

Sabah Development Bank Berhad - 34638-W
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income	4	223,931	197,324	227,490	202,952
Interest expense	5	(115,777)	(103,086)	(116,108)	(103,225)
Net interest income		108,154	94,238	111,382	99,727
Income from Islamic banking business	43	776	787	776	787
Other income	6	147,895	98,111	168,978	22,162
Net income		256,825	193,136	281,136	122,676
Other expenses	7	(48,983)	(59,551)	(15,268)	(17,436)
		207,842	133,585	265,868	105,240
Allowance for impairment losses on loans, advances and financing	8	(87,612)	(10,712)	(87,612)	(10,712)
Allowance for impairment losses on other financial assets	9	(909)	(3,154)	(909)	(3,154)
Operating profit		119,321	119,719	177,347	91,374
Share of results of associates		5,889	3,061	-	-
Profit before tax	10	125,210	122,780	177,347	91,374
Income tax expense	13	(26,916)	(25,951)	(2,310)	(18,166)
Profit net of tax		98,294	96,829	175,037	73,208
Other comprehensive income for the year:					
- Net gain on securities available-for-sale:					
- Gain/(loss) on fair value changes		1,840	(5,428)	379	(5,428)
- Cumulative gain reclassified to profit or loss upon disposal		1,373	248	1,373	248
- Income tax relating to securities available-for-sale		(438)	768	(438)	768
		2,775	(4,412)	1,314	(4,412)

**Sabah Development Bank Berhad - 34638-W
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**Statements of comprehensive income (continued)
For the financial year ended 31 December 2012**

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Share of other comprehensive income of associates:					
- Net gain on securities available-for-sale:					
- Gain/(loss) on fair value changes		37	208	-	-
- Cumulative gain reclassified to profit or loss upon disposal		(59)	(1,717)	-	-
- Income tax relating to other comprehensive income of associates:					
Securities available-for-sale		6	377	-	-
		<u>(16)</u>	<u>(1,132)</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of tax		<u>2,759</u>	<u>(5,544)</u>	<u>1,314</u>	<u>(4,412)</u>
Total comprehensive income for the year		<u>101,053</u>	<u>91,285</u>	<u>176,351</u>	<u>68,796</u>
Profit attributable to:					
Owner of the Company		98,294	96,833	175,037	73,208
Non-controlling interests		-	(4)	-	-
		<u>98,294</u>	<u>96,829</u>	<u>175,037</u>	<u>73,208</u>
Total comprehensive income attributable to:					
Owner of the Company		101,053	91,289	176,351	68,796
Non-controlling interests		-	(4)	-	-
		<u>101,053</u>	<u>91,285</u>	<u>176,351</u>	<u>68,796</u>
Earnings per share attributable to owner of the Company (sen per share)					
Basic	14	<u>22.85</u>	<u>22.52</u>		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Sabah Development Bank Berhad - 34638-W
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Statements of financial position
As at 31 December 2012

		Group			Company		
	Note	2012 RM'000	2011 RM'000	As at 1.1.2011 RM'000	2012 RM'000	2011 RM'000	As at 1.1.2011 RM'000
Assets							
Cash and short-term funds	15	72,736	13,797	30,407	63,571	7,605	8,348
Deposits and placements with financial institutions	16	85,276	75,176	78,580	46,918	59,308	67,738
Securities held-for-trading	17	35,554	26,756	30,034	35,554	26,756	30,034
Securities available-for-sale	18	101,049	8,054	8,283	4,434	7,854	8,083
Securities held-to-maturity	19	34,000	-	-	34,000	-	-
Loans, advances and financing	20	2,654,368	2,277,372	2,085,646	3,271,629	2,771,453	2,554,326
Derivative assets	21	-	8	-	-	8	-
Other assets	22	722,263	631,863	536,117	517,131	364,396	371,072
Income tax refundable		11,076	5,527	6,582	11,043	18	906
Properties held-for-sale	23	50,998	50,998	51,405	50,998	50,998	50,998
Investment properties	24	22,975	20,293	20,484	1,893	1,919	1,946
Investments in subsidiaries	25	-	-	-	11,512	12,452	9,273
Investments in associates	26	69,951	65,180	63,251	38,652	38,652	38,652
Intangible asset	27	90,157	93,542	97,996	-	-	-
Property, plant and equipment	28	10,976	11,804	54,537	871	1,069	199
Deferred tax assets	29	19,029	14,305	12,115	19,445	13,151	11,608
Total assets		3,980,408	3,294,675	3,075,437	4,107,651	3,355,639	3,153,183
Liabilities							
Deposits from customers	30	1,009,374	1,071,542	1,147,172	1,019,624	1,080,787	1,152,780
Borrowings	31	2,260,000	1,513,000	1,287,000	2,260,000	1,513,000	1,287,000
Derivative liabilities	21	862	1,922	1,087	862	1,922	1,087
Other liabilities	32	93,351	87,573	117,868	86,559	81,013	109,277
Income tax payable		10,102	4,953	351	-	4,643	2
Defined benefit obligations	33	6,545	6,564	4,123	6,545	6,564	4,123
Total liabilities		3,380,234	2,685,554	2,557,601	3,373,590	2,687,929	2,554,269

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Statements of financial position (continued)
As at 31 December 2012

		Group			Company		
	Note	2012 RM'000	2011 RM'000	As at 1.1.2011 RM'000	2012 RM'000	2011 RM'000	As at 1.1.2011 RM'000
Equity attributable to owner of the Company							
Share capital	34	500,000	430,000	430,000	500,000	430,000	430,000
Fair value adjustment reserve	35	1,204	(1,555)	3,989	(991)	(2,305)	2,107
Retained earnings	36	99,086	180,792	83,959	235,052	240,015	166,807
		<u>600,290</u>	<u>609,237</u>	<u>517,948</u>	<u>734,061</u>	<u>667,710</u>	<u>598,914</u>
Non-controlling interests		(116)	(116)	(112)	-	-	-
Total equity		<u>600,174</u>	<u>609,121</u>	<u>517,836</u>	<u>734,061</u>	<u>667,710</u>	<u>598,914</u>
Total equity and liabilities		<u>3,980,408</u>	<u>3,294,675</u>	<u>3,075,437</u>	<u>4,107,651</u>	<u>3,355,639</u>	<u>3,153,183</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Sabah Development Bank Berhad - 34638-W
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Statements of changes in equity
For the financial year ended 31 December 2012

Group	<----- Attributable to owner of the Company ----->					
	Share capital RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Total shareholders' equity RM'000	Non- controlling interests RM'000	Total equity RM'000
Opening balance at 1 January 2012						
As reported under FRS	430,000	(2,207)	154,916	582,709	(116)	582,593
Effects of adoption of MFRS	-	652	25,876	26,528	-	26,528
At 1 January 2012, under MFRS	430,000	(1,555)	180,792	609,237	(116)	609,121
Total comprehensive income for the year	-	2,759	98,294	101,053	-	101,053
Transaction with owner:						
Issuance of shares	70,000	-	-	70,000	-	70,000
Dividends	-	-	(180,000)	(180,000)	-	(180,000)
	70,000	-	(180,000)	(110,000)	-	(110,000)
Closing balance at 31 December 2012	500,000	1,204	99,086	600,290	(116)	600,174

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Statements of changes in equity (continued)
For the financial year ended 31 December 2012

Group	<----- Attributable to owner of the Company ----->			Total shareholders' equity RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000			
Opening balance at 1 January 2011						
As reported under FRS	430,000	2,205	61,144	493,349	(112)	493,237
Effects of adoption of MFRS	-	1,784	22,815	24,599	-	24,599
At 1 January 2011, under MFRS	430,000	3,989	83,959	517,948	(112)	517,836
Total comprehensive income for the year	-	(5,544)	96,833	91,289	(4)	91,285
Closing balance at 31 December 2011	430,000	(1,555)	180,792	609,237	(116)	609,121

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

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Statements of changes in equity (continued)
For the financial year ended 31 December 2012

Company	<----- Attributable to owner of the Company ----->		Retained earnings RM'000	Total shareholder's equity RM'000
	<-- Non-distributable -->	Distributable		
	Share capital RM'000	Fair value adjustment reserve RM'000		
Opening balance at 1 January 2012	430,000	(2,305)	240,015	667,710
Total comprehensive income for the year	-	1,314	175,037	176,351
Transactions with owners				
Issuance of ordinary shares	70,000	-	-	70,000
Dividends on ordinary shares	-	-	(180,000)	(180,000)
	70,000	-	(180,000)	(110,000)
Closing balance at 31 December 2012	500,000	(991)	235,052	734,061
Opening balance at 1 January 2011	430,000	2,107	166,807	598,914
Total comprehensive income for the year	-	(4,412)	73,208	68,796
Closing balance at 31 December 2011	430,000	(2,305)	240,015	667,710

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**Sabah Development Bank Berhad - 34638-W
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**Statements of cash flows
For the financial year ended 31 December 2012**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating activities				
Profit before tax	125,210	122,780	177,347	91,374
<u>Adjustments for:</u>				
Allowance for impairment losses on loans, advances and financing	87,612	10,712	87,612	10,712
Allowance for impairment loss on other financial assets	909	3,154	909	3,154
(Reversal of)/allowance for impairment losses on trade receivables	(40,000)	114	-	-
Amortisation of intangible assets	4,455	4,454	-	-
Depreciation of investment properties	247	191	26	27
Depreciation of property, plant and equipment	1,614	2,975	282	277
Defined benefit obligations	685	2,883	685	2,883
Gain on disposal of investment properties	-	(271)	-	-
Gain on disposal of property, plant and equipment	(117)	(90)	(65)	(18)
Gain on deemed disposal of subsidiary	-	(6,052)	-	-
Net gain on disposal of securities held-for-trading	(1,934)	(4,452)	(1,934)	(4,452)
Net loss on disposal of securities available-for-sale	1,373	248	1,373	248
Net (gain)/loss on derivative financial instruments	(336)	827	(336)	827
Share of results of associates	(5,889)	(3,061)	-	-
Unrealised fair value (gain)/loss on securities held-for-trading	(1,416)	10	(1,416)	10
Total adjustments	<u>47,203</u>	<u>11,642</u>	<u>87,136</u>	<u>13,668</u>

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Statements of cash flows (continued)
For the financial year ended 31 December 2012

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Operating cash flows before changes in working capital	172,413	134,422	264,483	105,042
<u>Changes in working capital</u>				
Change in deposits and placements with financial institutions	9,521	(6,259)	5,947	(7,533)
Change in securities held-for-trading	(5,448)	(370)	(5,448)	(370)
Change in securities available-for-sale	(92,064)	(263)	2,889	(263)
Change in securities held-to-maturity	(34,000)	-	(34,000)	-
Change in loans, advances and financing	(464,608)	(202,420)	(586,848)	(231,000)
Change in derivative financial instruments	(716)	-	(716)	-
Change in other assets	(50,400)	(99,311)	(152,735)	5,685
Change in deposits from customers	(62,168)	(75,630)	(61,163)	(71,993)
Increase in other liabilities	5,778	20,147	5,546	(28,264)
Payment of retirement benefit obligation	(704)	(442)	(704)	(442)
Total changes in working capital	<u>(694,809)</u>	<u>(364,548)</u>	<u>(827,232)</u>	<u>(334,180)</u>
Cash flows used in operations	(522,396)	(230,126)	(562,749)	(229,138)
Income taxes paid	(32,484)	(31,366)	(24,709)	(23,052)
Income taxes refunded	6	10,642	-	10,631
Net cash flow used in operating activities	<u>(554,874)</u>	<u>(250,850)</u>	<u>(587,458)</u>	<u>(241,559)</u>
Investing activities				
Additional investment in subsidiary	-	(18)	-	(18)
Addition of intangible assets	(1,070)	-	-	-
Cash inflow from deemed disposal of subsidiary	-	2,925	-	-
Dividend received from associate	1,102	-	-	-
Proceeds from disposal of property, plant and equipment	118	90	65	18
Proceeds from disposal of investment property	-	678	-	-
Purchase of property, plant and equipment	(787)	(5,098)	(84)	(1,147)
Purchase of investment properties	(2,929)	-	-	-
Net cash flows used in Investing activities	<u>(3,566)</u>	<u>(1,423)</u>	<u>(19)</u>	<u>(1,147)</u>

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Statements of cash flows (continued)
For the financial year ended 31 December 2012

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Financing activities				
Issuance of ordinary shares	70,000	-	70,000	-
Dividends paid on ordinary shares	(180,000)	-	(180,000)	-
Proceeds from borrowings	1,110,000	720,000	1,110,000	720,000
Repayment of borrowings	<u>(363,000)</u>	<u>(494,000)</u>	<u>(363,000)</u>	<u>(494,000)</u>
Net cash flows from financing activities	<u>637,000</u>	<u>226,000</u>	<u>637,000</u>	<u>226,000</u>
Net increase/(decrease) in cash and cash equivalents	78,560	(26,273)	49,523	(16,706)
Cash and cash equivalents at 1 January	<u>55,914</u>	<u>82,187</u>	<u>38,222</u>	<u>54,928</u>
Cash and cash equivalents at 31 December (Note 15)	<u>134,474</u>	<u>55,914</u>	<u>87,745</u>	<u>38,222</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements