take, [O, Muhammad], from their wealth a charity by which you purify them and cause them increase, and invoke [Allah’s blessings] upon them. Indeed, your invocations are reassurance for them.”

Surah At-Taubah: 103

Corporate Information

BOARD OF DIRECTORS

TAN SRI FAIZAH MOHD TAHIR

Independent Non-Executive Chairman

DATUK SERI CHE MOHD HASHIM ABDULLAH

Non-Independent Non-Executive Director

RASHIDAH MOHD SIES

Non-Independent Non-Executive Director

DATUK DR. SAHARAN HAJI ANANG

Independent Non-Executive Director

DATUK JOHAR CHE MAT

Independent Non-Executive Director

MD. HILMI DATUK HAJI MD. NOOR

Independent Non-Executive Director

NG CHIH KAYE

Independent Non-Executive Director

DATO' SALEHUDDIN SAIDIN

(appointed : 3 May 2013)

Independent Non-Executive Director

DATO' WAN MOHD FADZMI WAN OTHMAN

President/Chief Executive Officer

DATIN RUZAINA WAN HANIFF

(resigned : 28 February 2013)

Independent Non-Executive Director

NOMINATING COMMITTEE

Chairman

Tan Sri Faizah Mohd Tahir

Members

Datuk Johar Che Mat

Datuk Dr. Saharan Haji Anang

Md. Hilmi Datuk Hj. Md. Noor

Ng Chih Kaye

Datin Ruzaina Wan Haniff

(resigned : 28 February 2013)

REMUNERATION COMMITTEE

Chairman

Datuk Johar Che Mat

Members

Rashidah Mohd Sies

Ng Chih Kaye

BOARD RISK MANAGEMENT COMMITTEE

Chairman

Datuk Dr. Saharan Haji Anang

Members

Datuk Johar Che Mat

Ng Chih Kaye

Dato' Salehuddin Saidin

(appointed : 3 May 2013)

Datin Ruzaina Wan Haniff

(resigned : 28 February 2013)

BOARD AUDIT COMMITTEE

Chairman

Md. Hilmi Datuk Hj Md. Noor

Members

Datuk Dr. Saharan Hj Anang
Rashidah Mohd Sies
Datuk Johar Che Mat

BOARD CREDIT COMMITTEE

Chairman

Datuk Johar Che Mat

Members

Datuk Dr. Saharan Haji Anang
Rashidah Mohd Sies
Ng Chih Kaye

BOARD GENERAL PURPOSE COMMITTEE

Chairman

Tan Sri Faizah Mohd Tahir

Members

Datuk Dr. Saharan Haji Anang
Datin Ruzaina Wan Haniff
(resigned : 28 February 2013)
Ng Chih Kaye

BOARD INVESTMENT COMMITTEE

Chairman

Ng Chih Kaye

Members

Datuk Dr. Saharan Haji Anang
Datuk Johar Che Mat
Md Hilmi Datuk Haji Md Noor

BOARD INFORMATION TECHNOLOGY COMMITTEE

Chairman

Md. Hilmi Datuk Hj Md. Noor

Members

Datuk Johar Che Mat
Ng Chih Kaye

MANAGEMENT COMMITTEE

Chairman

Dato' Wan Mohd Fadzmi Wan Othman

Members

Azizan Ahmad
Muslim Hussain
Asmuni Sudin
Norhisham Ahmad
(resigned : 6 April 2014)
Nik Abdullah Shukri Nik Mustapha
(resigned : 18 February 2014)
Syed Naufal Shahabudin Syed Abdul Jabbar
Shahabudin
Mad Yusof Yazid
(appointed : 15 July 2013)

SHARIAH COMMITTEE

Chairman

Dr. Mohamed Fairouz Abdul Khir

Members

Professor Madya Dr. Atikullah Hj. Abdullah

Dr. Muhammad Yamin Ismail

Dr Mohamad Sabri Zakaria
(appointed : June 2013)

Tuan Haji Ismail Mahayudin

Prof. Dr. Saiful Azhar Rosly
(resigned : 31 March 2013)

Mohd Zakhiri Md.Nor
(resigned : 31 March 2013)

Secretary

Hishamuddin Ab Hamid

COMPANY SECRETARY

ZARINA NADZIMUDDIN

MAICSA 7060104
(appointed : 1 March 2013)

SYED NAUFAL SHAHABUDIN SYED ABDUL JABBAR SHAHABUDIN

MIA 22994
(resigned : 27 June 2013)

MOHD AZIZUL AZMI

MAICSA 7051421
(resigned : 22 January 2013)

Registered Office

Aras 3, Bangunan Agrobank

Leboh Pasar Besar

50726 Kuala Lumpur

Headquarters

Bank Pertanian Malaysia Berhad

Bangunan Agrobank

Leboh Pasar Besar

50726 Kuala Lumpur

Tel : (603)-2731 1600

Website : www.agrobank.com.my

Auditors

Tetuan (Messrs.) Ernst & Young

Aras 23A, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

50490 Kuala Lumpur

Tel : (603)-7495 8000

Fax : (603)-2095 5332

Date of Incorporation

31 March 2008 under the Companies Act 1965

Corporate Status



Bank Pertanian Malaysia Berhad (BPMB) was registered and incorporated on 31 March 2008 under the Companies Act 1965. BPMB which is also commercially known as Agrobank, is a Government-Linked Company (GLC) under the Ministry of Finance Incorporated (MKD). However, funding for the agricultural sector is guided by policies set by the Ministry of Agriculture and Agro-Based Industry.

Corporate Directory

HEAD OFFICE

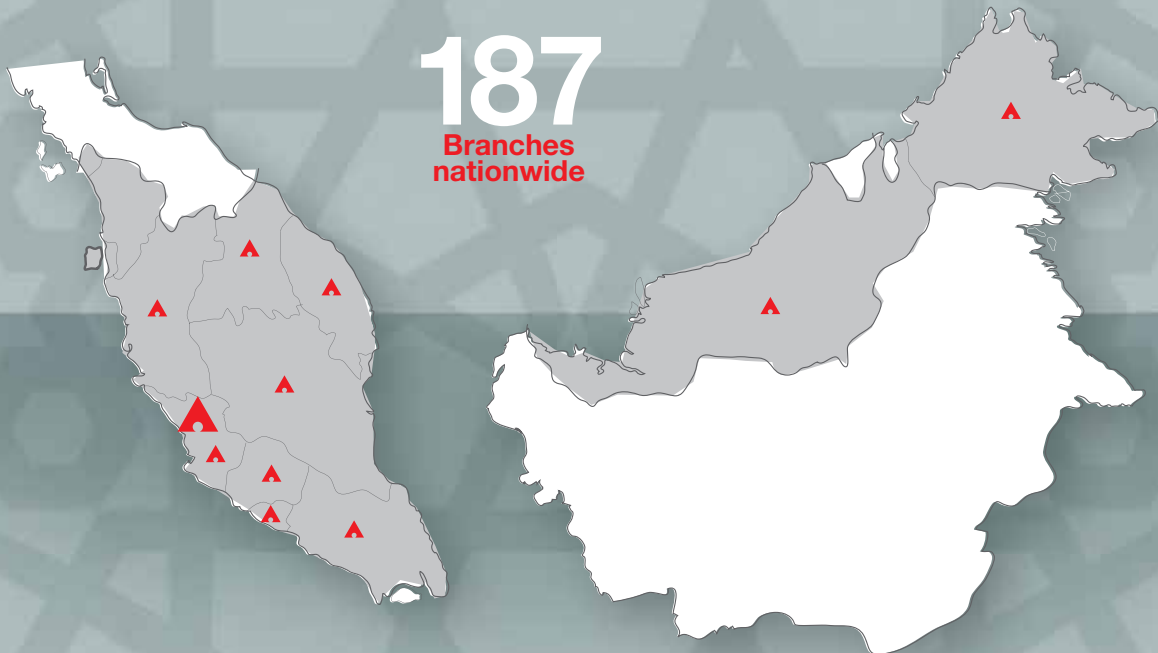
Leboh Pasar Besar
Peti Surat 10815
50726 Kuala Lumpur

Tel.: 03-2731 1600

Fax: 03-2691 4908



187
Branches
nationwide



Kuala Lumpur

AGROBANK IBU PEJABAT

Leboh Pasar Besar
Peti Surat 10815
50726 Kuala Lumpur.
Tel : 03-2691 2754
Fax : 03-2691 4599

AGROBANK KUALA LUMPUR

Tingkat 1
Leboh Pasar Besar
Peti Surat 13013
50796 Kuala Lumpur.
Tel : 03-2691 2754 / 03-26922362
Fax : 03-2691 4599

AGROBANK NEGERI W.P. KUALA LUMPUR

No. 141-2, 143-2, Jalan 2/3A
Pusat Bandar Utara
68100 Batu Caves, Kuala Lumpur.
Tel : 03-6137 6433 / 6137 3433 /
6138 9285 / 6138 5762
Fax : 03-61389881 / 61377646

AGROBANK SELAYANG

No. 141, Jalan 2/3A
Pusat Bandar Utara
68100 Batu Caves, Kuala Lumpur.
Tel : 03-6136 9469 / 03-6136 8453
Fax : 03-6136 0410

AGROBANK PANDAN INDAH

No. 14, ACD/1, Menara A
Persiaran MPAJ
Jalan Pandan Utama
Pandan Indah
55100 Kuala Lumpur.
Tel : 03-4295 9466 / 03-4296 1419
Fax : 03-4295 5229

AGROBANK BANDAR TASIK SELATAN

No. 27G & 29G, Jalan 8/146
Bandar Tasik Selatan
57100 Kuala Lumpur.
Tel : 03-9056 5700 / 03-9056 5900
Fax : 03-9056 1200

AGROBANK AMPANG POINT

92, Jalan Memanda 2
Ampang Point
68000 Ampang, Kuala Lumpur
Tel : 03-4252 2960 / 03-4252 3827
Fax : 03-4252 5185

AGROBANK JALAN TUANKU ABDUL RAHMAN

No. 498 Jalan Tuanku Abdul
Rahman
50100 Kuala Lumpur.
Tel : 03-4042 5046 / 03-4042 6079
Fax : 03-4041 3873

AGROBANK CHERAS

No. 65 & 65-1, Jalan Dwtasik 1
Dataran Dwtasik
Bandar Sri Permaisuri
56000 Kuala Lumpur.
Tel : 03-9173 2389 / 03-9173 2387
Fax : 03-9173 2385

AGROBANK GREENWOOD (KIOSK)

SH 25, Jalan 7
Taman Greenwood
68100 Batu Caves, Kuala Lumpur.
Tel : 03-6186 8613 / 03-6186 8614
Fax : 03-6186 8615

AGROBANK UTC KUALA LUMPUR (AGRO CORNER)

Lot T3-11, Tingkat 3, Pudu Sentral
55100 Kuala Lumpur
Tel : 03-2026 8292
Fax : 03-2026 8294

AGROBANK PUTRAJAYA (AGROCORNER)

d/a Business Development Centre
(BDA)
Kementerian Pertanian & Industri
Asas Tani,
Wisma Tani, Lot 4G1, Presint 4
Pusat Pentadbiran Kerajaan
Persekutuan,
62624 Putrajaya
Tel : 03-8870 1790 / 03-8870 1790

Selangor

BUSINESS CENTRE NEGERI SELANGOR

No. 3 - 5
Pusat Dagangan UMNO Shah Alam
Persiaran Damai, Seksyen 11
40100 Shah Alam, Selangor.
Tel : 03-5510 4268 /
03-5512 4667 / 03-5519 3537
Fax : 03-5510 6740

AGROBANK SHAH ALAM

No. 3-1
Pusat Dagangan UMNO Shah Alam
Persiaran Damai, Seksyen 11
40000 Shah Alam, Selangor.
Tel : 03-5519 8250 / 5519 8433
Fax : 03-5519 9017

AGROBANK TANJUNG KARANG

Lot 131, Jalan Bomba
45500 Tanjung Karang, Selangor.
Tel : 03-3269 8084 / 3269 8052
Fax : 03-3269 8100

AGROBANK BANTING

123 & 125
Jalan Sultan Abdul Samad
42700 Banting, Selangor.
Tel : 03-3187 2552 / 3187 1558 /
3181 7099
Fax : 03-3187 3080

AGROBANK KUALA KUBU BARU

No. 38, Jalan Dato' Hj. Kamarudin
44000 Kuala Kubu Baru, Selangor.
Tel : 03-6064 1775 / 6064 1779
Fax : 03-6064 1815

AGROBANK SUNGAI BESAR

Lot 4746 & 4747
Jalan Sungai Limau,
45300 Sungai Besar, Selangor.
Tel : 03-3224 2522 / 3224 2902 /
3224 3192
Fax : 03-3224 1717

AGROBANK KLANG

No. 7, Lorong Batu 3
Kawasan 18
41300 Klang, Selangor.
Tel : 03-3342 8212 / 3341 0662 /
3343 6584
Fax : 03-3342 8203

AGROBANK KAJANG

No. 2-G & 2-1, Reko Sentral
Jalan Reko Sentral 4
Off Jalan Reko
43000 Kajang, Selangor.
Tel : 03-8736 6337 / 03-8736 6364
/ 8736 9425
Fax : 03-8736 6471

AGROBANK SEKINCHAN

No. 50 & 50A
Jalan Menteri Besar 1
Sekinchan Business Centre
45400 Sekinchan, Selangor.
Tel : 03-3241 0326 / 3241 3796
Fax : 03-3241 0307

AGROBANK SUNGAI BULOH

Lot 2380 Jalan 1A/1
Bandar Baru Sungai Buloh
47000 Sungai Buloh, Selangor.
Tel : 03-6156 7207 / 6156 7208
Fax : 03-6156 7209 / 6140 1531

AGROBANK SALAK TINGGI

No. E 061 & E 071, Block No. E
Phase 1B, Cosmoplex Salak Tinggi
43900 Sepang, Selangor.
Tel : 03-8706 2153 / 8706 2154
Fax : 03-8706 3032

AGROBANK TELUK PANGLIMA GARANG

168, Jalan Utama 2
Taman Jaya Utama
42500 Teluk Panglima Garang
Selangor.
Tel : 03-3122 0980 / 3122 0982
Fax : 03-3122 0984

AGROBANK KUALA SELANGOR

No. 23 & 25, Jalan Yu 1, Taman Yu,
Sungai Buloh
45800 Jeram, Selangor.
Tel : 03-3264 8620 / 3264 7704
Fax : 03-3264 8096

AGROBANK SUBANG JAYA

No. 79, Jalan SS 19/6
47500 Subang Jaya, Selangor.
Tel : 03-5632 9578 / 5632 9579
Fax : 03-5632 0856

AGROBANK SABAK BERNAM (KIOSK)

No. 82A & 83A, Jalan Menteri,
45200 Sabak Bernam, Selangor.
Tel : 03-3216 2673 / 3216 2488
Fax : 03-3216 2566

Pahang

BUSINESS CENTRE NEGERI PAHANG

Tingkat 1, No. 57, Jalan Tun Ismail,
25000 Kuantan, Pahang.
Tel : 09-5156 842 / 5156 933 /
5150 243
Fax : 09-5157524

AGROBANK KUANTAN

No. 57, Jalan Tun Ismail
25000 Kuantan, Pahang.
Tel : 09-5158 164 / 5156 853
Fax : 09-5156 768

AGROBANK KUALA ROMPIN

No.20 Bandar Baru
26800 Kuala Rompin, Pahang.
Tel : 09-4145 343 / 4145 122
Fax : 09-4145 192

AGROBANK RAUB

No. 43, Jalan Dato Abdullah.
27600 Raub, Pahang.
Tel : 09-3551 750 / 3553 780
Fax : 09-3555 099

AGROBANK TEMERLOH

F- 58, Jalan Tok Muda Awang Ngah
Bandar Baru
28000 Temerloh, Pahang.
Tel : 09-2961 877 / 2961 231 /
2960 361
Fax : 09-2963 851

AGROBANK KUALA LIPIS

No. 95A & 95B, Lot 95
Bandar Baru Seberang Jelai
27200 Kuala Lipis, Pahang.
Tel : 09-3126 694 / 3126 695
Fax : 09-3126 790

AGROBANK TRIANG

No 36, Jalan Dagangan 7,
Pusat Dagangan Triang,
28300 Triang, Pahang.
Tel : 09-2558 570/ 2557 696/ 255
7699
Fax : 09-2551 114

AGROBANK MARAN

No. 49, Bangunan LKNP,
Jalan Bandar Baru,
26500 Maran, Pahang.
Tel : 09-4771 591
Fax : 09-4771 066

AGROBANK BANDAR TUN RAZAK

KTR- 007 & 008 Kedai Dara,
26900 Bandar Tun Razak, Pahang.
Tel : 09-4458 398
Fax : 09-4458 399

AGROBANK BENTONG

No. 49 Jalan Loke Yew
28700 Bentong, Pahang.
Tel : 09-2221 178
Fax : 09-2226 086

AGROBANK JERANTUT

Lot 1 Seksyen 1,
Bangunan Yayasan Pahang
27000 Jerantut, Pahang.
Tel : 09-2662 966
Fax : 09-2662 554

AGROBANK PEKAN

No. 1, Lorong Perdagangan 1
Pusat Perdagangan
Jalan Engku Muda Mansor
26600 Pekan, Pahang.
Tel : 09-4222722 / 09-4222922
Fax : 09-4222022

AGROBANK JENGKA

Lot 8&9, Lorong Baiduri, Nadi Kota
26400 Bandar Jengka, Pahang.
Tel : 09-4663 942
Fax : 09-4663 941

AGROBANK SUNGAI RUAN (KIOSK)

No. 573, Jalan Besar
27500 Sungai Ruan, Pahang.
Tel : 03-3689 062
Fax : 03-3686 312

AGROBANK SRI JAYA (KIOSK)

No. 11, Taman Mas
Kampung Sri Jaya
26500 Maran, Pahang.
Tel : 09-4789 859
Fax : 09-4789 859

AGROBANK KUALA KRAU (KIOSK)

No. 14 Jalan Besar,
Kuala Krau,
28050 Temerloh, Pahang.
Tel : 09-2861588/09-2861129
Fax : 09-2861309

AGROBANK MENTAKAB (KIOSK)

No. 129 Jalan Temerloh
28400 Mentakab, Pahang.
Tel : 09-2779 740
Fax : 09-2779 742

AGROBANK CHEROH (AGRO CORNER)

No. 2, Gerai Majlis Daerah,
27620 Raub, Pahang.
Tel : 09-3697 820
Fax : 09-3697 185

AGROBANK TRAS (AGRO CORNER)

No. 27, Jalan Besar,
27600 Raub, Pahang.
Tel : 09-3615 590
Fax : 09-3615 700

AGROBANK LANCHANG (AGRO CORNER)

No. 32, Jln Dato' Syed Abdullah 1,
28500 Lanchang, Pahang.
Tel : 09-280 3167
Fax : 09-280 3168

AGROBANK UTC PAHANG (AGRO CORNER)

Tingkat 2, Bangunan UTC Pahang,
Jalan Stadium
25200 Kuantan, Pahang.
Tel : 09-5124 011
Fax : 09-5124 010

Negeri Sembilan / Melaka

AGROBANK NEGERI NEGERI SEMBILAN/MELAKA/JOHOR

Blok 13-2, Seremban City Centre
Jalan Pasar Besar
70000 Seremban, Negeri Sembilan.
Tel : 06-7625 476 / 7615 218 /
7610 528
Fax : 06-7620 744

AGROBANK SEREMBAN

Blok 13-G, Seremban City Centre
Jalan Pasar Besar
70000 Seremban, Negeri Sembilan.
Tel : 06-7639 541 / 7624 875
Fax : 06-7628 152

AGROBANK PORT DICKSON

No. 925, Jalan Lama
71000 Port Dickson
Negeri Sembilan.
Tel : 06-6473 427 / 6474107
Fax : 06-6475 324

AGROBANK KUALA PILAH

Lot 3 & 4, Jalan Raja Melewar
72000 Kuala Pilah
Negeri Sembilan.
Tel : 06-4811 251 / 4814 251 /
4843 911
Fax : 06-4814 727

AGROBANK KUALA KLAUWANG

No. 204, Jalan Pertang
71600 Kuala Klawang
Negeri Sembilan.
Tel : 06-6136 433 / 6137 375
Fax : 06-6137 595

AGROBANK NILAI

PT 4698 Jalan TS 1/1
Taman Semarak
71800 Nilai, Negeri Sembilan.
Tel : 06-7993 455 / 7993 473
Fax : 06-7993 480

AGROBANK BAHAU

No. 18 & 19 Jalan Kiara 1
Pusat Perniagaan Kiara
72100 Bahau, Negeri Sembilan.
Tel : 06-4543 352 / 06-4546 508 /
06-4549 518 / 06-4549 513
Fax : 06-4544 690

AGROBANK MELAKA

Wisma Dato' Haji Mohamad
Jalan Hang Tuah
75300 Melaka.
Tel : 06-2844 537 / 2844 519
Fax : 06-2839 754

AGROBANK ALOR GAJAH

No. 1, Kompleks Perniagaan
78000 Alor Gajah, Melaka.
Tel : 06-5562 600 / 5562 719
Fax : 06-5565 327

AGROBANK JASIN

JA 1763, Bandar Baru Jasin
77000 Jasin, Melaka.
Tel : 06-5295 324 / 5293 413 /
5296 091
Fax : 06-5295 325

AGROBANK MERLIMAU

Lot JC 108, Jalan BMU 2
Bandar Baru Merlimau Utara
77300 Merlimau, Melaka.
Tel : 06-2633 587 / 2633 615
Fax : 06-2633 622

AGROBANK PASIR PANJANG (AGRO CORNER)

No. 54, Jalan Besar
71250 Pasir Panjang
Port Dickson, Negeri Sembilan.
Tel : 06-6619 920 / 6610 379
Fax : 06-6610 360

AGROBANK SIMPANG DURIAN (AGRO CORNER)

No. 15, Pekan Desa Permai
72400 Simpang Durian
Negeri Sembilan.
Tel : 06-4914 633
Fax : 06-4914 009

Johor

AGROBANK NEGERI JOHOR

No. 66 Susur 1
Jalan Tun Abdul Razak
Kompleks Medan Cahaya
80000 Johor Bahru, Johor.
Tel : 07-2279 576 / 2247 788 /
2237 201
Fax : 07-2237 377

AGROBANK JOHOR BAHRU

No. 30 & 32, Jln Padi Emas 6/1
Bandar Baru Uda
81200 Johor Bahru, Johor.
Tel : 07-2344761 / 07-2344762
Fax : 07-2344751 / 07-2344759

AGROBANK MUAR

No. 63-1, Jalan Ali
84000 Muar, Johor.
Tel : 06-9523 446/9515 625
Fax : 06-9511 400

AGROBANK BATU PAHAT

No. 4 & 5, Jalan Mengkudu
Taman Makmur
83000 Batu Pahat, Johor.
Tel : 07-4342 182/4348 281
Fax : 07-4310 202

AGROBANK SEGAMAT

No. 52, Jalan Susur Genuang,
Kg. Abdullah
85000 Segamat, Johor.
Tel : 07-9312 346/9312 327
Fax : 07-9321 046

AGROBANK PONTIAN

No. 660-1, Jalan Taib
Wisma Rokijah
82000 Pontian, Johor.
Tel : 07-6871 955 / 6871 958
Fax : 07-6874 290

AGROBANK RENGIT

No. 75 & 76, Jalan Besar
83100 Rengit
Tel : 07-4241 304 / 4242 523
Fax : 07-4242 367

AGROBANK KOTA TINGGI

No. 16 & 18, Jalan Niaga 2
Pusat Perdagangan Kota Tinggi
81900 Kota Tinggi, Johor.
Tel : 07-8832 042 / 8833 471
Fax : 07-8831 050

AGROBANK MERSING

No. 74, Jalan Ismail
86800 Mersing, Johor.
Tel : 07-7991 434 / 7992 988
Fax : 07-7994 022

AGROBANK KLUANG

No. 60, Jalan Duku
86000 Kluang, Johor.
Tel : 07-7722 436 / 7721 800
Fax : 07-7736 170

AGROBANK LABIS

No. 92 & 94, Jalan Segamat
85300 Labis, Johor.
Tel : 07-9254 417 / 9254 418
Fax : 07-9254 416

AGROBANK BUKIT GAMBIR

No. 1, Jalan Gambir 5
Bandar Baru Bukit Gambir
84800 Ledang, Johor.
Tel : 06-9762 305 / 9762 315
Fax : 06-9762 084

AGROBANK KULAI

No. 23, Jalan Putra 1
Bandar Putra
81000 Kulai Jaya, Johor.
Tel : 07-6639 863
Fax : 07-6639 866

AGROBANK YONG PENG (KIOSK)

No. 3 Jalan Besar
83700 Yong Peng, Johor.
Tel : 07-4674 858 / 4677 300
Fax : 07-4675 654

AGROBANK SIMPANG RENGAM (KIOSK)

No. 5, Jalan Kijang
Taman Mohd Yassin
86200 Simpang Renggam, Johor.
Tel : 07-7559 890 / 7558 600
Fax : 07-7558 304

AGROBANK TANGKAK

No. 3A & 5, Jalan Muar,
Pusat Perniagaan Naib Long
84900 Tangkak, Johor.
Tel : 06-9786 401 / 9786 402
Fax : 06-9786 400

AGROBANK PARIT YUSOF (KIOSK)

12, Jalan Parit Yusof
83600 Batu Pahat, Johor.
Tel : 07-4163 479

AGROBANK FELDA TENGGAROH 2 (KIOSK)

No. 1A, Bangunan IKS
Bangunan Tenggaroh 2
86810 Mersing, Johor.
Tel : 07-7911 045 / 7911 090
Fax : 07-7911 143

AGROBANK PAGOH (KIOSK)

No. 163-3, Tingkat Bawah
Jalan Sekolah
Pekan Pagoh
84600 Muar, Johor.
Tel : 06-9746 322 / 06-9746 351
Fax : 06-9746 412

Perak

BUSINESS CENTRE NEGERI PERAK

No. 15 & 17, Tingkat 2 & 3
Persiaran Greentown 5
Pusat Perdagangan Greentown
30450 Ipoh, Perak.
Tel : 05-2559 380 / 2559 394 /
2559 964
Fax : 05-2423 518

AGROBANK IPOH

No. 15 & 17, Ting. Bawah & 1
Persiaran Greentown 5
Pusat Perdagangan Greentown
30450 Ipoh, Perak.
Tel : 05-2548 742 / 2540 840 /
2556 094
Fax : 05-2424 715

AGROBANK TELUK INTAN

No. 42, Medan Mahkota
Jalan Pasar
36000 Teluk Intan, Perak.
Tel : 05-6222 644 / 6226 816 /
6218 400
Fax : 05-6215 986/6229 489

AGROBANK BAGAN SERAI

No. 106 & 108, Jalan Besar
34300 Bagan Serai, Perak.
Tel : 05-7215 377 / 7215 376 /
721 2376
Fax : 05-721 2 414 / 721 2601

AGROBANK PANTAI REMIS

No. 2190, Jalan Besar
34900 Pantai Remis, Perak.
Tel : 05-6771 725 / 6772 352
Fax : 05-6771 892

AGROBANK KUALA KANGSAR

No. K6 & K7, Jalan Bendahara
Bandar Baru
33000 Kuala Kangsar, Perak.
Tel : 05-7761 155 / 7763 149 /
7766 682
Fax : 05-7762 922

AGROBANK SITIAWAN

No. 109 & 110, Taman Sejati 2
Jalan Lumut
32000 Sitiawan, Perak.
Tel : 05-6917 490 / 6917 487 /
6924 540
Fax : 05-6917 061

AGROBANK TAIPING

No. 37, Ting. Bawah dan Satu
Market Square
34000 Taiping, Perak.
Tel : 05-8089 834 / 8089 835
Fax : 05-8089 837

AGROBANK SRI ISKANDAR

No. 8, Persiaran Dataran 1, Bandar
Sri Iskandar
32600 Sri Iskandar.
Tel : 05-3712 743 / 3712 745
Fax : 05-3712 744

AGROBANK KAMPAR

No. 46, Jalan Balai
31900 Kampar
Tel : 05-4666 009 / 4666 010
Fax : 05-4666 016

Pulau Pinang

AGROBANK BUTTERWORTH

No. 49, Jalan Selat
Taman Selat
12000 Butterworth, Pulau Pinang.
Tel : 04-3314 539 / 3314 540
Fax : 04-3316 923

AGROBANK KEPALA BATAS

No. 1 & 3, Jalan Bertam
13200 Kepala Batas, Pulau Pinang.
Tel : 04-5751 422 / 5755 906
Fax : 04-5755 232

AGROBANK BAYAN BARU

No. 16 & 18 Jalan Tengah
Taman Penanti
11900 Bayan Baru, Pulau Pinang.
Tel : 04-6443 604 / 6452 395 /
6464 579
Fax : 04-6446 052 / 6452395

AGROBANK NIBONG TEBAL

No. 1695 & 1696 Jalan Besar
14300 Nibong Tebal, Pulau Pinang.
Tel : 04-5931 144 / 5933 451
Fax : 04-5933 992

AGROBANK BALIK PULAU

No. 858-E, Jalan Besar
Taman Seri Indah
11000 Balik Pulau, Pulau Pinang.
Tel : 04-8660 912 / 8666 021
Fax : 04-8660 686

AGROBANK BUKIT MERTAJAM

No. 3341 & 3342, Jalan Pusat
Perniagaan Alma
14000 Bukit Mertajam
Pulau Pinang.
Tel : 04-5512 300 / 5512 301
Fax : 04-5512 302

AGROBANK TASEK GELUGOR (KIOSK)

Lot 7, No. 3025
Jalan Hashim Awang
Taman Gelugor Indah
13300 Tasek Gelugor
Seberang Perai Utara
Pulau Pinang.
Tel : 04-5733832 / 04-5732775
Fax : 04-5731981

AGROBANK BATU MAUNG (KIOSK)

No. 21-1, Lintang Batu Maung 1,
11960 Bayan Lepas, Pulau Pinang.
Tel : 04-6264150
Fax : 04-6262517

AGROBANK PENANTI (KIOSK)

No. 15, Jalan Penanti 1
Taman Penanti
14000 Bukit Mertajam
Pulau Pinang.
Tel : 04-5213 651
Fax : 04-5212 258

AGROBANK TELUK BAHANG (KIOSK-AGRO BANKING CENTRE)

48-0-6, Jalan Hassan Abbas
11050 Teluk Bahang
Pulau Pinang.
Tel : 04-8852 657
Fax : 04-8851 640

Kedah/Perlis

AGROBANK ALOR SETAR

1518-A, Jln Tunku Ibrahim
Peti Surat 95
05710 Alor Star, Kedah.
Tel : 04 – 7332 545 / 04-7332 558 /
04-7310 952
Fax : 04 – 7307813

AGROBANK KODIANG

No. 81 E, Jalan Jitra
06100 Kodiang, Kedah.
Tel : 04 – 9255 137 / 04-9255 166
Fax : 04 – 9255 896

AGROBANK GUAR CHEMPEDAK

Lot 318, Jalan Yan
Pekan Guar Cempedak
08800 Guar Cempedak, Kedah.
Tel : 04 – 4686 280 / 04-4687 281
Fax : 04 – 4687 986

AGROBANK BALING

Blok B, Kompleks IADP
Daerah Baling
09100 Baling, Kedah.
Tel : 04 – 4701 342 / 04-4701 722 /
04-4704 628
Fax : 04 – 4702 333

AGROBANK LANGKAWI

No. 20 & 22, Jln. Pandak Mayah 4
Pusat Bandar Kuah
07000 Langkawi, Kedah.
Tel : 04 – 9666 931 / 04-9668 076 /
04-9662 990
Fax : 04 – 9666 830

AGROBANK SUNGAI PETANI

No. 12 & 13, Jln PPZ 1
Pusat Perniagaan Zamrud
08000 Sungai Petani, Kedah.
Tel : 04 – 4218 608 / 04-4215 780
Fax : 04 – 4426 310

AGROBANK JITRA

No. 95A & B, Jalan PJ 3
Kompleks Pekan Jitra 2
06000 Jitra, Kedah.
Tel : 04 – 9170 120 / 04-9170 121
Fax : 04 – 9170 411

AGROBANK PENDANG

Tingkat Bawah
Kompleks Perniagaan
Majlis Daerah Pendang
06700 Pendang, Kedah.
Tel : 04 – 7596 163 / 04-7596 446
Fax : 04 – 7596 458

AGROBANK SIK

No. 438, Jalan Tunku Ibrahim
08200 Sik, Kedah.
Tel : 04 – 4695 282 / 04-4695 059
Fax : 04 – 4695 775

AGROBANK KUALA NERANG

No. 4, Mukim Belimbing
Padang Terap
06300 Kuala Nerang, Kedah.
Tel : 04 – 7866 433 / 04-7868 334
Fax : 04 – 7866 390

AGROBANK SIMPANG EMPAT

Lot 1658, Mukim Kayang,
02700 Simpang Empat, Perlis.
Tel : 04-9807 234 / 04-9807 763
Fax : 04-9807 807

AGROBANK KANGAR

No. 25, Jalan Indera Kayangan
01000 Kangar, Perlis.
Tel : 04-9768 479 / 04-9768 477
Fax : 04-9768 482

AGROBANK KULIM

No. 4 Kompleks PKNK
Jalan Tengku Mohd Asaad
09000 Kulim, Kedah.
Tel : 04-4908 015 / 04-4908 017
Fax : 04-4908 016

AGROBANK KUALA PERLIS (KIOSK)

No. 24 Jalan Besar
02000 Kuala Perlis, Perlis.
Tel : 04-9855 550 / 04-9851 215
Fax : 04-9855 778

AGROBANK SERDANG (AGRO CORNER)

No. 20, Tingkat Bawah Bangunan
Rumah Kedai MDBB
Jalan Bekas Lombong
09800 Serdang, Kedah.
Tel : 04-4078909

Terengganu

AGROBANK KUALA TERENGGANU

No. 106, Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu.
Tel : 09-6222 044 / 6222 126 /
6220 139
Fax : 09-6220 479

AGROBANK DUNGUN

K-42, Jalan Haji Zainal Abidin
23000 Dungun, Terengganu.
Tel : 09-8481 146 / 8482 127
Fax : 09-8483 698

AGROBANK JERTEH

Lot 182, Jalan Tuan Hitam
22000 Jerteh, Terengganu.
Tel : 09-6971 261 / 6971 443 /
6972 400
Fax : 09-6972 196

AGROBANK KEMAMAN

No. KCP 55, Jalan Sulaimani
Business Centre Point
24000 Kemaman, Terengganu.
Tel : 09-8593 455 / 8593 254
Fax : 09-8595 757

AGROBANK KUALA BERANG

No. 344 Jalan Besar
21700 Kuala Berang, Terengganu.
Tel : 09-6811 434 / 6811 433 /
6813 419
Fax : 09-6811 806

AGROBANK CENEH BARU

No. 3, Bandar Baru Ceneh
24000 Kemaman, Terengganu.
Tel : 09-8730 454 / 09-8730 578
Fax : 09-8730 461

AGROBANK BUKIT PAYONG

PT92, Perkedaaian Bukit Payong,
Fasa 2, 21400 Marang, Terengganu.
Tel : 09-6191006/09-6191925
Fax : 09-6190934/6191811

AGROBANK BANDAR PERMAISURI (KIOSK)

No. 3 Tingkat Bawah
Bangunan MDS
22100 Setiu, Terengganu.
Tel : 09-6099 735
Fax : 09-6099 162

AGROBANK MARANG (KIOSK)

Lot 2
Rumah Kedai MARA
21600 Marang, Terengganu.
Tel : 09-6182 771 / 6183 477
Fax : 09-6182 809

AGROBANK KUALA BESUT (KIOSK)

PT 2833, Rumah Kedai
Jalan Semarak
22300 Kuala Besut, Terengganu.
Tel : 09-6974 885
Fax : 09-6904 936

Kelantan

AGROBANK NEGERI KELANTAN

Tingkat 2, Seksyen 12
Jalan Padang Garong
15000 Kota Bharu, Kelantan.
Tel : 09-7487 684 / 7481 295 /
7476 733
Fax : 09-7471 521

AGROBANK KOTA BHARU

Seksyen 12, Jalan Padang Garong
15000 Kota Bharu, Kelantan.
Tel : 09-7481 211 / 7440 134 /
7462 616
Fax : 09-7462 143

AGROBANK KUALA KRAI

Lot 1520
Jalan Tengku Zainal Abidin
18000 Kuala Krai, Kelantan.
Tel : 09-9666 116 / 9663 436
Fax : 09-9660 634/9663 349

AGROBANK PASIR PUTEH

2988-B, Lot 471
Jalan Sekolah Keb. Lelaki
16800 Pasir Puteh, Kelantan.
Tel : 09-7867 311 / 7866 258
Fax : 09-7867 130

AGROBANK BACHOK

Lot 294, Bandar Bachok
16300 Bachok, Kelantan.
Tel : 09-7788 393 / 7788804
Fax : 09-7789977/7788807

AGROBANK PASIR MAS

Lot 308, 128 & 129
Jalan Pasir Pekan
17000 Pasir Mas, Kelantan.
Tel : 09-7909 098 / 7900 544
Fax : 09-7900 688

AGROBANK TANAH MERAH

Lot 219 & 220, Jalan Hospital,
17500 Tanah Merah, Kelantan.
Tel : 09-9556100 / 9557 287
Fax : 09-9556 169

AGROBANK JELI

Lot PT 1527 Jalan Kuala Balah
17600 Bandar Baru Jeli, Kelantan.
Tel : 09-9440 252 / 9440 886
Fax : 09-9440 469

AGROBANK GUA MUSANG

PT 8288 & 8289, Wisma Galas,
18300 Gua Musang, Kelantan.
Tel : 09-9122 542 / 9122 244
Fax : 09-9122 949

AGROBANK KUBANG KERIAN

PT 1662 & PT 1663
Bangunan Yakin
Jalan Raja Perempuan Zainab II
Kenali, Kubang Kerian
16150 Kota Bharu, Kelantan.
Tel : 09-7640 532 / 7640 533 /
7640 630
Fax : 09-7640 529

AGROBANK RTC KOTA BHARU

Rural Transformation Centre
Lot Bank 2, Aras G
Pejabat Pentadbiran TEMAN
Lot 3309, Batu 4
Lebuhraya Pasir Mas-Salor
15150 Kota Bharu, Kelantan.
Tel : 09-7433 067 / 7433 271 /
7444 303
Fax : 09-7433354

AGROBANK TUMPAT

No. 127 Jalan Hulu Pasar
16200 Tumpat, Kelantan.
Tel : 09-7258 279
Fax : 09-7258 278

AGROBANK RANTAU PANJANG (KIOSK)

PT 199 Kompleks Perkedaian Baru
17200 Rantau Panjang, Kelantan.
Tel : 09-7950 520 / 7950 877
Fax : 09-7950 160

AGROBANK MACHANG (KIOSK)

Lot PT(B) 145, Jalan Pasir Puteh
Bandar Baru
18500 Machang, Kelantan.
Tel : 09-9753 391
Fax : 09-9751 480

AGROBANK JELAWAT (KIOSK)

PT 94, Pekan Jelawat
16370 Bachok, Kelantan.
Tel : 09-7783 075
Fax : 09-7780 957

AGROBANK PASAR SITI KHADIJAH (AGRO CORNER)

Tingkat 1
Pasar Besar Siti Khadijah
Buluh Kubu
15000 Kota Bharu, Kelantan.
Tel : 09-7461 198

Terengganu

AGROBANK KUALA TERENGGANU

No. 106, Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu.
Tel : 09-6222 044 / 6222 126 /
6220 139
Fax : 09-6220 479

AGROBANK DUNGUN

K-42, Jalan Haji Zainal Abidin
23000 Dungun, Terengganu.
Tel : 09-8481 146 / 8482 127
Fax : 09-8483 698

AGROBANK JERTEH

Lot 182, Jalan Tuan Hitam
22000 Jerteh, Terengganu.
Tel : 09-6971 261 / 6971 443 /
6972 400
Fax : 09-6972 196

AGROBANK KEMAMAN

No. KCP 55, Jalan Sulaimani
Business Centre Point
24000 Kemaman, Terengganu.
Tel : 09-8593 455 / 8593 254
Fax : 09-8595 757

AGROBANK KUALA BERANG

No. 344 Jalan Besar
21700 Kuala Berang, Terengganu.
Tel : 09-6811 434 / 6811 433 /
6813 419
Fax : 09-6811 806

AGROBANK CENEH BARU

No. 3, Bandar Baru Ceneh
24000 Kemaman, Terengganu.
Tel : 09-8730 454 / 09-8730 578
Fax : 09-8730 461

AGROBANK BUKIT PAYONG

PT92, Perkedaian Bukit Payong,
Fasa 2, 21400 Marang, Terengganu.
Tel : 09-6191006/09-6191925
Fax : 09-6190934/6191811

AGROBANK BANDAR PERMAISURI (KIOSK)

No. 3 Tingkat Bawah
Bangunan MDS
22100 Setiu, Terengganu.
Tel : 09-6099 735
Fax : 09-6099 162

AGROBANK MARANG (KIOSK)

Lot 2
Rumah Kedai MARA
21600 Marang, Terengganu.
Tel : 09-6182 771 / 6183 477
Fax : 09-6182 809

AGROBANK KUALA BESUT (KIOSK)

PT 2833, Rumah Kedai
Jalan Semarak
22300 Kuala Besut, Terengganu.
Tel : 09-6974 885
Fax : 09-6904 936

Sabah

BUSINESS CENTRE SABAH

Tingkat 2, No. 135 Jalan Gaya,
Beg Berkunci 145
88994 Kota Kinabalu, Sabah.
Tel : 088-288 237 / 288 228 /
288 211 / 267 071
Fax : 088-288 222

AGROBANK KOTA KINABALU

No. 135, Jalan Gaya
Beg Berkunci 145
88994 Kota Kinabalu, Sabah.
Tel : 088-288 288 / 288 283 /
288 200 / 288 285
Fax : 088-288 280

AGROBANK TAWAU

No. 7 Block N, Jalan Dunlop
Bandar Sabindo, Peti Surat 60157
91011 Tawau, Sabah.
Tel : 089-773 222 / 773 291 /
773 294 / 770 202
Fax : 089-765 677

AGROBANK SANDAKAN

Menara Rickoh, Tingkat Bawah
Indah Commercial Complex
Bandar Indah, Mile 4 North Road
90715 Sandakan, Sabah.
Tel : 089-275 958 / 275 524
Fax : 089-216 705

AGROBANK KENINGAU

Block D, Lot 1, Keningau Plaza
Peti Surat No. 2065
89009 Keningau, Sabah.
Tel : 087-334 353/333 373/331 353
Fax : 087-332 487

AGROBANK LAHAD DATU

MDLD 4155, Lot 58, Tingkat 1 & 2
Bandar Wilayah, Jalan Bunga Raya
91110 Lahad Datu, Sabah.
Tel : 089-882 561 / 888 562
Fax : 089-882 291

AGROBANK KOTA BELUD

Lot 3 & 4, Blok E, Pekan Baru
89150 Kota Belud, Sabah.
Tel : 088-977 141 / 975 125 /
975 137/975 145
Fax : 088-977 152

AGROBANK BEAUFORT

Lot 13 & 13A
Ground & First Floor, Blok B
New Beaufort Jaya
Peti Surat 506
89800 Beaufort, Sabah.
Tel : 087-201 301 / 201 305 /
201 303 / 201 306
Fax : 087-201 302

AGROBANK KOTA MARUDU

Blok D, Lot 22 Pekan Baru Goshen
89100 Kota Marudu, Sabah.
Tel : 088-661 793 / 663 021
Fax : 088-662 325

AGROBANK KOTA KINABATANGAN

Block A, Lot 1 & 2
Kota Kinabatangan, New Township
90200 Kota Kinabatangan, Sabah.
Tel : 089-562 087 /
089-562 088 /
089-562 089 /
089-562 091
Fax : 089-562 093

Sarawak

BUSINESS CENTRE SARAWAK

Tingkat 2 & 3
Lot 518 (No. 15H), Section 6 KTLD
Jalan Kulas Tengah
93400 Kuching, Sarawak.
Tel : 082-424 577 / 429 077 /
241 652 / 235 091
Fax : 082 243 363 / 082-231 537

AGROBANK KUCHING

Tingkat Bawah & Tingkat 1
Lot 518 (No. 15H), Section 6 KTLD
Jalan Kulas Tengah
93400 Kuching, Sarawak.
Tel : 082-410 126 / 410 827 /
410 671 / 410 419
Fax : 082-243 798 / 082-235 368

AGROBANK SARIKEI

No. 39, Lot 74, Jln. Haji Karim
Peti Surat 429
96107 Sarikei, Sarawak.
Tel : 084-654 334 / 654 326
Fax : 084-653 677

AGROBANK LAWAS

Lot 324, Jalan Trusan
Peti Surat 197
98857 Lawas, Sarawak.
Tel : 085-285 762 / 285 064
Fax : 085-285 055

AGROBANK SIBU

No. 10D & 10E
Jalan Kampung Datu
96000 Sibu, Sarawak.
Tel : 084-325 199 / 323 188 /
327 648
Fax : 084-323777

AGROBANK SRI AMAN

Sub Lot No. 8, Lot 1530, Blok 3
Jalan Sabu, Peti Surat 354
95008 Sri Aman, Sarawak.
Tel : 083-321 788 / 320 839 /
327 944 / 327 946
Fax : 083-320 923

AGROBANK MIRI

Lot 1305, Ground & First Floor
Centre Point Commercial Centre
Jalan Melayu
98000 Miri, Sarawak.
Tel : 085-411 801 / 411 818 /
411 802
Fax : 085-420 986

AGROBANK BINTULU

No. Lot 227, Sub Lot 31
Parkcity Commerce Square Phase 3
Jalan Tun Ahmad Zaidi
97000 Bintulu, Sarawak.
Tel : 086-330 015 / 330 016
Fax : 086-330 017

AGROBANK LIMBANG

Lot 1405, Jalan Buangsiol
98700 Limbang, Sarawak.
Tel : 085-213 076 / 213 077 /
215 224
Fax : 085-213 487

AGROBANK MUKAH

Sub Lot 59, Medan Setia Raja
96400 Mukah, Sarawak.
Tel : 084-874 048 / 874 049
Fax : 084-874 050

AGROBANK KAPIT

Lot 353 & 354
Jalan Yong Moo Chai
Peti Surat 355
96807 Kapit, Sarawak.
Tel : 084-797 144 / 799 972 /
799 155
Fax : 084-797 006

AGROBANK SERIAN

Lot 291, Serian Bazaar
Off Serian By Pass
94700 Serian, Sarawak.
Tel : 082-876 823 / 876 824
Fax : 082-876 825

AGROBANK SARATOK

No. 20, Lot 636, Pekan Saratok
95400 Saratok, Sarawak.
Tel : 083-437 328 / 437 337
Fax : 083-437 326

AGROBANK BETONG

Sublot 60, Bandar Baru Betong,
95700 Betong, Sarawak.
Tel : 083-472 382 / 472 584
Fax : 083-472 593

AGROBANK SIMUNJAN (KIOSK)

No.2, Lot 139, Jalan Nanas
94800 Simunjan, Sarawak.
Tel : 082-803 812 / 803 629
Fax : 082-803 695

AGROBANK SELANGAU (KIOSK)

Sub Lot No. 35,
Lot 95, Blok 14,
Selangau New Town Phase 2,
96008 Sibu, Sarawak.
Tel : 084-891 189
Fax : 084-891 142

AGROBANK PUSA (KIOSK)

Sublot 5, Lot 1031,
Block 6, Sablor Land District,
94950 Pusa, Sarawak.
Tel : 083-465 326 / 083-465 327
Fax : 083-465 328

AGROBANK DARO (KIOSK)

Tingkat Bawah (Sublot No. 35),
Lot 158, Jalan Bazaar,
96200 Daro, Sarawak.
Tel : 084-823 819
Fax : 084-823 820

AGROBANK LUBOK ANTU (KIOSK)

No. 163, Lubok Antu Town District,
95900 Lubok Antu, Sarawak.
Tel : 083-584 042 / 584 043 /
584 044
Fax : 083-584 016

Sarawak

AGROBANK JULAU (AGRO CORNER)

Tingkat 1
Majlis Daerah Maradong & Julau
Pejabat Cawangan Julau
96600 Julau, Sarawak.
Tel : 084-734 013
Fax : 084-734 045

AGROBANK MATU (AGRO CORNER)

Majlis Daerah Matu-Daro
Bangunan Datuk Pengiran Hipni
Jalan Datuk Pengiran Hipni
96250 Matu, Bahagian Mukah
Sarawak.
Tel : 084-832 166
Fax : 084-832 136

AGROBANK PAKAN (AGRO CORNER)

Pejabat Daerah Pakan
96510 Pakan, Sarawak.
Tel : 013-5750242
(Rohaizanizam Bin Hamzah)

AGROBANK SPAOH (AGRO CORNER)

Ground Floor
Pejabat Daerah Kecil Spaoh
95600 Spaoh, Sarawak.
Tel : 083-473 035 / 473 036
Fax : 083-473 037

TRADE FINANCE

DOES YOUR BUSINESS NEED FINANCING?

Our Trade Finance facilities provide short-term financing for domestic and overseas transactions.

PRODUCTS OFFERED*:

- a) Letter of Credit-*i*
- b) Murabahah Trust Receipt-*i*
- c) Trade Working Capital Financing-*i*
- d) Bank Guarantee-*i*
- e) Shipping Guarantee-*i*

* Subject to changes, terms & conditions.

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BANK PERTANIAN MALAYSIA BERHAD (811810-U)



Leboh Pasar Besar, Peti Surat 10815, 50726 Kuala Lumpur Malaysia.

Tel: 603-2731 1600 • Fax: 603-2691 4908 • Email: customer@agrobank.com.my

www.agrobank.com.my