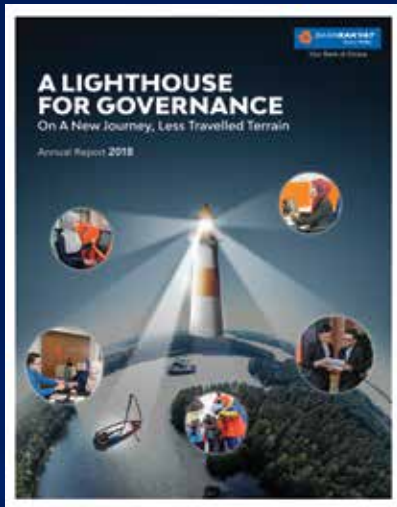


A LIGHTHOUSE FOR GOVERNANCE

On A New Journey, Less Travelled Terrain

Annual Report **2018**





BE A LIGHTHOUSE FOR GOVERNANCE

Since its establishment, Bank Rakyat has always maintained our position as a progressive, dynamic and Islamic cooperative bank that ensures the well-being and prosperity of our members, customers and community at large.

The theme for 2018 titled “Be a Lighthouse for Governance” communicates our commitment in promoting Bank Rakyat as the lighthouse for good governance and a thought leader in the industry. We want to actively participate with the market in regulatory reforms relevant to the industry as well as leveraging collaborations with the relevant parties to create shared value for the large-scale benefit.

The visual of a lighthouse is used to represent the role as a guidance and beacon to all who are either voyaging or adrift. Visible in all weather conditions, the lighthouse provides stability and direction. Just as it can guide us through storms, it still glows when all is well, consistently leading the way forward.

With our strong values, resources and experience, we continuously bridge boundaries by tapping into our capabilities. The value of our services is experienced by a broad range of our customers with a variety of needs and expectations. From diversifying and upgrading products and services, exploring new business opportunities to meeting customers’ needs as well as other groups that have a stake in the operations of Bank Rakyat, we have an obligation and an expressed intent to meet our stakeholders’ expectations.

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THE LIGHTHOUSE

Just as the lighthouse guides ship through the turbulent weather, Bank Rakyat aims to be the champion of good governance and integrity, given calls for higher transparency and stricter controls from markets and the public everywhere.





BANK RAKYAT OVERVIEW

We are the biggest Islamic cooperative bank in the country and the second largest Islamic financial institution in terms of Shariah assets. Our journey began as a pioneer cooperative bank in 1954 with the mandate to raise the social and economic status of rural communities, provide opportunities for self-improvement and to build a better future for their families as well as their communities for the stability and prosperity of our nation. We have proudly surpassed this mandate.

We became known as Bank Kerjasama Rakyat Malaysia (Bank Rakyat) in 1973 and extended our membership to individuals. Governed by our by-laws and the Bank Kerjasama Rakyat (Malaysia) Berhad Act 1978, we are allowed to provide financing to non-members as well. We now not only serve our members but also individuals, businesses, corporations, SMEs, and a whole range of others.

OUR PRINCIPAL ACTIVITIES



Our principal activities are those of a cooperative that carries out banking activities based on Shariah principles through accepting deposits and providing financial services for retail and commercial needs.

OUR LEGACY



Our ongoing legacy has been one of unyielding courage, formidable spirit and commendable achievements. Our vision, mission and values remain our team's pulse and thrust forward, enabling us to have achieved many developmental milestones. The numerous local, regional and international awards we have received over the years prove we are not only a major player in the domestic Islamic banking scene but also an international leader in Islamic banking.

OUR PERFORMANCE



Throughout over 60 years of establishment, our performance has remained commendable. As at the end of 2018, we had:

Staff

5,178
personnel

Customer

7.82
million

Profit before Zakat
& Taxation

RM1.86
billion

Total Assets

RM106.89
billion

Total Shareholders' Funds

RM17.87
billion

CATALYST TO NATION'S ECONOMIC PROGRESS



In addition to our Islamic banking activities, as an entity under the control of the Ministry of Entrepreneur Development, and as the second largest contributor emanating from the cooperative sector, we play a major role in enabling the cooperative sector to be a significant driver of Malaysia's economy. Our numerous initiatives for the benefit of cooperatives and their members foster their growth, supporting them to develop and grow their businesses and performance.

OUR MANTRA



We are engraved distinctly in Malaysia's banking history and will endeavour to remain **"Your Choice Bank"** by being **"A Lighthouse For Governance"**.

THE BANK RAKYAT BRAND

NO.

3

ISLAMIC INSTITUTION IN FAR EAST ASIA



NO.

6

ISLAMIC INSTITUTION BY

- REVENUE
- NET PROFIT
- ASSETS



NO.

8

ISLAMIC FINANCIAL INSTITUTION WORLDWIDE



FASTEST GROWING ISLAMIC INSTITUTION IN FAR EAST ASIA

* Leaders in Islamic Finance: An Islamic Business & Finance Special Report (2018, December).
Islamic Business & Finance, (122), 40-57

2018 HIGHLIGHTS

ABOUT US



2018 HIGHLIGHTS

RM1.86 BILLION
Profit before Zakat and Taxation

RM17,873,724 BILLION
Total Shareholders' Funds

OVER **7.82** MILLION
Customers

106.89 BILLION
Total Assets

RM82.74 BILLION
Total Deposits

RM23.46 MILLION
Zakat Allocation

RM2,986,030,000 BILLION
Members' Share Capital

854,855
Shareholders

5,178
Employees

147
Branches

115
Ar-Rahnu X'change

4
Rakyat Xcess

78
Bank Rakyat Agents

4
Mobile Banks

1,000
ATM/CDM/
CICO Terminals

NEW JOURNEY

64 years legacy is not an excuse to be complacent.
Evolve and reinvent to stay ahead in a fast-moving world.



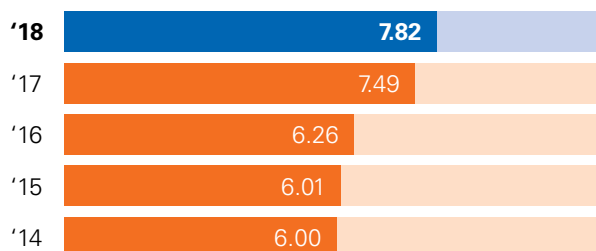


FIVE YEAR PERFORMANCE (NON-FINANCIAL)

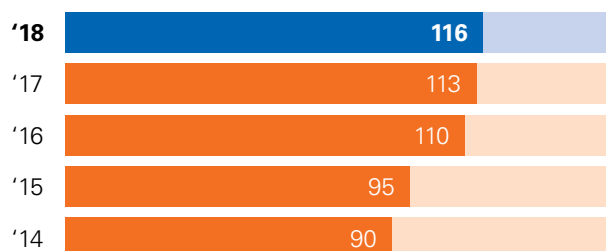
Branches



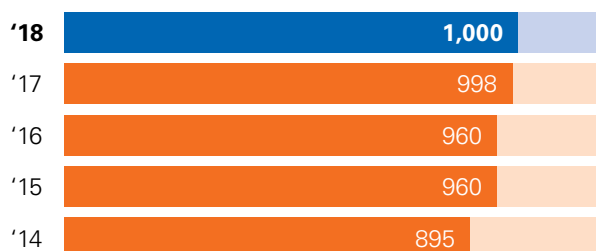
Customers (Million)



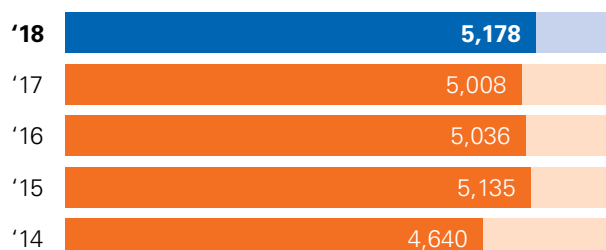
Ar-Rahnu X'change



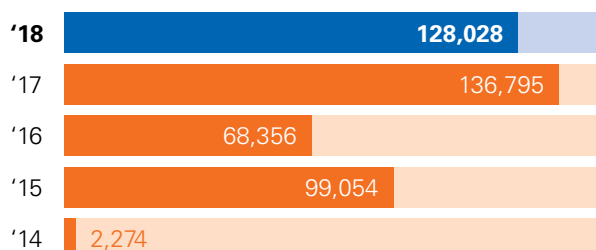
ATM/CDM/CICO Terminals



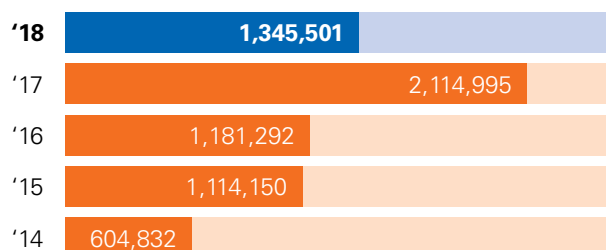
Employees



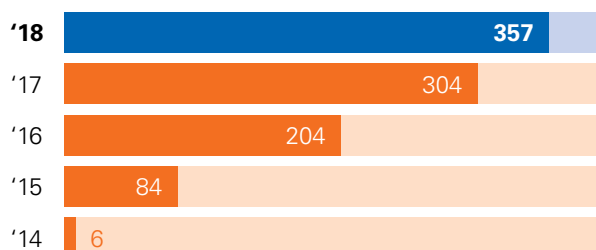
Registered i-Rakyat Customers



Contact Centre Calls Received

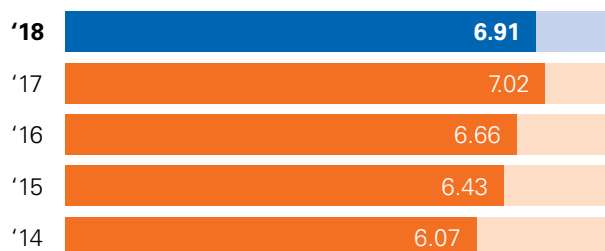


Agent Banking (Rakyat C.A.R.E)

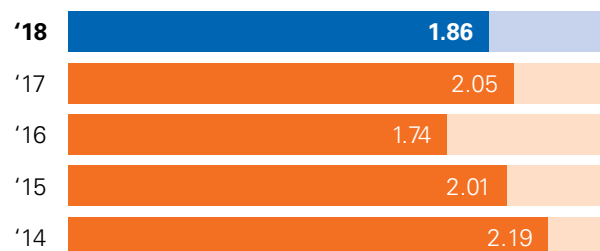


FIVE YEAR PERFORMANCE (FINANCIAL)

Operating Income (RM Billion)



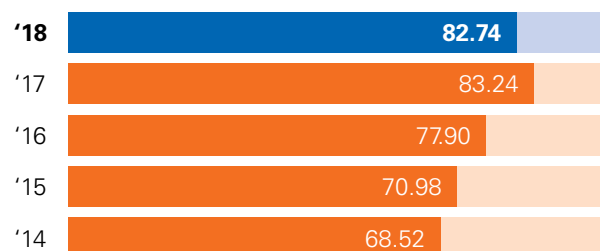
Profit before Taxation and Zakat (RM Billion)



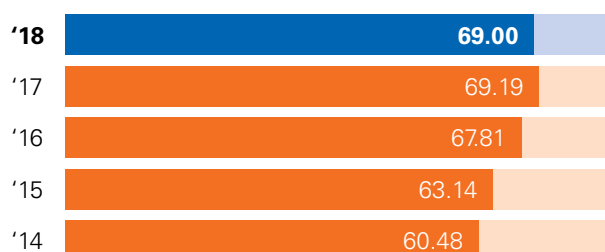
Profit after Taxation and Zakat (RM Billion)



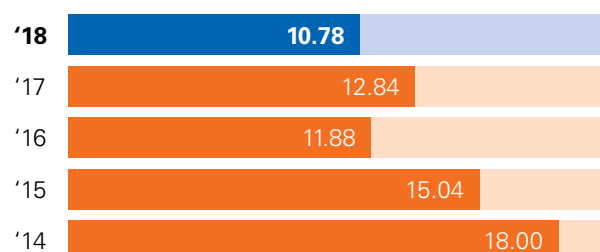
Deposits and Savings (RM Billion)



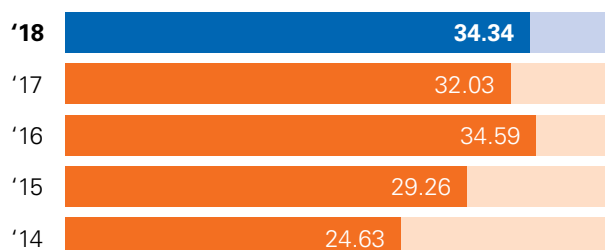
Financing and Advances (RM Billion)



Return on Average Shareholders' Fund (%)



Cost to Income Ratio (%)



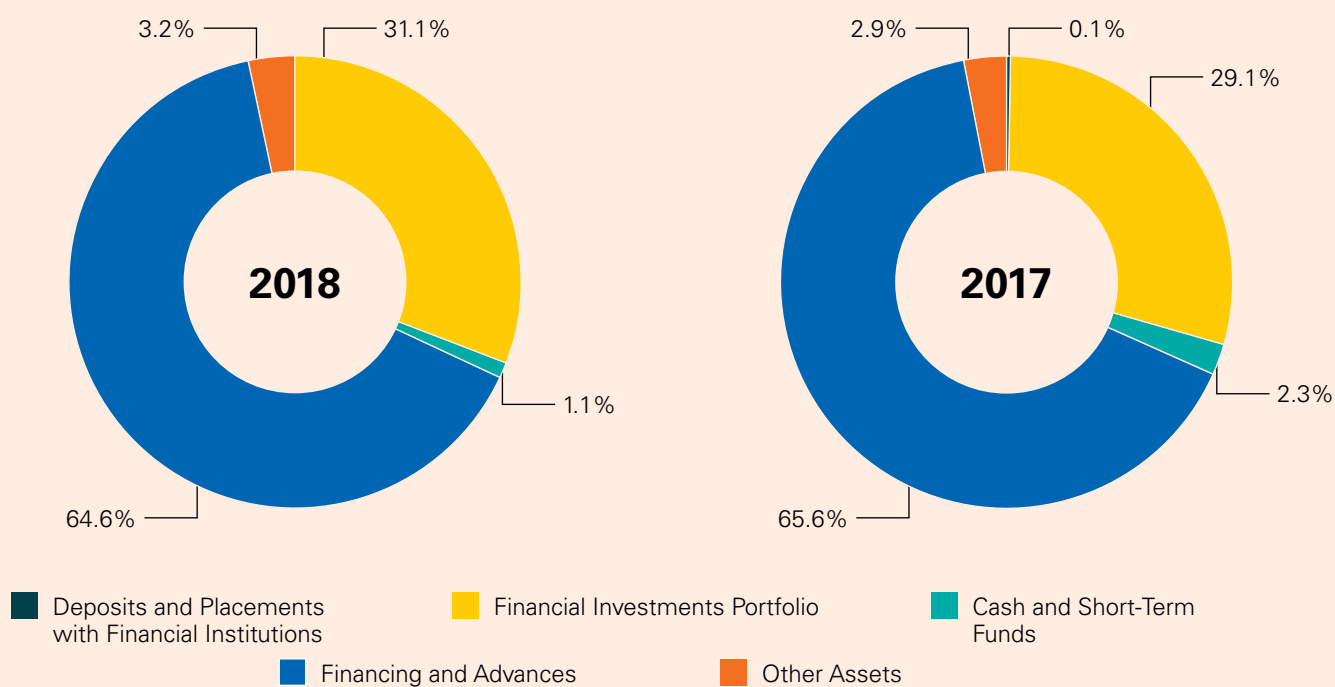
Gross Impaired Financing Ratio (%)



QUARTERLY PERFORMANCE

	Q1 (RM Billion)	Q2 (RM Billion)	Q3 (RM Billion)	Q4 (RM Billion)
2018				
Income	1.56	1.62	1.65	1.64
Expenditure	0.81	0.85	0.88	0.85
Net Income	0.78	0.77	0.77	0.79
Profit before Taxation and Zakat	0.45	0.28	0.50	0.62
Profit after Taxation and Zakat	0.39	0.28	0.25	0.85
2017				
Income	1.57	1.56	1.61	1.60
Expenditure	0.80	0.79	0.82	0.83
Net Income	0.76	0.77	0.79	0.77
Profit before Taxation and Zakat	0.59	0.37	0.48	0.61
Profit after Taxation and Zakat	0.56	0.32	0.44	0.59

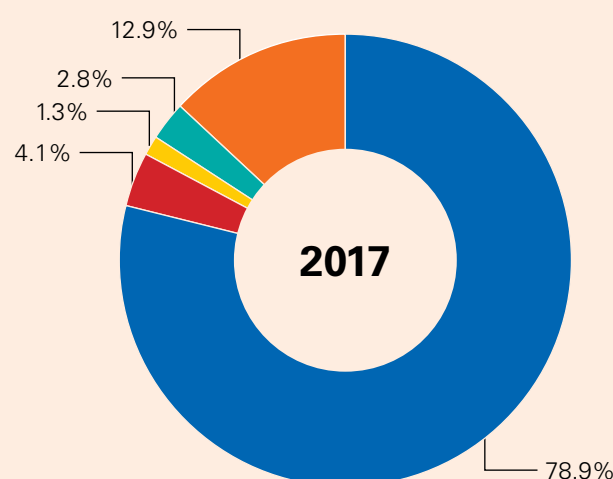
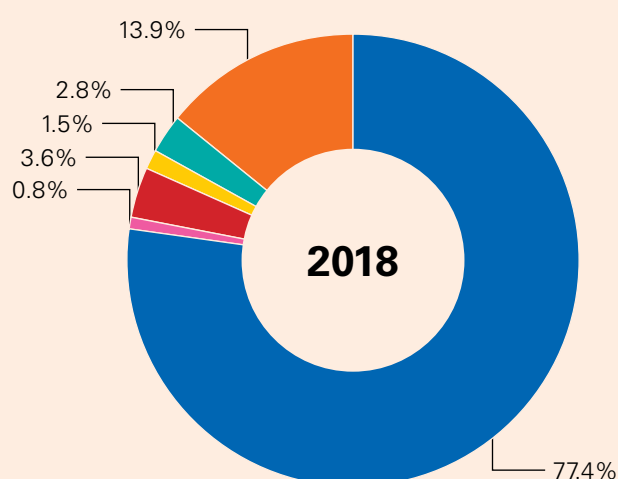
ASSETS



SEGMENTAL ANALYSIS FOR BANK EARNINGS

	2018		2017	
	Percentage (%)	RM '000	Percentage (%)	RM '000
Consumer Banking	66.9	4,605,920	65.6	4,557,483
Commercial Banking	4.0	272,104	4.5	310,484
Fee-Based	1.2	82,222	1.0	70,255
Ar-Rahnu	3.5	243,197	3.4	238,931
Others	24.4	1,681,520	25.5	1,770,920

LIABILITIES AND EQUITY



Deposits from Customers

Other Liabilities

Deposits and Placements from Banks and Financial Institutions

Share Capital

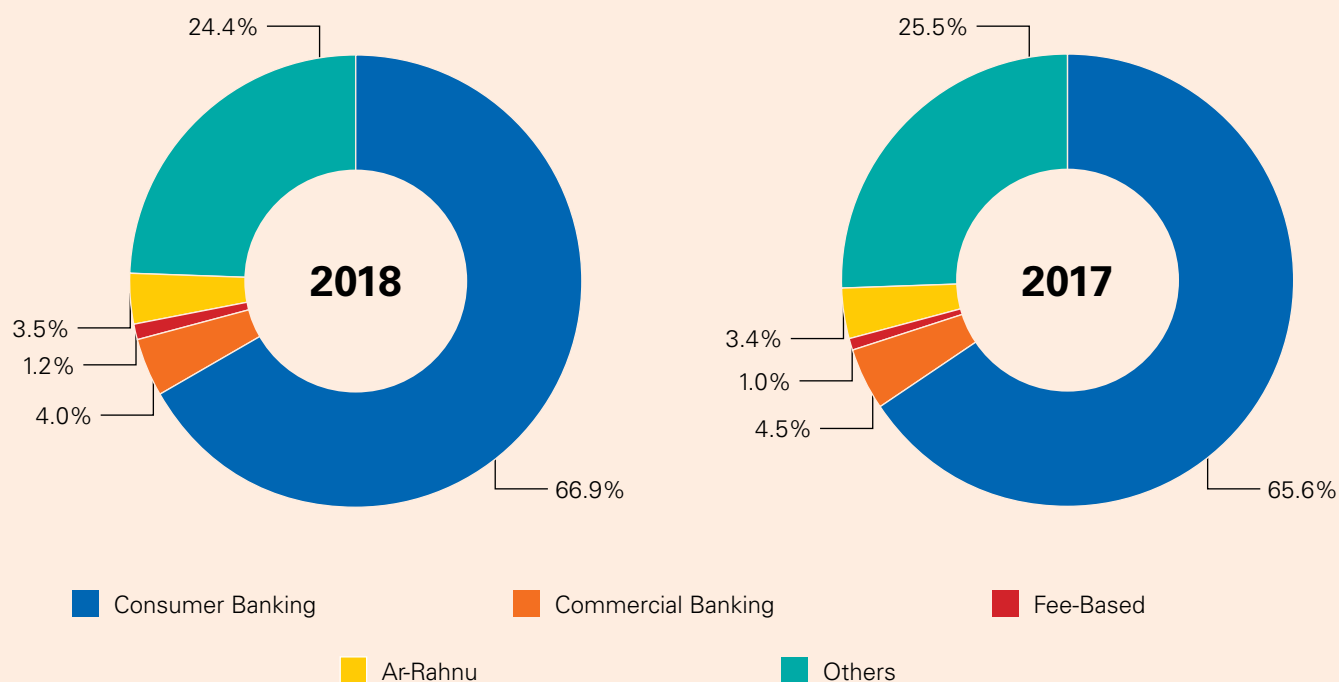
Debt Securities Issued and Other Fund Sources

Other Reserves

DIVIDEND (RM MILLION)



BANKING OPERATIONS PERFORMANCE



OUR MEMBERS

Total Members (Individual and Cooperative): 2014-2018

YEAR	CATEGORY		TOTAL
	INDIVIDUAL	COOPERATIVE	
2018	852,618	2,237	854,855
2017	872,202	2,178	874,380
2016	890,314	2,154	892,468
2015	905,790	2,128	907,918
2014	922,452	2,099	924,551

Total Capital (Individual and Cooperative): 2014-2018

YEAR	CATEGORY		TOTAL
	INDIVIDUAL (RM)	COOPERATIVE (RM)	
2018	2,780,033,736	205,996,264	2,986,030,000
2017	2,798,115,203	187,914,797	2,986,030,000
2016	2,814,631,034	171,298,966	2,986,030,000
2015	2,815,744,078	168,178,922	2,983,923,000
2014	2,809,032,861	164,644,139	2,973,677,000

KEY MILESTONES

1954

- Official registration of Bank Agong Kampong Berkerjasama-sama Persekutuan Tanah Melayu Dengan Tanggungan Berhad with its first headquarters in Bukit Mertajam, Penang.
- Election of the Menteri Besar of Perlis, Tan Sri Sheikh Ahmad Mohd Hashim, as the President of the Board of Sponsors.

1955

- First election of the Board of Directors by regional members.
- Re-election of Tan Sri Sheikh Ahmad as Chairman of the Bank.
- Relocation of Bank headquarters to Padang Kota, Penang.

1958

- Launch of Bank's Five-Year Development Plan to raise more than RM12 million in capital over the next five years by Tan Sri Sheikh Ahmad, Chairman of the Bank.

1961



- Relocation of Bank Agong Headquarters to Kuala Lumpur to centralise operations for services to all customers in the Peninsular.

1963

- Bank Agong membership comprises 32 co-operatives with total share investment amounting to RM143,000

1964

- Commencement of construction of Bank Agong Headquarters in Jalan Ipoh, Kuala Lumpur.

1966

- Bank Agong moves to its own building at Jalan Ipoh, Kuala Lumpur.

1967

- Decision by Bank's Board of Directors to change the name of Bank Agong to Bank Kerjasama Malaysia Berhad or better known as Bank Kerjasama.

1968

- Opening of Bank Kerjasama's first branch in Sungai Petani, Kedah, after the acquisition of Bank Persatuan Berkerjasama-sama Kedah Tengah.

1969

- Opening of Bagan Serai Branch, officiated by Menteri Besar of Perak, Dato' Sri Ahmad Mohd Said.
- Opening of Muar Branch, officiated by Menteri Besar of Johor, Dato' Othman Mohd Saat.
- Publication of Berita Bank Kerjasama, the Bank's first magazine, with the Editor's Column touching on the possibility of establishing a single Cooperative Union in Malaysia.



1970

- Opening of Kangar Branch, officiated by the Regent of Perlis, Tuan Syed Sirajuddin Ibni Tuanku Syed Putra Jamalullail.
- Opening of Kota Bharu Branch by Kelantan Acting Menteri Besar, Dato' Muhammad Nasir.

1971

- Expansion of services to include providing loans to members who want to venture into businesses, industries and for the purchase of assets such as houses.
- Establishment of Angkatan Kerjasama Kebangsaan Malaysia Berhad (ANGKASA) after an agreement was reached at the 2nd Malaysia Cooperative Congress chaired by the Chairman of Bank Kerjasama, Tan Sri Sheikh Ahmad.

- Opening of the Malacca branch of Bank Kerjasama at Jalan Hang Tuah, officiated by the Chief Minister of Malacca, Dato' Talib Karim, marking Bank Kerjasama's initiative to expand into urban areas.

1972

- Launch of the Provident Trust Fund Account.
- Change of name from Bank Kerjasama to Bank Kerjasama Rakyat Malaysia Berhad or Bank Rakyat at the 17th Annual General Meeting (AGM).
- Establishment of Bank Rakyat's first subsidiary.

1973



- Official adoption of the name Bank Rakyat after personal proposal by the then Prime Minister, Tun Abdul Razak.

1974

- Establishment of a cooperative company called Syarikat Kerjasama Bank Rakyat, also known as SEKATARAKYAT by Bank Rakyat employees.
- Launch of Rakyat First Merchant Bankers Berhad (Rakyat First), Bank Rakyat's merchant banking arm.

KEY MILESTONES

1975

- Establishment of Rakyat Trading Corporation Sdn Bhd (RTC), a supplier of construction materials such as steel and cement, and distributor of goods produced by ASEAN Chemical Fertiliser.

1977

- Launch of Collection Department and setting up of a Complaints Bureau.

1978

- The Bank Kerjasama Rakyat Malaysia Berhad Act (Special Provisions 1978) came into force.
- Bank Rakyat placed under the supervision of the Minister responsible for cooperative development.

1979

- White Paper on Bank Rakyat, *Kedudukan Bank Rakyat*, tabled in Parliament following the tabling of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions Bill) in Dewan Rakyat on 19 December 1977.

1981

- Signing of joint venture agreement with Deutsche Genossenschaftsbank (DG Bank), a stepping stone for Bank Rakyat to participate in the merchant banking segment.

1982



- Launch of Mobile Banking Services at the Alor Setar branch, with the Mobile Banking vehicle mainly operating at Lembaga Padi and Beras Negara Complex in conjunction with the harvesting season.

1983

- Increase in Bank membership to 29,002, comprising 28,134 individuals and 868 co-operatives.
- Increase in Bank's total assets to RM519 million and net profit reaches RM5.9 million.

1984

- Launch of the first Education Loan Scheme, *Skim Pinjaman Menanam Budi*.

1986

- Launch of Nuri Savings Scheme by the Minister of National and Rural Development to encourage a savings culture among school children.

1988

- Launch of the second Educational Loan Scheme to assist students pursuing higher education in the country and abroad.
- Launch of a Special Graduate Loan Scheme (SPKS) with a maximum loan of RM20,000 to help graduates without permanent employment to set up and start their own accounting and taxation services business.
- Launch of Bank Rakyat's first mini branch in Bandar Tun Razak, Cheras, Kuala Lumpur.
- Launch of Motorcycle Loan Scheme in the effort to broaden lending activities.

1989

- Introduction of services for the co-operative sector through the Special Co-operative Savings Accounts (ATKK).

1990

- Approval received to use Bank Rakyat's reserves amounting to RM96.70 million to cover losses accumulated totalling RM86.60 million.
- Announcement of the distribution of two percent bonus to members from 1978 to 1988, a 10 percent cash dividend for the financial year 1989, and a 10 percent dividend and 20 percent bonus shares respectively for 1990 and 1991.

1992

- Approval of the Co-operative Act 1992 by Parliament.

Four main objectives of the Act: to encourage and promote the development of co-operatives, to transform co-operatives into a sustainable movement, to reform co-operative administration and management, and to consolidate laws related to the co-operative movement.

1993



- Launch of the Shariah banking system offering facilities such as Al-Wadiah Savings Account, Al-Mudharabah General Investment Account, Al-Bai' Bithaman Ajil Property Financing and Bai Al-Inah Personal Financing.
- Going back to where it all began, opening of the Bank's 42nd branch in Bukit Mertajam, Penang, the birth place of the Bank.
- Introduction of the Ar-Rahnu Islamic Pawn Broking Scheme in collaboration with the Malaysian Islamic Economic Development Foundation (YaPEIM) with an initial capital of RM5 million.
- Signing of memorandum of understanding for the implementation of Ar-Rahnu with YaPEIM on 11th October 1993.

KEY MILESTONES

1994

- Launch of automated teller machine (ATM) at the Bank's main branch by Bank Rakyat Managing Director, Dato' Anuar Jaafar, signalling the beginning of an era of transformation with the use of new technology.
- Establishment of Bank Rakyat's Shariah Advisory Council.
- Opening of first branch outside the Peninsular in Kuching, Sarawak.

1998

- Launch of An-Naqlu Vehicle Financing Scheme, a financing facility for the purchase of cars.

1999

- Launch of the state-of-the-art Integrated Retail Banking System (IRBS) at the Pudu Branch in Kuala Lumpur, allowing online management of retail banking transactions and general ledger, and supporting ATM services for speedy savings and investment account transactions.

2000

- Launch of the Tijari Contract Financing in the effort to assist dynamic and viable small businesses.

2001



Your Choice Bank

- Launch of the new corporate logo to replace the 20-year-old logo, in conjunction with Bank Rakyat's 47th anniversary.
- Launch of three new products based on the Al-Mudarabah concept: *Syabab*, *Tawfir* and *Tilmiz* - officiated by the Land and Co-operative Development Minister, Tan Sri Kasitah Gaddam.

2002

- Launch of free advisory and guidance services through Program Rakan Koop (Coop Partner Programme) to assist cooperatives in managing their business activities.

2003

- Official announcement that all of Bank Rakyat's operations are fully Shariah-compliant.
- Launch of Electronic-Banking Centre (EBC) or eRakyat at Jalan Tangsi Branch, Kuala Lumpur.

2004

- Bank Rakyat placed under the Ministry of Entrepreneur and Co-operative Development (MECD) following a reshuffle of government ministries. Prior to this, the Bank was placed under the Ministry of Land and Co-operative Development.

2005

- Bank Rakyat becomes the first non-commercial financing institution to introduce MEPS Interbank Giro (IBG) services.

2006

- Launch of tele-Rakyat Call Centre, enabling customers to perform transactions with the assistance of Call Centre Personnel.
- Launch of the Bank Rakyat Corporate Culture, **R.A.K.Y.A.T.**:
R: **Rajin** (Diligent)
A: **Amanah** (Trustworthy)
K: **Kompeten** (Competent)
Y: **Yakin** (Confident)
A: **Akhlak Mulia** (Exemplary Behaviour)
T: **Taqwa** (God Conscious)

- Entry of Ar-Rahnu X'change, the Islamic pawnbroking franchise into the market, managed by Bank Rakyat's subsidiary, Rakyat Management Services Sdn Bhd (RMS).

2007

- Launch of Kelab Nuri Bank Rakyat by Puan Sri Wan Nafisah Nik Mohd Adee, wife of the Bank's Chairman, Tan Sri Dato' Dr. Syed Jalaludin Syed Salim. Introduction of a new mascot with the concept of an astronaut.

2008

- Inaugural Bank Rakyat Carnival for the public with the concept of games is held at Padang Dataran Pemuda Merdeka, Butterworth, Penang. A similar carnival is also held in Pasir Puteh, Kelantan, and Batu Pahat, Johor.

2009



- Establishment of Yayasan Bank Rakyat (Bank Rakyat Foundation) aimed at developing and improving the standard of education for Malaysians, especially among the children of Bank members.
- Issue of and introduction into the market of first credit card based on the Shariah principle of *Tawarruq* in collaboration with MasterCard Worldwide.

2010

- Launch of strategic partnership with Tabung Haji, allowing Tabung Haji depositors to perform various transactions at all Bank Rakyat branches.

2012

- Launch of inaugural issuance of Sukuk worth RM1 billion under the Islamic Medium Term Notes Programme.

2013

- Increase in number of Bank Rakyat members to 943,464 comprising 941,383 individuals and 2,081 co-operatives.
- Appointment as the collection agent for income tax payment through a strategic partnership with the Inland Revenue Board of Malaysia (LHDN).

KEY MILESTONES

2014

- Opening of 145th branch in Labis, Johor, marking the Bank's 15th branch in the state.
- Announcement of the issuance of Sukuk Musyarakah worth RM1 billion for the period of three and five years.
- Truly a momentous year. Relocation to Menara Kembar Bank Rakyat, the Bank's new iconic building at Jalan Rakyat and celebration of the Bank's 60th anniversary on the new premises.

2015



- Official launch of Menara Kembar Bank Rakyat (Bank Rakyat Twin Towers).
- Handover of sponsored bus by Bank Rakyat to Football Association of Malaysia (FAM).
- Launch of Credit Card-i Platinum.
- First International Shariah Scholars Roundtable organised by Bank Rakyat.
- Launch of i-Rakyat Internet Banking.
- Launch of coral reef preservation project off the Terengganu coast as an initiative to conserve marine wildlife.
- Tadarus* Mega Bank Rakyat (Qur'an recitation) at Surau Al-Barakah Menara Kembar Bank Rakyat in conjunction with the fasting month of Ramadhan.
- Opening of Kuala Pilah branch by DYMM Yang DiPertuan Besar Negeri Sembilan.
- Inauguration of Bank Rakyat - Bangsar LRT Station by Bank Rakyat Chairman as part of the bank's corporate social responsibility programme.

2016

- Establishment of Taska Kasih Nuri at Tower 2, Menara Kembar Bank Rakyat, a childcare facility for Bank Rakyat HQ staff, officiated by Bank Rakyat Chairman.
- Launch of the model of Menara Bank Rakyat Johor by DYMM Sultan Johor to mark the Bank's venture into investment in the real estate segment in Johor.
- First *Program Kembara kemanusiaan Kemboja* 2016 (Humanitarian Mission to Cambodia) and distribution of Aidiladha sacrificial meat in conjunction with Hari Raya Aidiladha.
- First *Program Berkhatan Beramai-ramai* 2016 (Mass Circumcision Programme) organised by Surau Al-Barakah Menara Kembar Bank Rakyat for children of Bank staff and Al Barakah congregation.
- Launch of 2017 Bank Rakyat Calendar themed "*Indahnya Ihammu, Seninya Jiwamu*" inspired by autistic children as the Bank's initiative to support the government's efforts to aid the less fortunate.
- Bank Rakyat adopts the theme "**Anak Kita**" (Our Children) for 2016/2017 as its commitment to focus on children, in particular autistic children, by organising various activities as part of our social corporate responsibility initiatives for autism.
- Bank Rakyat's four main pillars in this regard are:

Educating

To provide exposure to the public and to raise awareness of autism.

Socialising

To provide autistic children with recreational and socialising opportunities in public areas in large groups through various activities.

Therapy

To organise activities related to the enhancement of cognitive, motor, sensory, and social and communication skills.

Fundraising

To aid in the collection of funds and contributions for autism associations/bodies that are in need of financial aid.

- Launch of Kad Muslimah Bank Rakyat, the first Shariah-compliant Credit Card-i for women.
- Organisation of the Amazing Heroes Programme to honour our national paralympics athletes who won gold and bronze medals at the Rio 2016 Paralympics.

2017

- Organisation of Bank Rakyat and Utusan Breaking of Fast together with autistic children and presentation of *duit raya* to the children.
- Finance Accreditation Agency (FAA) Certificate Presentation Ceremony for Branch Managers Individual Accreditation in recognition of their competency.
- 2017 Autismlympic Programme for autistic children in the Klang Valley.
- Rakyat Run 2017, organised by the Bank for the first time in conjunction with the 2017 Kuala Lumpur SEA Games.

2018



- Organising *Anugerah Dari Hati Ke Hati* for the first time on 2nd April in conjunction with Autism Awareness Day 2018.
- Share the joy of the Eid-fitr celebration with autistic children through *Program Sinar Aidilfitri Dari Hati Ke Hati* Bank Rakyat at Mydin Hypermarket Petra Jaya, Kuching.
- Organising Choral Speaking Competition for the first time on 14th to 16th September in conjunction with 61st National Day celebration at Concourse, Suria KLCC.
- The bus handover to Badminton Association of Malaysia (BAM) is part of Bank Rakyat's brand-building initiatives as well as efforts to support national sports activities in promoting Malaysia to the eyes of the world.

SIGNIFICANT EVENTS OF 2018

JANUARY

16 January 2018

The launching of "The Islamic Banker" at Dewan Tun Abdul Razak, Menara Kembar Bank Rakyat (MKBR)

19 January 2018

Kedah Financial Carnival 2018 at TH Hotel & Convention Centre, Alor Setar, Kedah

25 January 2018

Official visit of Delegates from Department of Cooperatives, Bangladesh, to Bank Rakyat Twin Tower

25 - 28 January 2018

Bank Rakyat Sports programme at Universiti Malaysia Pahang

26 January 2018

Carnival of Jom Niaga Wilayah Utara 2018 at Amanjaya Mall Sg. Petani, Kedah

27 January 2018

Carnival of Kelab Nuri Bank Rakyat at IOI City Mall, Putrajaya

29 January 2018

The launching ceremony of collaboration between Dana Wakaf Maidam with Bank Rakyat at Hotel Primula, Kuala Terengganu



FEBRUARY

4 February 2018

The launching ceremony of Non-Cash Transactions "Cashless School" at Sekolah Menengah Sultan Abdul Halim, Jitra

4 - 7 February 2018

5 Years Strategic Plan: Transformation Blueprint Workshop at Cyberview, Cyberjaya

8 February 2018

Signing Ceremony of the Partnership Agreement between Bank Rakyat & Yayasan Peneraju at MKBR

12 February 2018

The launching ceremony of Akaun Simpanan-i Umrah & Tabung Korban at MKBR

19 - 21 February 2018

Future Leaders Summit 2018 at Cyberview, Cyberjaya

22 February 2018

Memorandum of Agreement (MoA) Skim Zamalah Pascasiswazah Bank Rakyat, Kolej Universiti Islam Antarabangsa Selangor (KUIS), Yayasan KUIS Dan Yayasan As-Syafie at Bangunan Pentadbiran KUIS Bandar Seri Putra, Kajang



SIGNIFICANT EVENTS OF 2018



MARCH

5 March 2018

The launching ceremony of Non-Cash Transactions 'Cashless School' at SMK Sultan Abdul Halim, Alor Star, Kedah

7 March 2018

The launching of KADS1M 2.0 at UiTM Shah Alam

8 March 2018

The launching of Akaun Simpanan untuk Ibadah Umrah at DTAR

13 March 2018

The official opening ceremony for Bangunan Blok Kolej Kediaman at Unimap Pauh Putra Campus & Donations Handover Ceremony of Bank Rakyat to Unimap at Bangunan KWSP Kangar, Perlis

15 - 18 March 2018

Mosque Cycling Tour Programme Pahang State Level at Pekan, Pahang

18 March 2018

Al Ustaz Programme: "Semakin Hari Semakin Sayang" at Balai Tan Sri Sheikh Ahmad, MKBR

18 - 22 March 2018

Tilawah Al-Quran Autisme 2018 Ceremony at Masjid Raja Muda Musa, Semenyih

19 March 2018

The official opening ceremony for Fajr Prayer Campaign and closing ceremony for Mosque Cycling Tour Programme Pahang State Level at Masjid Sultan Ahmad Shah Al-Haj, Pekan, Pahang

21 March 2018

Asmaul Husna Therapy at Balai Tan Sri Sheikh Ahmad, MKBR

22 March 2018

Mini Autismlympic at KB Mall

22 - 24 March 2018

Carnival of Kelab Nuri Bank Rakyat at KB Mall, Kota Bharu, Kelantan

24 March 2018

Kelantan Aquatic Therapy with Sinar Harian at Hotel Holiday Villa, Kota Bharu

27 March 2018

Media Conference for the announcement of Group Financial Performance and Dividend for year ended December 31, 2018 at Anjung Kembar, Level 2, MKBR

31 March 2018

"Heart to Heart" Therapy PPD Hulu Selangor at SMK Bandar Sungai Buaya, Rawang

APRIL

1 April 2018

Celebrating Autism Awareness Day: Light up Blue

2 April 2018

32nd Annual General Meeting of Kelab Sukan Bank Rakyat (Kebara) at Balai Tan Sri Sheikh Ahmad, Level 3, MKBR

8 April 2018

Bank Rakyat Annual General Meeting 2018 at Dewan Tun Abdul Razak, MKBR

9 April 2018

Autisme Award: Heart to Heart Award at Dewan Tun Abdul Razak, MKBR

14 April 2018

Heart to Heart Therapy: Speech at Dewan Tun Abdul Razak, MKBR

18 - 21 April 2018

Regional Heads' Summit 2018 at The Everly Hotel, Putrajaya

22 April 2018

Kuching Autism Run at Padang Merdeka, Kuching, Sarawak

2018'S SIGNIFICANT EVENTS



MAY

11 May 2018

Invitation of Golf Muhibah Coop Bank Association at Starfield, Mantin

19 May 2018

'Sungkai Sama' Era Sabah 2018 at Kota Kinabalu

22 May 2018

'Pautan Ramadan' - 'Kacau Bubur Lambuk' 2018 at Lobi Menara 2, MKBR

Break Fast Event with Utusan Malaysia

26 May 2018

'Sungkei Sama' Era Sarawak 2018 at Kuching, Sarawak

JUNE

7 June 2018

Break Fast Ceremony, Yayasan Bank Rakyat 2018 at Tingkat 2, Dewan Tun Abdul Razak, Menara 1, MKBR

8 June 2018

'Sinar Aidilfitri Dari Hati Ke Hati' 2018 at Karangkrak, Seksyen 15, Shah Alam

9 June 2018

'Sinar Aidilfitri Dari Hati Ke Hati' 2018 at Alam Warisan Ballroom, Pullman Putrajaya Lakeside

27 - 30 June 2018

World Cup Fever at MKBR

JULY

9 July 2018

Collaboration Ceremony for Education Financing 'Pendidikan-i' at Dewan Tun Abdul Razak, MKBR

21 July 2018

KEBARA: Futsal 2018 at Arena Ampang Sports Planet

28 July 2018

Pulau Aman Food Bank at SK Pulau Aman

AUGUST

9 August 2018

Official visit of National Cooperative Federation, Nepal to Bank Rakyat at Auditorium 1B, MKBR

11 August 2018

KEBARA: Treasure Hunt Bank Rakyat at MKBR

16 - 18 August 2018

Bank Rakyat's 1H2018 Performance Review at Putrajaya Marriott Hotel

18 August 2018

Aquatic Therapy KL at Setiawangsa, KL

KEBARA: Badminton 2018 at Balai Tan Sri Sheikh Ahmad, Tingkat 3, MKBR

22 - 23 August 2018

Aidiladha Programme Sabah & Sarawak

23 - 26 August 2018

Cambodia Humanitarian Mission 2018 at Kampot, Cambodia

25 August 2018

'Sinar Aidiladha' Bank Rakyat 1439H at Masjid Al-Alahshariah, Kampung Lubuk Redan, Melaka and Presint 15, Masjid Al-Mustaqim, Kampung Datuk Abu Bakar Baginda, Kajang

SEPTEMBER

4 September 2018

Edu Fair @ KPTM at Kolej Poly-Tech MARA, Cheras

7 September 2018

Official visit by Bank of Bhutan Limited to Bank Rakyat at Auditorium 1B, MKBR

12 September 2018

Signing Ceremony of Partnership Agreement between Bank Rakyat and Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah and Yayasan As-Syafie at MKBR

14 - 16 September 2018

Bank Rakyat Choral Speaking 2018 (Final) at KLCC, Kuala Lumpur

22 September 2018

BR with Autisme at PI3KUM, Batu Caves, Selangor

22 - 23 September 2018

NURI ECO CAMP 2018 at GIBS Eco Tourism, Ulu Yam

24 September 2018

Handover Ceremony of Sponsored Bus by Bank Rakyat to Badminton Association Malaysia (BAM) at Menara 2 Lobby, MKBR

24 - 27 September 2018

Bank Rakyat Health Week 2018 at Main Lobby, MKBR

28 September 2018

64th Anniversary of Bank Rakyat

29 September 2018

Nuri Joran @ Pangkor at Rockbound Fishing Chalet, Pangkor, Perak

29 - 30 September 2018

BR Annual Bazar

2018'S SIGNIFICANT EVENTS



OCTOBER

2 - 7 October 2018

Exhibition: Bank Rakyat Edu Fair & Islamic Finance Carnival 2018 at Dataran DBS, UniSZA

9 - 12 October 2018

Bank Rakyat Business Plan 2019 at Swiss Garden Beach Resort Damai Laut Lumut Perak

13 October 2018

Sekata Media Hunt @ PD

17 October 2018

Prize-giving Ceremony for #Bankrakyatcares, 'Beli Rumah Dapat Kereta' and 'Emas 1 Kilo' campaigns at MKBR

26 October 2018

Futsal Competition for Sabah Media Club at Arena Futsal Yayasan Sabah Media Conference on Bank Rakyat New Activities at Le Meridien, Kota Kinabalu

27 October 2018

Edu Fair @ Sabah at Universiti Malaysia Sabah

26 - 28 October 2018

Exhibition: Media Futsal & Edu Fair 2018 at Media Futsal (Arena Futsal Yayasan Sabah) Edu Fair 2018 (Universiti Malaysia Sabah) Night at Library (UMS Library)

NOVEMBER

2 - 4 November 2018

Exhibition: Geng Kayuh ERA Bank Rakyat 3.0 Sempena Regatta Sarawak 2018 at Kuching, Waterfront Sarawak

10 November 2018

Edu Fair @ Kuantan at UMP, Kuantan

24 November 2018

Autismlympic Melaka at UiTM, Melaka

Edu Fair @ UiTM Melaka

30 November 2018

Exhibition: Kelab Nuri Bank Rakyat Carnival at Sarawak

Media Programme: Media Night Sarawak

DECEMBER

1 December 2018

Edu Fair @ UMSKAL at UMSKAL, Labuan

Labuan Run @ UMSKAL at UMSKAL, Labuan

8 - 9 December 2018

Nuri Library KK at Kota Kinabalu Library

15 - 16 December 2018

Night at The Museum @ National Museum

22 December 2018

Food Bank Perlis

22 - 23 December

Nuri Library UNIMAP at UNIMAP Library



OUR PRESENCE THROUGHOUT MALAYSIA



STATE	BRANCHES	AR-RAHNU X'CHANGE	RAKYAT XCESS	BANK RAKYAT SERVICE AGENTS
Selangor	22	9	2	11
Kuala Lumpur / Putrajaya	14	2	-	8
Negeri Sembilan	7	3	1	4
Melaka	4	2	-	1
Johor	15	7	1	7
Pahang	11	3	-	9
Kelantan	8	3	-	4
Terengganu	8	2	-	3
Perak	12	6	1	5
Kedah	10	6	-	6
Pulau Pinang	7	-	-	5
Perlis	2	-	-	2
Sabah	13	-	-	7
Sarawak	14	1	1	6
Total	147	44	6	78

BRANCHES

147

AR-RAHNU
X'CHANGE

44

RAKYAT
XCESS

6

BANK RAKYAT
SERVICE AGENTS

78

2018 ACCOLADES



Suruhanjaya Koperasi Malaysia – 100 Koperasi Terbaik Malaysia 2018

First Place



Malaysia e-Payments Excellence Awards 2018

Outstanding Contribution to MyDebit



Malaysian CMO Awards 2018

Best Marketer in Sustainable Brand Marketing



CSR Malaysia Awards 2018

Company of the Year (Overall Excellence)

US IN THE MEDIA

Bank Rakyat anjur anugerah

Galakkan penyertaan orang ramai sempena Hari Autisme Sedunia

CONNIE S MONICAL

BANK Rakyat mengagihkan penyertaan orang ramai dalam Anugerah Dunia Hari Autisme 4 Anugerah yang akan diumumkan pada 2 April ini, sempena Hari Autisme Sedunia.

Sebanyak 40 orang, terdiri dari perantara Autisme, berkesempatan menyerta dalam Anugerah ini. Anugerah ini akan diumumkan pada 2 April ini.

"Program ini dijalankan bagi menggalang penerangan yang betul mengenai individu dengan Autisme kepada masyarakat umum," kata Nizam Sanjaya, Ketua Pemasaran dan Komunikasi Bank Rakyat.



Bank launches choral speaking competition to mark National Day

BANK Rakyat is organising a choral speaking competition between schools nationwide in my by Aug 28.

Bank Rakyat is organising a choral speaking competition between schools nationwide in my by Aug 28.

Bank Rakyat penuh pelbagai aktiviti di seluruh negara sempena cuti sekolah

Bank Rakyat telah mengadakan pertandingan berbicara di seluruh negara sempena cuti sekolah. Pertandingan ini bertujuan untuk meningkatkan minat dan bakat pelajar dalam berbicara di depan umum.

Bank Rakyat juga telah mengadakan pertandingan lain seperti pertandingan menggambar, pertandingan menulis, dan pertandingan lain. Bank Rakyat berharap pertandingan ini dapat meningkatkan minat dan bakat pelajar dalam berbagai bidang.

Bank Rakyat diiktiraf jenama majikan terbaik

Ohh MUHO, SHAMZAM TAZALI

KUALA LUMPUR 30 APRIL

BANK Rakyat telah diiktiraf sebagai jenama majikan terbaik oleh Majlis Pengurusan Awam (Majlis) Malaysia. Bank Rakyat telah menerima anugerah ini sebagai pengiktirafan terhadap komitmen Bank Rakyat dalam meningkatkan kualiti perkhidmatan dan kesejahteraan pekerja.

Bank Rakyat telah menerima anugerah ini sebagai pengiktirafan terhadap komitmen Bank Rakyat dalam meningkatkan kualiti perkhidmatan dan kesejahteraan pekerja. Bank Rakyat telah menerima anugerah ini sebagai pengiktirafan terhadap komitmen Bank Rakyat dalam meningkatkan kualiti perkhidmatan dan kesejahteraan pekerja.

Bank Rakyat telah menerima anugerah ini sebagai pengiktirafan terhadap komitmen Bank Rakyat dalam meningkatkan kualiti perkhidmatan dan kesejahteraan pekerja. Bank Rakyat telah menerima anugerah ini sebagai pengiktirafan terhadap komitmen Bank Rakyat dalam meningkatkan kualiti perkhidmatan dan kesejahteraan pekerja.

Bank Rakyat telah menerima anugerah ini sebagai pengiktirafan terhadap komitmen Bank Rakyat dalam meningkatkan kualiti perkhidmatan dan kesejahteraan pekerja. Bank Rakyat telah menerima anugerah ini sebagai pengiktirafan terhadap komitmen Bank Rakyat dalam meningkatkan kualiti perkhidmatan dan kesejahteraan pekerja.

Bank Rakyat terima anugerah

KUALA LUMPUR 21 Nov. - Bank Rakyat menerima pengiktirafan bagi kategori Best Marketer in Sustainable Brand Marketing sempena Malaysian CMO Awards 2018.

Ketua Pemasaran dan Komunikasi Bank Rakyat, Nizam Sanjaya, berkata, anugerah tersebut merupakan pengiktirafan atas usaha berterusan, komitmen dan dedikasi Bank Rakyat dalam mempromosikan jenama mereka sebagai antara institusi perbankan Islam yang kukuh di Malaysia.

Katanya, ia juga merupakan penghargaan terhadap



NIZAM SANJAYA

Yakin dapat RM100 juta

Akuan Simpanan dan Pinjam Bank Rakyat platform terbaik untuk

Bank Rakyat yakin akan dapat RM100 juta dalam masa beberapa bulan. Bank Rakyat yakin akan dapat RM100 juta dalam masa beberapa bulan. Bank Rakyat yakin akan dapat RM100 juta dalam masa beberapa bulan.



Noripah Kamso dilantik Pengerusi Bank Rakyat

Bekas penasihat CIMB Islamic, Datuk Noripah Kamso, (gambar) dilantik sebagai Pengerusi Bank Rakyat yang baharu, berkuat kuasa

Noripah menggantikan Tan Sri Shukry Mohd Salleh yang disingkirkan serta-merta daripada jawatan itu bulan lalu berikutan terbit dalam isu Laporan Asal Audit

Management Sdn Bhd. "Beliau kini memegang jawatan Ahli Lembaga Pengarah BIMB Investment Management Berhad dan Top Glove Corporation Berhad dan menjadi Pengerusi bersama Islamic Finance Industry Council, Malaysia US Chamber Of Commerce yang berpusat di Washington DC.

"Noripah juga ialah bekas Pre-



NORIPAH KAMSO

Menangi hadiah RM1 juta

Bank Rakyat telah mengumumkan bahawa pemenang pertandingan berbicara di seluruh negara telah diumumkan. Pemenang pertandingan ini telah menerima hadiah RM1 juta. Bank Rakyat telah mengumumkan bahawa pemenang pertandingan berbicara di seluruh negara telah diumumkan. Pemenang pertandingan ini telah menerima hadiah RM1 juta.

Pelan perlindungan mampu milik

Bank Rakyat telah mengumumkan bahawa mereka telah menerima anugerah sebagai jenama majikan terbaik. Bank Rakyat telah mengumumkan bahawa mereka telah menerima anugerah sebagai jenama majikan terbaik. Bank Rakyat telah mengumumkan bahawa mereka telah menerima anugerah sebagai jenama majikan terbaik.

Pertandingan Akhir Choral Speaking

Bank Rakyat telah mengumumkan bahawa mereka telah menerima anugerah sebagai jenama majikan terbaik. Bank Rakyat telah mengumumkan bahawa mereka telah menerima anugerah sebagai jenama majikan terbaik. Bank Rakyat telah mengumumkan bahawa mereka telah menerima anugerah sebagai jenama majikan terbaik.



SEKOLAH Kebangsaan Convent (2) Bukit Nenas, Kuala Lumpur muncul juara Pertandingan Choral Speaking Bank Rakyat.

PRIHATIN

Sumbangan YBR ringan beban ibu bapa

Bank Rakyat telah mengumumkan bahawa mereka telah menerima anugerah sebagai jenama majikan terbaik. Bank Rakyat telah mengumumkan bahawa mereka telah menerima anugerah sebagai jenama majikan terbaik. Bank Rakyat telah mengumumkan bahawa mereka telah menerima anugerah sebagai jenama majikan terbaik.



Bank Rakyat raih tiga anugerah di Kongres HRD Dunia 2018 ke-26

US IN THE MEDIA



Bank Rakyat sasar simpanan umrah RM100j akhir tahun

Program YBR tingkat kebolehpasaran graduan

YBR mengaitkan langkah agilis untuk meningkatkan prestasi dengan UAT, IPT, simpanan dan indikator



Bank Rakyat anjur pertandingan Go Kart

Bank Rakyat anjur pertandingan Go Kart yang bertujuan untuk meningkatkan kebolehpasaran graduan. Pertandingan ini diadakan di Kuala Lumpur dan melibatkan peserta dari seluruh negara.



16% DIVIDEN 2017

NAMZAN (tiga dari kiri) mengumumkan dividen bersama Zulkifli (tiga dari kanan) dan Shukri (dua dari kiri) pada sidang media pengumuman prestasi kewangan dan dividen Kumpulan Bank Rakyat bagi tahun berakhir 31 Disember 2017 di Kuala Lumpur, semalam.

RM1.36 BILION

Bank Rakyat agih dividen 16 peratus, tertinggi sejak 2012

Mahayati Abidin mahayatiabidin@stmp.com.my

sebelum ini. Pengerusi Bank Rakyat Tan Sri Shukri Mohd Salleh berkata, prestasi cemerlang itu adalah hasil daripada tawar mengemukakan prestasi kewangan Bank Rakyat di Kuala Lumpur, semalam. Turut hadir, Menteri Perdagangan Dalam Negeri, Koperasi dan Perusahaan, Nizam Sarik, dan Menteri Kanan (Kementerian Perdagangan Dalam Negeri, Koperasi dan Perusahaan), Nizam Sarik.

Bank Rakyat terima Anugerah CSR

BANK Rakyat dianugerahkan Anugerah CSR Malaysia 2018 kerana memperjuangkan inisiatif tanggungjawab sosial (CSR) terhadap golongan autistik.

Anugerah disampaikan Pengerusi CSR Malaysia, Datuk R Rajendran kepada Pengerusi Bank Rakyat, Tan Sri Shukri Mohd Salleh. Hadir juga ialah Tan Sri Shukri Mohd Salleh.

Bank Rakyat tawar pembiayaan sehingga RM1 juta

KUALA LUMPUR - Bank Rakyat menawarkan Pembiayaan Produktif (PPT) sehingga RM1 juta sebagai kemudahan kepada usahawan yang ingin memperkembangkan perniagaan mereka. Pembiayaan ini ditawarkan kepada usahawan yang mempunyai rekod kredit yang baik dan mempunyai projek yang jelas.

Produk ini inisiatif Bank Rakyat terhadap perniagaan modal insan negara yang bertujuan untuk meningkatkan taraf hidup dan kesejahteraan masyarakat.

Bank Rakyat declares 16% dividend

> Group MD says high payouts sustainable

KUALA LUMPUR: Bank Rakyat Malaysia (Bank Rakyat) mengumumkan dividen tahunan 2017 sebanyak 16 peratus, yang merupakan kadar tertinggi sejak 2012.

Bank Rakyat mengumumkan dividen tahunan 2017 sebanyak 16 peratus, yang merupakan kadar tertinggi sejak 2012. Dividen ini akan dibayar kepada pemegang saham pada 15 Januari 2018.

BANTU PELAJAR LANJUT PENGAJIAN

Bank Rakyat sedia RM60 juta bialay program SHIP

Bank Rakyat mengumumkan bahawa ia telah menyediakan RM60 juta untuk membantu pelajar melanjutkan pengajian mereka. Program ini bertujuan untuk meningkatkan taraf hidup dan kesejahteraan masyarakat.

Serah jongsong emas, kereta

Rakyat rai ang kempen RakyatCares

Bank Rakyat mengumumkan bahawa ia telah menyerahkan emas dan kereta kepada golongan yang memerlukan. Program ini bertujuan untuk meningkatkan taraf hidup dan kesejahteraan masyarakat.

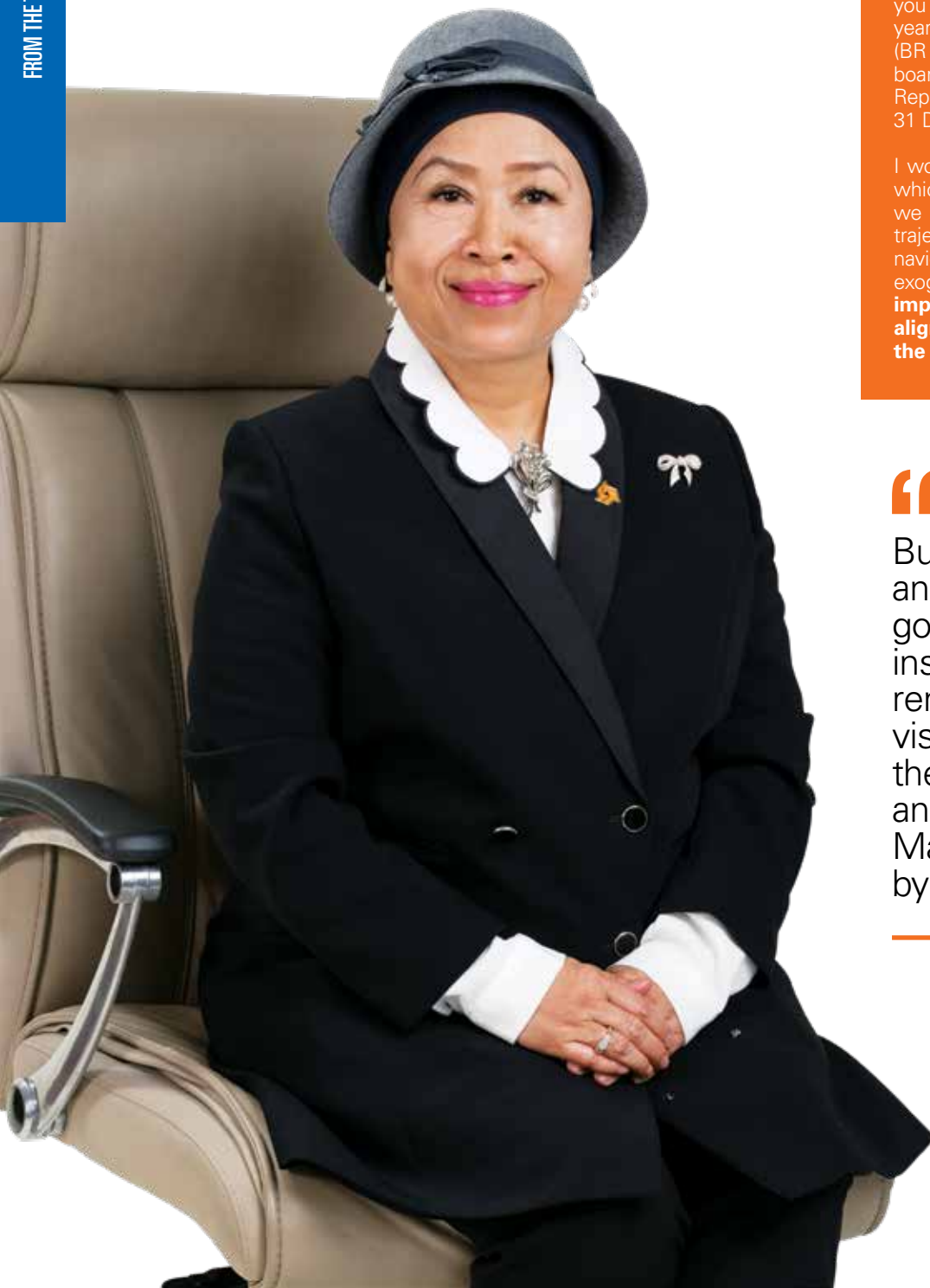
CHAIRMAN'S STATEMENT

A NEW JOURNEY, A NEW PATH

"Sometimes integrity is seen as a threat by those who desire control"

- Robert Vanleeuwen

FROM THE TOP



Dear Shareholders of Bank Rakyat,

Firstly, allow me to share my gratitude and privilege for being appointed Chairman of Bank Rakyat on the 6th of December 2018. It also gives me great honour to address you through this Letter in my inaugural year as the Chairman of Bank Rakyat's (BR hereafter) board of directors ("the board"), as well as present the Annual Report for the financial year which ended 31 December 2018 (FY2018).

I would like this Letter to be a document which you can use as a template for how we plan to take Bank Rakyat to its next trajectory and echelon of growth whilst navigating the rising endogenous and exogenous challenges. **Of immense importance here is that my goals are aligned with that of the shareholders, the Bank's and yours.**

“

Businesses of the past and present, as well as governments and its institutions are having to remodel and rethink its vision to operate under the prevailing exogenous and endogenous factors. Malaysia is not spared by this reality.

”

DATUK NORIPAH KAMSO
Chairman

CHAIRMAN'S STATEMENT

Malaysia is on its new track of growth; and corporations and businesses like ourselves have an intrinsic role and duty to offer and serve this country. With rising youth landscape in what is an expanding digitisation environment, as a business we must have the capacity to serve and service all segments of our demography; the young, old, women, men, employed, unemployed, public and private sectors; all races, colour and creed, entrepreneurs, in markets here and in time globally. We must also have the wherewithal to serve not just for today, but in trying and good times. Businesses of the past and present, as well as governments and its institutions are having to remodel and rethink its vision to operate under the prevailing exogenous and endogenous factors. Malaysia is not spared by this reality.

Given these dynamics, when I took office as the Chairman, one of the first things I did was to realign the existing Bank Rakyat 5 Year Plan, which will expire in 2022, to reflect three major forces that are profoundly transforming the entire global banking landscape today - digitalisation, globalisation and regulation. The New Plan for Bank Rakyat is called the BR25, developed in partnership with the shareholders, the board and the management team, aimed at evolving Bank Rakyat into a sustainable bank that would remain relevant by 2025.

Like many of you, I come here having served the financial industry. That said, coming into Bank Rakyat with this foundation from the outside allows me to an extent to ask new questions and look at challenges in a different way. **Notwithstanding, I am a great advocate of teamwork and I know only collectively as a team can we overcome the many hurdles that await us and reap the many opportunities that abound for the Bank.**

The team and I, including the board, are focused on tackling these issues head on and we are making positive progress across multiple metrics. I will walk you through the issues and the actions we are taking to improve BR and our financial position, in this Letter.



This Letter will have three short sections. In the **first section**, I will present to you the financial performance of the company for year ending 2018 and make the argument that building strong shareholder value can only be done in conjunction with taking care of employees, customers and communities.

I would like to present our forward looking plans in the **second section** of this Letter, where I will discuss our BR25 against a backdrop where we are increasingly faced with trust deficit in virtually all institutions, from corporations in public and private sectors to the media. I will also discuss the risks faced by the industry and qualities required to navigate these.

The **third section** of this Letter will focus on the vision of Bank Rakyat to be the lighthouse of good governance and integrity, given the calls for higher transparency and stricter controls from markets and the public everywhere. The Pakatan Harapan (PH hereafter) Administration, as you know, has placed institutional reform and good governance as key to its administering the country and as a Development Financial Institution (DFI), we must not only spearhead this agenda for the industry, but also be the lighthouse for the market. Our every plans and actions must exude this vision.

“

Having had the good providence of serving this country in various roles and capacities, it is my belief that businesses and governments need to work as partners, optimally, collaboratively and constructively to examine, solve and deliver solutions to strengthen the economy for everyone's benefit. For in the final analyses, no man is an island.

”

CHAIRMAN'S STATEMENT

Having had the good providence of serving this country in various roles and capacities, it is my belief that businesses and governments need to work as partners, optimally, collaboratively and constructively to examine, solve and deliver solutions to strengthen the economy for everyone's benefit. For in the final analyses, no man is an island.

A YEAR OF MANY FIRSTS, AND MANY NEW EXPECTATIONS

IT IS CLEAR WE HAVE A LOT OF WORK TO DO. One of the first things we did was to take stock of our strategy for the Bank as well as make major changes to BR's strategy, portfolio, leadership, and board - my own appointment included. In the speech delivered by Y.Bhg Datuk Nor Shamsiah Mohd Yunus, Governor of Bank Negara Malaysia, at the World Bank and Bank Negara Malaysia Forum on Performance Measurement for DFIs in August of 2018, amongst others the Governor reiterated the role of Development Financial Institutions (DFIs) when she said, "The strategic role of DFIs make them well placed to contribute to the development priorities of the nation, and assist in the materialisation of the SDGs. Specifically, **DFIs can play an important role in contributing to the advancement of the following SDGs: no poverty, zero hunger, good health and well-being, quality education, clean water and sanitation, affordable and clean energy, industry, innovation and infrastructure, reduced inequality, sustainable cities and communities and climate action, amongst others.** Thus, as institutions designed with developmental mandates in mind, DFIs are primed to serve the greater good. For Malaysia, the developmental story is not over as we seek to transform our economy into a high income nation while ensuring no one is left behind. The task ahead of us is challenging, but it is not insurmountable."

These are areas BR is fully focused on and hopes to further enhance in our strategy moving forward. These expectations are also reiterated further by the current administration in its expectations of government linked investment companies

and their interests therein. When the PH Government took Office on the 9th of May 2018, and in one of his first few interviews, the Prime Minister YAB Tun Dr. Mahathir Mohamad was asked what Malaysia Baru or New Malaysia will look like. To which he said - "the New Malaysia, of course, is something that should be certainly better than the last regime, and even an improvement on the period during which I was Prime Minister for 22 years, which means of course that we have to go back to democracy and the rule of law."

The Malaysian economy grew at a moderate pace of 4.7%, (2018) compared with the 5.9% in the previous year reporting year (2017). This was to a large extent led by the uncertainties of the outcome of the general elections (GE14) which had investors take a 'look and see' stance, followed by understanding the remits and vision of the new administration under PH post GE14.

Notwithstanding and amidst these uncertainties, as well as global wild cards on immigration, trade and tariff issues, Bank Rakyat delivered another year of encouraging revenue and earnings growth. This could not have been achieved without the unrelenting commitment of the staff, the management team and the board. I take this opportunity to reiterate that Bank Rakyat remains firmly committed to its principles as Malaysia's leading Islamic cooperative Bank, anchored by decades of valuable experience as a Bank for and of the people. I am also pleased to announce that Bank Rakyat is the first Bank in Malaysia to establish an Integrity Department, headed by a secondment from Malaysian Anti-Corruption Commission (MACC). I will present some of the work we have since done in Section 3 on governance.

Based on our emphasis on the core values of stakeholder management and increasing shareholders' value, we started executing our market strategy to expand products and services as well as grow our market share. Despite the global economic challenges that surrounds us I am confident that we will deliver yet another strong year for three reasons: our team, our technology, and our network.



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.....businesses and governments need to work as partners, optimally, collaboratively and constructively to examine, solve and deliver solutions to strengthen the economy for everyone's benefit. For in the final analyses, no man is an island.

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CHAIRMAN'S STATEMENT



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I am pleased to announce that Bank Rakyat was the first Bank in Malaysia to establish an Integrity Department, headed by a secondment from MACC.

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REVENUE
RM1.86 billion

FINANCIAL PERFORMANCE - WHERE WE FARED WELL, WHERE WE NEED TO IMPROVE

THE PERFORMANCE - Despite the challenging environment, the results achieved in 2018 has placed the Bank on a strong and stable growth trajectory. For the financial year ending 31 December 2018, Bank Rakyat Group posted total operating revenue of RM1.86 billion before taxation and zakat. This was mainly attributed to a pick-up in financing growth, driven by the Group's aggressive marketing and promotional campaigns throughout the year.

We also contributed to the development of the cooperative sector with RM37.50 million pay out to the Cooperative Education Trust which is 2% of the revenue before taxation and zakat as well as 1% of the revenue before taxation and zakat or RM18.75 million to the Cooperative Development Provident Fund. Our zakat collection will provide assistance as well as boost the economic and social conditions of those in need throughout the country.



TOTAL ASSETS
RM106.89 billion

Bank Rakyat Group's total assets grew 1.4% to RM106.89 billion as at year end, consolidating our position as the biggest Islamic cooperative bank in Malaysia. Our total deposit was recorded at RM82.74 billion as at the end of 2018, a marginal decrease from RM83.24 billion in the previous year. On the back of exceptional financial performance and in line with Bank Rakyat's dividend policy, a cash dividend of 13 % or a total amount of RM379 million has been announced.

I am pleased to announce that in December 2018, RAM Ratings (RAM) reaffirmed the Bank's AA2/Stable/P1 rating premised on its strong foothold in personal financing (PF) and robust loss-absorbing capacity. With the Bank's still-healthy pre-provisioning profit and high capital ratio, the reaffirmation is further underpinned by RAM's view of ready support from the Government if needed, given Bank Rakyat's status as a cooperative bank-cum-developmental financial institution.

The focus moving forward is to build a stronger stakeholder management and value system such that every person who transacts at Bank Rakyat will have their optimal returns on investment. In an environment where trust deficit is rising in organised institutions globally the primary focus for the board and the team at Bank Rakyat, I would argue is building and reinstating TRUST always and in everything we do and deliver.

Where TRUST is not honoured and seen short changed, it does not just affect our Bank and its brand, but it affects our main shareholder – the Government of Malaysia. We owe it to the people of Malaysia to honour their trust given to us to build a strong and remarkable institution they can be proud of.

CHAIRMAN'S STATEMENT

HONOURING SHAREHOLDER VISION

RETURNING VALUE TO SHAREHOLDERS

- we need to take stock on who owns Bank Rakyat and our commitment to our shareholders and ensure that we realised their vision first and foremost. We were established as an Islamic cooperative bank on 28 September 1954 under the Cooperative Ordinance of 1948, following the growth of the cooperative movement in Peninsular Malaysia. **Today we are the 8th largest bank in Malaysia by asset size. It is important to remember that in almost all cases, the ultimate beneficiaries are individuals in our communities. The largest proportion of our members are public officials who are currently serving and/or are retired.** With this in mind I remind myself and our staff constantly that we go to work every day recognizing the enormous responsibility that we have to perform for our shareholders. These are public officials who serve our country and it is absolutely incumbent upon us to honour their every sweat of earnings.

I am pleased to share here that in 2018, we were honoured various awards to acknowledge our achievements in a few key areas. Internationally, we received recognition at the 26th World Human Resource Development (HRD) Congress 2018. Bank Rakyat received three accolades in the category of "Innovation in Recruitment", "Best Apprenticeship" and "Usage of Digital Media in Recruitment" for its flagship management trainee programmes, The Islamic Banker.

Bank Rakyat won the Corporate Social Responsibility (CSR) Malaysia Award 2018, company of the year (overall excellence) for championing impactful corporate social responsibility initiatives for its active role in helping the autistic community and the finalist for the Marketing Excellence Awards Malaysia 2018 in the category of Excellent in Corporate Social Responsibility.

The Bank was also awarded with the Best Marketer in Sustainable Brand Marketing Awards at the Malaysian Chief Marketing Officer (CMO) Awards 2018. Further and for the second consecutive year, Bank Rakyat bagged the Malaysia

Best Employer Brand Awards 2018 from Employer Branding Institute (EBI). The Bank was also rated the Number One Cooperative in Malaysia for 2018 among the other 100 best cooperatives by the Co-operative Societies Commission of Malaysia (SKM).

I am proud of the achievements of the team in Bank Rakyat and the positive reflection it gives to our shareholders. I am confident that these will spur us to work even harder in other areas and strengthen the current ones.

BALANCING RISKS, REGULATION AND OVERSIGHT

"Putting our house in order" has been the initial focus of the Bank's 5-Year Strategic Plan (5YSP) where we focused on managing our risk across our businesses. This exercise is performed through strengthening of the financial foundation strategy, especially in the growth areas of current and saving accounts (CASA), establishment of 9 regional desks for Small and Medium Enterprises (SME hereafter) as well as greater penetration in the cooperative segment. Bank Rakyat's 5YSP was approved by the Board of Directors on 20 June 2017.

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I remind myself and our staff constantly that we go to work every day recognizing the enormous responsibility that we have to perform for our shareholders. These are public officials who serve our country and it is absolutely incumbent upon us to honour their every sweat of earnings.

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CHAIRMAN'S STATEMENT

The core principles of 5YSP comprise of seven (7) pillars; striving for topline growth and achieving bottomline result: strengthening financial foundation (financing): strengthening financial foundation (deposit): embarking on operational excellence (operational): embarking on operational excellence (IT): transforming to a high performance and agile organization; and strategic cost management.

One of the greatest challenges of banks is to balance rigorous and disciplined approach to allocating capital in the financial system, whether directly through retail banking or through capital markets. The risk elements and factors of the industry changes as the nature of business changes. **The ethos of Bank Rakyat is to help our customers through good and bad times. That said, we cannot and will not just offer loans to anyone. We are not in the business of market making as many Financial Institutions are either. Our sole purpose is to support individuals and SMEs to achieve their goals and meet their purpose.**

Client selection is one of the most critical elements of our business. The 5YSP strategic plan looks at how the bank mitigates risks through thoughtful, detailed analytical process that leads to well informed and measured decision making. **Also important is our continued deliberation and engagement with our regulators and oversight bodies on the need and relevance for certain regulations and disclosures.** This should be a live process where regulations that are no longer applicable or needs to be reviewed and revised should be highlighted by our teams.

In moving towards meeting future customers' demands especially in the digital space, the Bank has also embarked on its infrastructure-building strategy. This encompasses the establishment of the new core banking system. Further, as we compete in a challenging marketplace, the strategy to enhance operational governance which includes compliance, fraud and integrity remains an integral part of the Bank's list of priorities to ensure a strong foundation for our people and institution.



WE HONOUR OUR TEAM, OUR EMPLOYEES

One of the strongest attributes of the organisation is in how we honour and care for our employees. We have those who have served us for over 30 years and continue to be committed to us. **The work ahead for us is to ensure we have the tools and capacity to continually train and retrain our employees to keep with the needs of the times. We need to also focus on inclusiveness and diversity not just in our boardrooms but also across our offices.**

Our people drive the ultimate success of this organisation, its vibrancy and relevance - from operations to technology to service and its reputation to oversight and risk management - everything is completely dependent and reliant upon the aptitude, acumen and character of our employees.

WE SERVE TO LIFT OUR COMMUNITIES

Corporate Responsibility (CR) - One of the key accolades of Bank Rakyat is our unrelenting and enduring commitment to building communities. We believe that sharing our rewards through community development provides for longevity of our business and its relevance to the communities we serve. It also makes for a stronger economy when communities are strong. Bank Rakyat has been recognised for its continual involvement in serving the community as well as its dynamic CR programmes. That said, we need to continually improve on these programmes and explore new needs which may be unattended and look at serving them.

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Client selection is one of the most critical elements of our business. The 5YSP strategic plan looks at how the bank mitigates risks through thoughtful, detailed analytical process that leads to well informed and measured decision making. Also important is our continued deliberation and engagement with our regulators and oversight bodies on the need and relevance for certain regulations and disclosures.

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CHAIRMAN'S STATEMENT

A LIGHTHOUSE FOR INTEGRITY AND GOVERNANCE

TRUST in institutions, an especially financial institutions are at all-time low. Trust in governments is now emphatically countered by the rising nationalism and populism, heightened demands on transparency in reporting, and in their transactions. Coupled with this Malaysia is faced with many institutional crises, some of which are currently being heard in our courts. It is on the ticket of governance and reform that the current administration fought its battles during GE14. One of the first initiatives the government implemented post-GE14 was the establishment of the National Centre for Governance, Integrity and Anti-Corruption (GIACC). On the 29th of January 2019, the Government launched the National Anti-Corruption Plan (NACP) with over 100 initiatives to fight and prevent corruption in Malaysia. One of those initiatives is to strengthen the boards and management of government linked companies as well as reinforce the credibility of these institutions.

I am proud to announce that BR was the first Bank in Malaysia to establish an Integrity Department, aimed at strengthening our governance oversight in the Bank. This is work in progress at the moment but we intend to roll out key programmes, and activities for our staff as well as our stakeholders on building and reinforcing good governance. My vision is to ensure and establish BR as the lighthouse for good governance in the next 5 years not just internally but also a thought leader in paving a stronger market for Malaysia where we actively participate with the market in regulatory reforms relevant to the industry. As we (BR) have had chequered past in our governance, the new board appointments and management team are tasked to ensure good governance and integrity is in the front and centre of all daily activities - be it small or big.

CREATING A HIGH PERFORMING CULTURE

Creating a Culture of Integrity and High-Performance. The key to our success henceforth will rely largely on our culture. The culture required in this environment of heightened scrutiny of institutions locally and globally, where bad news travels faster than good ones through social media, is a culture that must exude every bit of integrity, good governance and high performance if we are to remain relevant at all.

It is therefore crucial that we aligned our strategic plans with a culture that would enable and reward integrity and high performance. This is a priority project which I am focusing on with the board and our management team. **No matter the soundness of a strategy, as Peter Drucker would say - Culture ate Strategy for Breakfast. Culture remains core in us achieving BR25 and the set of behaviours and norms we reward must be clearly articulated at all levels of businesses from within and without. Simply put the BR Culture must be one that lends to excellence, integrity and of service.**

Having a High-Performance Culture means BR can serve its members, shareholders, and customers better and help stimulate the nation's economy through its full range of financial services that are Shariah-compliant. This would also translate to initiatives currently taken by the Bank to branch out from the current practices and develop new capabilities that would define the future of Bank Rakyat.

Another key point in creating a high-performance culture is the strategy to enhance corporate governance which includes compliance, fraud and integrity in our performance measures. Bank Rakyat has always been committed to the most stringent corporate governance practices prescribed by the regulatory authorities as the Bank has always believed that good corporate governance is the foundation for long-term sustainability. That said we must also actively engage the market and policy makers in reviewing regulations that may hamper good governance and best practice.

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My vision is to ensure and establish BR as the lighthouse for good governance in the next 5 years not just internally but also a thought leader in paving a stronger market for Malaysia where we actively participate with the market in regulatory reforms relevant to the industry.

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WE LAY THE PATH AHEAD

2019 will be a year of change for BR. The path ahead will be inscribed by us collectively. **It will be done through our commitment and hardwork, our discipline and belief in what this Bank stands for. This can only be done if we, from my own Office including myself to the people facing our stakeholders and those servicing us every day to keep our offices, meeting rooms and corridors clean, live the dream of what Bank Rakyat is about.** This is one of the key cascading of vision that I believe we must commit to in the year ahead. Without this commitment, no amount of advertising will do the job for us.



We need to also improve our financial position for year ending 2019, plugging all the pilferages and leakages. Our targets must be realistic and we must make every effort to achieve KPIs set in every aspect of our business and our operations. **We must have the capacity to track and diagnose our problems and classify them as real, serious and/or urgent and offer prescriptions and workable solutions.** Simply put, we have to have solid tracking mechanisms to reduce the leakages and bring those responsible for any such irresponsible acts to the disciplinary board. We are also removing waste and increasing speed across our supply chains - from our board room to the office floor to the front desks and into our customers' workflows. That helps our partners, it helps our shareholders and it helps us. **We need to detect and remove negative bureaucracy.**

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The culture required in this environment of heightened scrutiny of institutions locally and globally, where bad news travels faster than good ones through social media, is a culture that must exude every bit of integrity, good governance and high performance if we are to remain relevant at all.

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FINAL THOUGHTS - OUR BRAND, OUR BRICKS AND MORTAR

OUR PEOPLE IS OUR BRAND. How we serve our stakeholders make our brand. How we deliver to our shareholders reiterates the strength of our brand. To me, slogans and advertising campaigns do not make a brand. They do not make policies. They cannot replace strong leadership, integrity and good governance.

In my view Bank Rakyat has an immensely great opportunity today to make that difference in all that it can offer in a market that is maturing, with a government looking for institutions like us to be more professional in their operations.

Our challenge ahead is to develop leaders from within the bank who are able to perform the deep analysis required to fully understand our problems. We often focus on short term day to day issues and haven't the skills to look at the horizon that can affect us year-over-year or even quarter-over-quarter. We must have the capacity in the bank to study and analyse trends and offer solutions not just for the bank but also for the country and the industry.

One of the major and most profound uncertainties faced by our industry today is the entire nature and model of financial institutions. Will our bricks and mortar still be relevant, our systems needed and our services required? These trends affects jobs, affects livelihood and will affect how we serve our shareholders and stakeholders. With fintech, cryptocurrency and rising influence of online banking our future is beholden to trends and trust that our stakeholders have on us.

It is my commitment to focus on finding workable solutions for some of these rising trends and work with the team to develop not just systems and processes but also build capacity in our people to rise with the challenges.

In closing, I would like to express my deep gratitude and appreciation to the employees of Bank Rakyat for their work. I am proud of your contributions and how you have stood tall in an environment laden with competition. I am proud of our management team and I hope readers of this Letter and our shareholders will see that without trust in the capability of our people who make that call to walk into work every day to serve us, there can never be service and there can never be institutions like Bank Rakyat that has stood the test of time for over 65 years.

ACKNOWLEDGEMENT AND APPRECIATION

I would like to extend my heartfelt appreciation to BR's employees, our management team, customers, alumni, and Board for their commitment and passion to advance this company forward.

The Board and I would also like to express our utmost appreciation and gratitude to YB Datuk Seri Mohd Redzuan Yusof, Minister of Entrepreneur Development (MED). We are also filled with gratitude for the invaluable assistance and guidance given by the Suruhanjaya Koperasi Malaysia (SKM), the Ministry of Finance (MOF), Bank Negara Malaysia (BNM) and all other related Regulatory Authorities.

Finally, I would like to thank our valued members and customers for their continued support of Bank Rakyat. To the Bank's support group which consists of our growing customer base and also our business partners, we have come a long way beating many odds together and may we continue the journey in now escalating Bank Rakyat to its next level of achievement and accomplishments.

I thank you for giving us the opportunity to earn your confidence and trust, and to serve you.

Datuk Noripah Kamsu
Chairman Bank Rakyat Group

MANAGEMENT DISCUSSION AND ANALYSIS

Looking into future performance and prospects

Dear Stakeholders,

This section of the Annual Report encompasses details of Bank Rakyat's performance. The objective is to present a balanced reporting on the Bank's operation and the effectiveness of our management. Management Discussion and Analysis (MD&A) will lay out the overview of the Bank's business performance in 2018, financial fundamentals and the insights into the Bank's future performance and prospects.

BUSINESS AND ECONOMIC ENVIRONMENT

Global economy moderated in 2018

- Positive start to global economic expansion before moderating towards 2H18** - After strong growth in 2017 and early 2018, global economic activity turned slower notably in the second half of 2018, reflecting a confluence of factors affecting the world's economies. According to the World Economic Outlook Report, growth is expected to moderate to 3.6% in 2018 from 3.8% in 2017, as economic and trade activities softened due to multiple headwinds such as the escalation of trade conflicts between U.S. and China, the fluctuation in commodity prices especially crude oil, and bouts of volatility in global financial markets. Ongoing risk-on and risk-off developments such as the prolonged trade tariff talks and trade protectionism led to sudden shifts in investor sentiments, hence contributed to a significantly weakened global expansion. These led the International Monetary Fund (IMF) to lower its global economic growth forecast twice, in April (3.9%) and October (3.7%) 2018, reflecting the loss of momentum of global economic expansion.

- Crude oil price increased to more than 80USD/barrel in early October, the highest level since November 2014 but subsequently ended at an all year low** - Oil started 2018 with firm growth on strong demand, and ongoing supply cuts by producer cartel Organization of the Petroleum Exporting Countries (OPEC) in partnership with Russia and several other nations since January 2017, and looming U.S. sanctions against major crude exporters. Oil prices then fell in July as the market played down rhetoric between the U.S. and Iran which had boosted the potential for tighter global supplies. The oil price had subsequently resumed its upward trend and surpassed \$80 in early October, ahead of the U.S. renewed sanctions against Iran's oil sector that took effect in November. Crude oil prices however, ended lower in 2018 (Brent: \$52.2 per barrel; WTI: \$45.33) due to high production growth in the U.S. and the issuance of waivers for most of the countries that imported oil from Iran. OPEC and non-OPEC oil exporters such as Russia, had collectively in December agreed to extend the production cuts starting January 2019 for an initial six-month period. The ongoing trade tensions, geopolitical worries, and fears of softening global demand, further reduced the global oil demand.

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Global growth is expected to moderate to 3.6% in 2018 from 3.8% in 2017, as economic and trade activities softened due to multiple headwinds.

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MANAGEMENT DISCUSSION AND ANALYSIS

- **Gold prices dropped to a 19-month low in August** - Gold price fell below the \$1,200-per-ounce mark in August, the first time since January 2017, as the turmoil in emerging market (EM) economies and continuing U.S.-China trade dispute caused U.S. dollar to become more expensive for buyers with other currencies. However, concerns on a possible prolonged U.S. government shutdown which started at the end of 2018 and slower global growth also weighed on the dollar and equity markets, thus boosting the appeal of safe-haven assets such as gold.
- **Headline inflation was low in 2018** - Inflation declined to 1.0% in 2018 (2017: 3.7%), attributed to the upliftment of domestic weekly fuel price adjustment; zero-rated Goods and Services Tax (GST) from June to August, which was then replaced by the narrower-base Sales and Services Tax (SST) effective September 2018; and the decline in food price inflation.
- **Local bourse performed relatively well** - Bursa Malaysia started with an upward trend but eventually turned bearish post GE-14, hampered by political changes on the domestic front and growing uncertainties in the external economic environment such as rising U.S. interest rates, strengthening of U.S. dollar, and trade tensions as well as volatile oil prices. The local shares ended up losing 5.9% (2017: 9.4%) to close at 1,690.58, making it the worst annual performance for year-to-date change in ten years. Despite the decline, Malaysia's stock market ended the year as the second-best performer in Asia-Pacific after Indonesia, as most equity markets in the region performed worse compared to 2017's close.

Malaysia economy remained firm in 2018

- **Malaysian economy moderated, amid multiple headwinds** - After recording a robust GDP growth of 5.9% in 2017, the Malaysian economy expanded at a moderate pace of 4.7% in 2018 amidst external and domestic challenges during the year. Major policy and political shifts, arising partly from the global trade tensions, U.S. Federal Reserve (Fed)'s monetary tightening and the historic change of government in Malaysia, became major sources of uncertainty for the domestic economy.

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Malaysia's stock market ended the year as the second-best performer in Asia-Pacific after Indonesia.

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MANAGEMENT DISCUSSION AND ANALYSIS

- Ringgit performance mixed in 2018** - In contrast with the more bullish performance in 2017, the ringgit depreciated by 1.8% against the U.S. dollar to close at RM4.1385 in 2018. The local unit was affected by various internal and external factors ranging from global trade development, fears of contagion effect to EMs emanating from the currency sell-offs in Argentina and Turkey, the U.S. Fed's interest hikes, the strengthening of the U.S. dollar and lower crude oil price. Notwithstanding the adverse development, the ringgit performed well compared to other regional currencies.
- Monetary policy remained accommodative** - BNM has raised the Overnight Policy Rate (OPR) by 25 basis points to 3.25% in January 2018, the first rate hike since the rate cut in July 2016. The stance of monetary policy was to prevent the build-up of risks that could arise from interest rates being too low for a prolonged period of time. However, the OPR adjustment did not constitute tightened monetary conditions, as the overall stance of monetary policy remained supportive of economic growth.
- Labour market conditions remained favourable in 2018** - Employment growth was strong at 2.5% (2017: 2.0%), amounting to an additional employment gain of 360,250 persons. Meanwhile, the labour force grew healthy at 2.5% (2017: 1.9%), which tabulated to 372,875 persons entering the labour force. The labour force participation rate also rose to 68.3% (2017: 68.0%) while the unemployment rate remained unchanged at 3.4%.
- Foreign outflow in 2018 offset the foreign inflow in 2017** - Malaysia recorded the second-lowest foreign outflow in the equities market after Thailand within the four ASEAN markets (including Indonesia, and the Philippines) in 2018. The total foreign net outflow of RM11.65 billion (2.88 billion USD) registered in 2018 offset the total foreign net inflow of RM10.33 billion recorded in 2017. The movement in equities market



was largely reflecting changes in investors' sentiments following the growing uncertainties in the internal and external economic environment such as investor expectations for a faster pace of monetary policy normalisation in the U.S., escalation in global trade tensions, volatile global crude oil prices and Malaysian government change.

Banking sector was resilient in 2018

- Loan growth improved** - Loan growth for the banking industry rose to 5.6% YoY (Dec'17: 4.1% YoY), driven by higher growth in both the household (2018: 5.6% vs 2017: 5.1%) and non-household (2018: 5.7% vs 2017: 2.9%) segments. Islamic financing growth edged up to 11.0% in 2018 (2017: 10.3%) and accounted for 32% of the proportion of total loans.

LOAN/FINANCING GROWTH

2018	
Banking Industry	5.6%
Islamic Banking	11.0%
2017	
Banking Industry	4.1%
Islamic Banking	10.3%

- Asset quality remained robust** - The banking system's asset quality was robust, with a tight Gross Impaired Loan (GIL) ratio range of 1.5%-1.6% throughout 2018, before hitting an all-time low of 1.45% in December 2018 (Dec'17: 1.56%). The lower GIL ratio in 2018 was primarily attributable to an expanding loan base (+5.6%) and sound underwriting practice by the banking institutions. The reduction stemmed from the manufacturing sector, and had mitigated the upticks in impaired construction loans and residential property mortgages. Meanwhile, there were some pockets of vulnerability in the property, construction and O&G sectors as well as lower-income households.
- Deposit growth accelerated** - Throughout 2018, the banking system's total deposit growth continued to accelerate, clocking 8.6% YoY (Dec'17: 4.1% YoY) partly driven by intense competition to build a stable funding base for the banks. The growth pace marked the first time since 2011 that deposit growth outpaced lending expansion (deposit growth: 8.6% YoY vs loan growth: 5.6% YoY).
- Ample liquidity in the banking system** - The liquidity coverage ratio (LCR) was at 143% in December 2018 (Dec'17: 135%), reflecting the sufficient liquidity condition at the industry level. Meanwhile, the average net stable funding ratio (NSFR) for the banking industry stood at 109.3%, with most of the banking institutions reporting NSFR levels of at least 100%. The NSFR complements the LCR by promoting long-term resilience of banking institutions' liquidity risk profiles.

MANAGEMENT DISCUSSION AND ANALYSIS

Several key issues in 2018

The domestic banking sector was affected by several notable domestic and external events last year; in particular, the transition of government, supply disruptions in the agriculture and mining sectors, the U.S.-China trade war, and the tightening global financial conditions.

- **Transition of government** - The transition to a new government caused political uncertainty on the government's policy. The rationalisation on public projects and reduction in government's spending depicts the government's effort for fiscal consolidation. This has indirectly weighed heavily on investor sentiment on the economy resulting in slower growth in private investment and other key economic sectors, such as construction.
- **Supply disruptions** - Supply disruption adversely impacted mining and agriculture sectors since second quarter of 2018, as well as commodity exports. Mining sectors shrunk due to the unplanned maintenance shutdown that resulted in declining natural gas output. On the other hand, the production constraint and adverse weather condition negatively affected the rubber and palm oil output, which in turn led to the negative growth of agriculture sector.
- **U.S.-China trade war** - The cyclical slowdown in external demand was also weighed down by the escalation of trade tensions among major economies beginning April 2018. While the implementation of higher tariffs by the U.S. and subsequent retaliation by major trade partners have negatively impacted the global trade, it has led to higher uncertainty for businesses and further contributed to sudden shifts in investor sentiments and episodes of financial market volatility.

- **Tightening global financial conditions** - The mixture of strong U.S. economic conditions and continued rate hikes by the U.S. Fed in 2018 had subsequently led to a rebalancing of funds away from EM economies towards U.S. dollar assets.

STAYING ON TRACK

Bank Rakyat is on track with the Five-Year Strategic Plan (2018-2022) focusing on stability and sustainability after had delivered the Bank's Strategic Directions, 2013-2017 in the previous years. This new strategic plan aims to offer the Malaysian Market a unique value proposition that will lead to a positive growth in 2018, in terms of financing and assets.



The beginning of this new strategic plan has helped further strengthened Bank Rakyat's position as one of the largest Islamic institution and the largest Islamic cooperative in Malaysia. In term of personal financing, credit card, residential property financing, hire purchase segments and also business financing to cooperatives, the Bank has recorded significant growth.

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Throughout 2018, the banking system's total deposit growth continued to accelerate, clocking 8.6% YoY (Dec'17: 4.1% YoY) partly driven by intense competition.

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The Bank's accomplishments has also reflected in term of our mandated outputs. We have met if not exceeded most of our targets. Some of our significant examples were the schemes we have lay out to accommodate cooperatives, franchises, and aspiring entrepreneurs, where we attained the targets for approved financing.

ACHIEVING 2017 INSTITUTIONAL GOALS

SHORT/MEDIUM/LONG TERM	DEVELOPMENT OUTCOMES			
	Objective	Strategic Actions	Performance Target 2018	Actual Performance December 2018
	High level impact analysis on Development Finance Institutions achievement			
	• Contribution to the development of cooperative sector	Grant funding to enable cooperatives to create new products and add value to existing products • Cooperative Education Trust Fund • Cooperative Development Provident Fund	Long Term • 2% of PBTZ • 1% of PBTZ	Long Term • 2% of profit before tax and zakat (PBTZ) • 1% of profit before tax and zakat (PBTZ)
	• Contributing to the development of educational sector	Members of Bank Rakyat grant funding to enable student participation to higher education through financial assistance • Allocation of fund through Yayasan Bank Rakyat	• 0.50% of individual share	• 0.50% of individual share
	• Contribution to the development of economic sector	Prospering our members • Dividend payout	• < 50% of PATZ	• <50% of profit after tax and zakat (PATZ)
	MANDATED SECTOR OUTPUT			
	Institutional achievement in supporting the needs of targeted sectors			
	• Implementation of Government specific initiatives	Assisting rural area's Bumiputera entrepreneur • <i>Skim Pembiayaan Ekonomi Desa</i> (SPED)	Medium Term SPED: • Fund Utilization (Approval) - RM2.50 mil	Medium Term SPED: • Fund Utilization (Approval) - RM2.41 mil
		Provide special funding scheme to eligible cooperatives at a competitive advantage • Funding schemes	Medium Term Funding Scheme to Cooperatives: • Approval - RM300.00 mil	Medium Term Funding Scheme to Cooperatives: • Approval - RM952.01 mil
		Strengthening Bumiputera entrepreneurs and business in strategic sectors • <i>Program Pembangunan Usahawan Francais Dan Skim Pembiayaan</i>	Medium Term Financing Bumiputera in Strategic Sectors: • 55 companies / cooperatives	Medium Term Financing Bumiputera in Strategic Sectors: • 88 companies / cooperatives
		Assisting ownership of Bumiputera entrepreneurs and business on commercial properties / premises • <i>Skim Penyewaan & Pemilikan Hartanah (SPPH) Bumiputera</i>	Medium Term SPPH: • 15 units	Medium Term SPPH: • 65 units
	• Provision of financing on mandated sectors served	Develop cooperative societies • Ar-Rahnu X'change (RMS)	Long Term • 8 outlets	Long Term • 4 outlets
	• Provision of advisory and consultancy services	Provide value-added services in developing & nurturing SMEs • Seminar for coop and entrepreneur development	Medium Term • 15 seminars for the year	Medium Term • 18 seminars for the year

MANAGEMENT DISCUSSION AND ANALYSIS

SHORT/MEDIUM/LONG TERM	ORGANIZATIONAL SOUNDNESS			
	Objective	Strategic actions	Performance Target 2018	Actual Performance December 2018
	Institutional requisites to facilitate DFIs in achieving mandated activities			
	• Achieve financial sustainability	Initiatives undertaken to maintain safe and sound operating conditions	Long term • $\geq 20.78\%$	Long term • 22.72%
		• Risk Weighted Capital Ratio (RWCR)		
		• Core Capital Ratio	• $\geq 19.43\%$	• 21.33%
		• Liquidity Coverage Ratio	• 165.92%	• 196.18%
		• Net Stable Funding Ratio	• 104.47%	• 103.11%
		• Profit Before Tax and Zakat	• RM1.62 bil	• RM1.86 bil
		• Return on Shareholders' Fund (ROSF)	• $\geq 15.00\%$	• 10.08%
		• Return on Assets (ROA)	• $\geq 2.00\%$	• 1.75%

Financial Highlights

Bank Rakyat collected RM1.86 billion profit before taxation and zakat for the financial year ended 31 December 2018, a slight dip compared to the RM2.05 billion collected in 2017, while total deposits and savings for 2018 were recorded at RM82.74 billion compared to RM83.24 billion in 2017.

Although there was a drop, the Bank's performance remained commendable in view of the challenging and volatile year due to internal and external developments. Nonetheless, Bank Rakyat still retained its position as the country's largest Islamic cooperative bank and the second largest Islamic financial institution in terms of assets.

Profit after taxation and zakat stood at RM1.76 billion while total operating income was recorded at RM6.91 billion, a marginal decrease from RM7.02 billion in the previous year but outpaced those of 2016 at RM6.66 billion and RM6.43 billion in 2015.

In term of asset growth, 2018 recorded a 1.4% growth or RM1.44 billion to RM106.89 billion, compared to RM105.45 billion previously. This was driven by moderate growth in treasury assets of 8.3% or RM2.54 billion to RM33.23 billion in line with the regulatory requirement to hold sufficient level of High Quality Liquid Assets (HQLA).

Return on Assets (ROA) during the year remained healthy, at 1.8%, a marginal dip from 2.0% previously but well above the domestic banking industry's ROA of 1.6%.

The Bank's financing and advances for 2018 on the other hand, stood at RM69.00 billion as compared to RM69.19 billion in 2017. However, the sum collected in 2018 has shown a steady progress and still remained above those collected in 2016, 2015 and 2014.



Stable Financing Balance

For the year ended 2018, the gross financing balance stood at RM70.40 billion, compared to RM70.63 billion previously. The Group continued to benefit from the diversification of portfolios, mainly from home, car and business financings.

Home financing grew 12.8% or RM0.67 billion to RM5.92 billion, compared to RM5.25 billion previously. Car financing grew 1.3% or RM0.04 billion to RM2.77 billion, compared to RM2.73 billion previously.

Meanwhile, business financing, especially the cooperative segment, grew 13.3% or RM0.26 billion to RM2.22 billion, compared to RM1.96 billion previously. As part of diversification on other portfolios, personal financing balance stood at RM54.88 billion, a slight decline of 2.0% or RM1.12 billion in line with the Group's long-term strategy to reduce overall dependency on personal financing. The Financing Loss Coverage continued to remain high at 115.8% (2017: 112.3%), better than the domestic industry's average of 97.5%. In addition, the Group continued to monitor closely its assets quality with an improved gross impaired financing ratio of 2.12% as compared to 2.23% previously.

Stable Deposits Balance

The Group's deposits stood at RM82.74 billion in 2018, compared to RM83.24 billion previously, a slight decline in line with the softening of overall industry's financing growth. Nevertheless, Current Account and Savings Account (CASA) balances improved significantly at 14.5% or RM0.73 billion to RM5.73 billion for the year, in tandem with the strategy to increase its CASA.

MANAGEMENT DISCUSSION AND ANALYSIS

Strong Capital Position

The Group's shareholders fund rose 7.5% to RM17.87 billion in 2018 (2017: RM16.63 billion) contributed by the increase in net profit for the year. As at 31 December 2018, Risk-Weighted Capital Ratio and Core Capital Ratio after the proposed final dividend remained strong at 22.7% and 21.3% respectively. These capital ratios were well above the minimum regulatory requirements, positioning the Group as one of the strongest banks in terms of capital position.

Contribution to Co-operative Funds

The Group continues to support its yearly mandated role to the cooperative ecosystem by contributing 2% of its profit before taxation and zakat amounting RM37.50 million to the Co-operative Education Trust Fund and 1% or RM18.75 million to the Co-operative Development Provident Fund. Total contribution to these Co-operative funds for the year 2018 amounted to RM56.25 million.

RAM Ratings

RAM Ratings Services Berhad (RAM) reaffirmed Bank Rakyat's AA2/Stable/P1 financial institution rating along with its Sukuk, issued through the Bank's funding conduits. This was given due to the Bank's strong personal financing (PF) and robust loss-absorbing capacity.

RAM noted that Bank Rakyat's asset quality is supported by a sizeable PF portfolio that gained benefit from payment by salary deduction and transfer mechanism. As at end of June 2018, the Bank's gross impaired-financing (GIF) ratio remained healthy at 2.4% while GIF coverage ratio (inclusive of regulatory reserves) stood at 123.5%.

The Bank's robust capitalisation on the other hand was backed by a healthy internal capital generation and the periodic issuance of new shares. The Bank's Basel I core capital and risk-weighted capital adequacy ratios stood at 20.09% and 21.63% respectively as at end of June 2018.



RETAIL BANKING SECTOR

Personal Financing-i

Personal continues to be the central component of the Bank's retail banking business. The portfolio declined 2.0%, compared to a growth of 0.6% in the previous year, due to our effort to control its growth at under 1% a year as we are taking steps to diversify into other areas. Retail banking is also trying to broaden the customer base, diversifying from the current dependency on civil servants to employees from the private sector and business owners. The personal financing portfolio figure was recorded at RM54.88 billion as at the end of 2018.

Deposit

In 2018, our total deposits declined by 0.6% or RM0.50 billion to RM82.74 billion as compared to RM83.24 billion in 2017. As at December 2018, our eCA-i balance was recorded at RM1.40 billion, which saw an increase of RM227.34 million from the figure in the previous year while our SA-i balance has increased to RM4.33 billion or 13.0% as compared to the figure collected in 2017. TD-i balance on the other hand recorded a 1.2% decrease to RM68.93 billion.

Auto Financing-i

This financing is a flexible installment scheme for customers to purchase new local and imported cars with maximum financing tenure of up to nine years. 2018 saw the growth of Auto Financing-i by 1.3% to RM2.77 billion compared to RM2.73 billion in the previous year.

Home Financing-i

Bank Rakyat's Home Financing-i segment recorded substantial growth of 12.8% in 2018 with a sum of RM5.92 billion as compared to RM5.25 billion in 2017. The growth has been achieved despite a slower property market due to macro-prudential measures introduced by the government and Bank Negara Malaysia to instill responsible lending in the financial sector and restrain speculative activities in the market. This was also contributed by the easing of residential property prices and weaker consumer sentiment over concerns of higher cost of living that has put the pressure on the demand for residential properties.

MANAGEMENT DISCUSSION AND ANALYSIS

Pawn Broking-i

An alternative to conventional pawn broking, Pawn Financing-i Ar Rahnū (Islamic pawnbroking or Ar-Rahnū) provides instant and easy cash of up to RM350,000 based on Shariah principles. This has been one of our most successful products since its introduction in 1993. This service is provided via 141 Ar-Rahnū outlets inclusive of branches and Ar-Rahnū X'change that operate from Monday to Saturday.

The products offered are Pawn Broking-i Ar Rahnū, Pawn Broking-i Ar Rahnū Az-Zahab and Pawn Broking Ar Rahnū Genius. Ar-Rahnū X'change now stands at number one in Malaysia with 45% market share, and contributed RM1.73 billion of balances in 2018.

FY2018 GROUP HIGHLIGHTS

	2018	2017	Variance
Total income	RM6.91b	RM7.02b	↓ 1.7%
Total costs	RM5.05b	RM4.98b	↑ 1.4%
PBTZ	RM1.86b	RM2.05b	↓ 9.1%
Total Assets	RM106.89b	RM105.45b	↑ 1.4%
Gross financing	RM70.40b	RM70.63b	↓ 0.3%
Deposits	RM82.74b	RM83.24b	↓ 0.6%

The profit before taxation and zakat (PBTZ) was achieved through higher operating and fee based revenue, whilst maintaining lower operating expenditure and impaired provisioning.

Gross Financing

Gross financing is slightly lower due to the consolidation and streamlining of business focus in line with the 5 Years Business Plan (5YSP).

Deposits

Our deposits saw a slight decline in line with the softening of the overall industry's financing growth and with the reduction in High Quality Liquid Assets (HQLA) to maintain a lower percentage of Liquidity Coverage Ratio (LCR).

KEY PERFORMANCE INDICATORS

Key Performance Indicators	2018 Targets	2018 Achievements
Profit Before Taxation and Zakat	RM1.62 billion	RM1.86 billion
Asset Growth	6.5%	1.4%
Cost to Income Ratio	38.0%	34.3%
Dividend Payout Ratio	14.1%	15.1%
Return on Equity	9.69%	10.8%
Financing Growth	5.0%	-0.3%
Gross Impaired Financing	2.1%	2.1%
CASA Growth	25.4%	14.5%
Deposits	3.4%	-0.6%

BUSINESS FINANCING

Property-i

To finance purchase of residential, commercial properties and land for development with financing tenure of up to 20 years.

Hire purchase-i

To give financing facility for commercial and industrial vehicles.

Revolving Credit-i

To finance working requirements to meet the short-term cash flow requirement for businesses.

Working capital financing-i

To finance working capital for business requirement.

Term financing-i

To finance long-term working capital requirement for businesses, i.e. operating and capital expenditure, purchase of machineries, etc.

Bridging-i

To give short-term financing to bridge a project.

Trade Finance-i

To provide a range of services and financing to facilitate local and international business transactions.

Contract-i

To provide financing for part of the cost to complete a contract awarded.

Micro Financing

Offered to SMEs and cooperatives under government-funded schemes.

Project/ Contract-i

To part-finance the cost to complete a contract awarded by the government/ GLCs.

Micro Financing Offered under Government Mandated Funds

As for micro financing for SMEs, the overall achievements for 2018 are as below:

Approval - RM41.75 million
Disbursement - RM40.87 million
Outstanding Balance - RM85.41 million
Income - RM15.32 million

MANAGEMENT DISCUSSION AND ANALYSIS



Micro-i Financing Scheme (MUStK-i)

In 2018, the scheme disbursed RM40.87 million to 2,696 micro-enterprises.

Micro Traders and Hawkers Scheme Fund (MPPK-i)

A total of RM79.69 million in microfinancing was disbursed to 18,194 accounts until April 2018 as there was no approval nor disbursement after April 2018.

Rural Economic Financing Scheme (SPED)

As at December 2018, RM192.33 million was disbursed to 1,843 approved applicants.

SME Corp Fund: Enrichment and Enhancement Programme (E²)

A total of RM5.73 million of this fund was disbursed to 134 SMEs in 2018, aiding them to further grow their businesses.

2018 Key Business Targets and Strategic Priorities

The focus in 2018 was on Mortgage Financing, Auto Financing, Ar-Rahnu, Credit Card business, SME financing, CASA through Tabung Qurban and Tabung Umrah as well as fee based products. Other than that, the Bank has also initiated the Core Banking (COBRA) project.

VIRTUAL BANKING SECTOR

Generation Y and X are the two generations that are driving the growing trend of online and mobile banking. Having introduced our internet banking services in 2007, we have done rather remarkably to meet the need for an increasing number of internet and smartphone users who demand fast, easy, and convenient banking solutions.

We are devoted to providing the best services by investing in the latest technologies, securing the services of technical expertise and performing frequent monitoring to make sure the security and performance of our online banking services are not compromised.

Currently, we have few virtual channels, namely i-Rakyat, i-Rakyat Commerce, Bank Rakyat Autopay System and 1Pay. i-Rakyat is an internet banking portal that offers online banking in a safe and secure environment, while i-Rakyat Commerce caters for non-individual e-Current account holders, cooperatives, sole proprietorships, partnerships, clubs, associations, companies, government agencies, etc. We also provide crediting facility for employers to perform bulk payment with one submission, called Bank Rakyat Autopay System and 1Pay, an electronic payment instrument for eCA-i account holders to do payment without writing a cheque.

TREASURY SECTOR

Treasury sector can be labeled as the heart of the Bank. The treasury controls the funding activities for the Bank while maximising potential income from financial market activities. The sector consists of three main business divisions; Funding and Currency Management, Portfolio Investment Management, and Treasury Sales and Distribution.

These three divisions supervise six critical departments that are responsible for Money Market, Foreign Exchange, Fixed Income, Equity Investment, Treasury Sales and Distribution as well as Investment Account.

Apart from its dealings with the Money Market, the sector is also engaged with Fixed Income Securities (SUKUK), Equity Shares Trading and Investment as well as facilitation of Foreign Exchange transactions. As the main contact point in connecting Bank Rakyat with the Malaysian financial market, it is responsible to optimise the Bank's assets to facilitate the needs of treasury as well as corporate and branch customers.

Operating Environment

In 2018, the Treasury sector faced challenges on the back of a slowdown in global economic growth. This was aggravated by heightened volatility in financial market, which influenced the movement of rates and investment strategies which was caused by global economic uncertainty and geopolitics instability, volatility in the Malaysian Financial Market and ensuring compliance with Basel requirements.

Answering to these challenges, the Treasury took the following strategies such as controlling the cost of borrowing, managing overall cash flows, preserving strong liquidity positions, and spearheading the Bank's strategic investment in companies to focus on enhancing value creating activities across the portfolio. The Treasury also implemented optimising of asset allocation strategies and enhanced funding compositions.

MANAGEMENT DISCUSSION AND ANALYSIS



Moving Forward

Anticipating 2019 outlook, external developments such as the US Federal Reserve's decision on policy rates will probably dominate market movements, given the lack of domestic catalysts. The Malaysian trading market is also facing a challenging period with a prolonged scenario of slower global economic growth and low investment yield environment.

The Treasury is looking to widen and diversify its sources of fund and control the deposit composition to be consistent with Management's aspirations. We will also implement a prudent strategy in sourcing out funds to manage cost effectively and in purchasing as well as allocation of asset for income generation from trading purposes to avoid unwanted risks.

Apart from that, we will replace the current bank portfolio maturities with better quality assets at higher yield and continue long-standing engagements with depositors and interbank counterparties. The Treasury will also comply with all internal targets/ratios and shift the focus on enhancing staff strengths and talents.

The Bank is also looking to strengthen the Balance Sheet via diversification of retail portfolio, repositioning of business banking, strengthening of the funding base and innovation of products and services. In doing so, Bank Rakyat will accelerate other key retail portfolios, namely Mortgage, Hire Purchase and Ar-Rahnu, while maintaining the "controlled growth" strategy of Personal Financing, completion of COBRA and put more focus on SME, co-operatives and selected corporates.

DELIVERING EXCEPTIONAL CUSTOMER SERVICE

Bank Rakyat successes for the past 60 over years has been made possible with the continual support of our customers. We have more than 7.49 million customers and we see them as our strategic partners. As such, we make it our priority to deliver the best services based on the Islamic banking principles of fairness and profit-sharing in dealing with our customers. These principles are the basis of all that we do at Bank Rakyat as we ensure our customers achieve their financial goals by positioning them as the 'You' in 'Your Bank of Choice'. This has led to our success and this will continue to drive us forward.

The lasting relationships that we have built with our customers as part of our strategy has served us well. Our customer base now includes a large number of customers utilising two or more of our banking products. Keeping in mind the importance of our customers to us and keeping them satisfied, we continue to serve our customers by providing financial products that meet their lifetime needs and making sure they receive our best possible service.

MULTIPLE CUSTOMER SERVICE TOUCHPOINTS

In connecting with our customers, we make sure nobody is being denied the access to quality banking services. On top of our outstanding customer service, our multiple customer touchpoints help us develop closer relations with our customers.

- 147 branches nationwide remain our primary banking channel to serve our customers who seek direct interaction with the Bank.
- 4 mobile banks to enhance our reach, especially for those with no easy access to banking services. This enables customers in rural areas and Felda re-development scheme areas to perform banking transactions at their locations.
- 48 Rakyat Xcess located nationwide to serve as mini branches to complement main branches for rural communities to get access to our banking facilities.
- 1,000 ATM/CDM/CICO terminals nationwide.
- Internet banking services provide fast and on-demand banking services for our customers. During the year under review, our secure and efficient digital platform www.irakyat.com.my had recorded 309,790 registered users.
- Social media: As at 31 December 2018, our Facebook page had 241,000 fans while our Twitter and Instagram accounts @myBankRakyat had 9,896 and 18,900 followers respectively.
- tele-Rakyat call centre operated by trained and knowledgeable Service Consultant Executives assist our customers, providing them with essential information about our products and services to promote our offerings.

MANAGEMENT DISCUSSION AND ANALYSIS

ENHANCING SERVICE STANDARDS

It is imperative for us to understand our customers' experience with us so that we could enhance our service standards for us to remain successful. We recognise the importance of getting feedback from our customers and assign several channels for our customers to share their opinions, make inquiries and voice their dissatisfaction with the quality of service they received.

Other than our tele-Rakyat call centre, our customers can engage us by using the forms available at our branches or download them from www.bankrakyat.com.my/web/guest/maklumbalas.

Aside from that, customers can also email us their feedback to jkp@bankrakyat.com.my or visit our social media channels at www.facebook.com/my/myBankRakyat and [twitter.com/my/myBankRakyat](https://twitter.com/myBankRakyat).

Another way is to call Bank Rakyat Customer Service at 03-26975011/6011/7011, fax to 03-26129655 or email to aduan@bankrakyat.com.my. We have also put in place a clear process to ensure that all complaints are given equal attention with appropriate action taken.

CENTRAL COMPLAINT MANAGEMENT SYSTEM

Complaints that are handled effectively not only resolve the problem at hand, it is also an opportunity to transform customer perception and increase loyalty and advocacy. Our Central Complaint Management System (CCMS) handles and resolves all complaints from our customers within the stipulated period in a speedy, effective and efficient manner. The system also merged all complaints received from various channels such as branches, Public Complaints Bureau, and tele-Rakyat.

We respond to all feedback and complaints received through telephone, email or facsimile transmittals within 24 hours of receipt. All complaints are treated with urgency and in a fair and consistent manner. We strive for immediate resolution for telephone complaints, a three-day resolution period for complaints which require follow-up action and a 14-day period to resolve complicated complaints received via email or facsimile transmittal.

HARNESSING TECHNOLOGY

The banking business has become more and more technologically driven. More specifically, Information technology (IT) has evolved and continues to change the way we serve our customers through our products and services. As the digital landscape continues to grow, IT now has a vital role to sustain business growth especially with the emerging competition from Financial Technology (FinTech) start-ups.

The introduction of latest technologies, analytics, and automation in banking business have enabled products and services to be tailored to customer demands and delivered efficiently, reliably and securely while managing risks prudently in compliance with statutory and regulatory mandates.

The last three years (2015-2017) have seen the formulation of our 3-year IT Blueprint

which saw Bank Rakyat prioritise IT initiatives that have a direct impact on its businesses whilst strengthening its Infrastructure, Systems and Processes.

The Bank has also identified both short- and long-term initiatives that have been rolled out. Short-term initiatives are leveraging on digital initiatives, using Enterprise content management system as a platform for collaboration and content, and for the Bank to have a golden copy of data through Master Data Management (MDM)/CIF and Cashline, a new financing product for corporate customers.

Long-term initiatives such as the 5-Year IT Blueprint are also being established. The 5-Year IT Blueprint is going to be the guiding principle to ensure the Bank is always keeping up with the latest trends and technological advancements, in terms of Infrastructure, Application, Security and processes/best practices. It is also aims to support the Bank's 5-Year Strategic Plan.

Apart from that, there are also the new Core Banking Project with more features and functions to meet the growing needs of Bank Rakyat's retail and corporate banking operations. Enterprise Fraud Management System (Phase 1) was implemented to help the Bank manage and improve fraud issues through fraud management framework, end-to-end fraud detection and management, and system automation for proactive and preventive measure.



MANAGEMENT DISCUSSION AND ANALYSIS

“

Our Central Complaint Management System (CCMS) handles and resolves all complaints from our customers within the stipulated period in a speedy, effective and efficient manner.

”



FROM THE TOP

2018 Achievements

Our main achievements were in the areas of governance and process, service delivery, development of internal capability and the development of digital platforms such as mobile banking and e-wallet, with 39 digital initiatives identified, to be implemented by 2019. In addition, BNM has approved our email migration project to leverage on a 'cloud-based' platform and Bank Rakyat has become the first Bank in Malaysia to utilise Microsoft 365 for productivity and as a collaboration platform in 2018.

2018 Challenges

Our main challenges were technology, process and governance, and people related. With regard to technology-related challenges, we faced increased threats of cyber security and challenges posed by fraud and threats to electronic/ internet banking transactions, as well as long enhancement processes due to the complex system design and legacy system complications. Process and governance related challenges included adoption of ITIL best practices, improvement of IT governance practices, inconsistent project management practices, the focus on developing a customer centric business model and delivery channel, and the absence of a dedicated QA team. As for people-related challenges, these were over dependency on vendors for support and development, lack of internal expertise in technical areas and the need for a mind-set to promote digital transformation.

Developments in 2018

- **Bank Rakyat Marketplace:** A new e-channel for the distribution of financing products, on top of the existing normal platform to reach out to customers. This serves as a digital channel for customers to get quick and easy financial services and as a platform for our Financial Advisers to reach out to the public.
- **i-Rakyat Mobile Responsive:** This allows customers to optimize i-Rakyat Interface via multiple devices such as Desktop, Tablet and Mobile Phone.
- **Tabung Haji Internet Banking:** The enablement of TH Internet Banking on our platforms provide convenient access for our customers in dealing with account opening, registration, deposit, withdrawal, and fund transfer.
- **PTPTN/SSPN-i Internet Banking:** This enablement provides online PTPTN/SSPN services via Internet Banking i-Rakyat such as Account Opening, Deposit, Withdrawal, Fund Transfer/ Loan Repayment.
- **Combo Card:** This allows retail transactions via a single card that serves as an ATM card, a domestic debit card and an international debit card.

2018 INITIATIVES

Short-term initiatives

- Leverage digital initiatives such as: Internet Banking, New Corporate Internet Banking, Mobile Banking Applications, Mobile Wallet, Retail Real-Time Payment Platform (RPP), and Agent Banking Mobile Applications.
- Enterprise Content Management System to provide a Collaboration & Content platform for the Bank. Branches have used digitised documents while departments at HQ are coming on board utilising the solution in phases.
- Master Data Management (MDM)/ CIF to allow the Bank to have a golden copy of data. Operationalisation of the Golden Record and Data Cleansing activities are ongoing.
- Introduction of Cashline, a new financing product for corporate customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Long-term initiatives

- A new 5-Year IT Blueprint has been established, focusing on:

Goal #1 Leveraging on Digital Initiatives

To optimise on customer-facing technologies and improve digital touchpoints to support the business goal of improving customer experience.

Goal #2 Strengthening IT Governance

To ensure overall IT operations are optimized and managed efficiently, governed by proper IT Governance and Compliance Best Practices.

Goal #3 Improving Service Delivery

To provide effective and efficient IT services to internal and external customers by streamlining the Technology, Process and People components.

Goal #4 Developing Internal Capabilities

To develop internal capabilities and rightly skilled IT Talent to support the demand of IT and Business objectives.

- Our new Core Banking project will provide a proven solution with more features and functions to cater to the growing needs of Bank Rakyat's retail and corporate banking operations.
- An Enterprise Fraud Management System will allow the Bank to manage and improve the way we handle fraud areas in terms of fraud management framework, end-to-end fraud detection and management, as well as proactive and preventive measures via system automation.
- The first phase of our Enterprise Risk Management System will focus on Operational Risk and MFRS9.
- IT is pursuing the certification of ISO/IEC 20000-1 from SIRIM for IT Service Desk area to reflect our continuous commitment to high quality IT delivery.

REINFORCING OUR BRAND

For the past 60 over years since our establishment, we have been consistent with our effort to build our brand. We became a recognisable brand that is trustworthy and evokes an expectation of high quality among our customers.

Successful brands deliver on their promises and we strive to do the same. Our Bank Rakyat brand, its messaging, visual identity, print collateral, products and services, marketing material and advertising campaigns, revolves around our promise. That is to be "Your Choice Bank", which is expected of us and what our customers deserve.

We promise to serve our customers better and we are continually expanding our portfolio of superior branded products into the most promising markets and innovating to expand product categories and create new ones.

It is about fulfilling societal obligations - to the cooperatives who are the *raison d'être* of our establishment and planting roots in the communities in which we work, earning their trust and respect as a good corporate citizen. Above all, it is about serving the interests of the nation.

2019 DIRECTIONS

The Five-Year Strategic Plan (2018-2022): Stability and Sustainability is in its initial stage this year. Moving forward, we are looking to unlock the potential that exists within the Bank and maintain our growth momentum, growing our capacity as well as strength to enhance our value to customers.

This will call for more than just delivering a suitcase full of products and services just to keep up with the competition or simply to meet the customer expectation. The Bank will need to provide more to existing customers and add new ones, understanding their specific needs that will enable them to grow and prosper.

The Five-Year Strategic Plan (2018-2022) is about developing strategies that will work, reexamining business model and make necessary adjustments to it, restructuring our organisation, refocusing on long-term strategy of the Bank's mandates and core business, and examining business portfolio, new markets, and partnerships.

The highlight will remain to be on operational excellence and efficiencies to provide a high standard of financial performance, maintain balance sheet efficiencies and put into practice effective



MANAGEMENT DISCUSSION AND ANALYSIS

cost and balance sheet managements. The expected challenging environment will be tolerated with our Treasury and capital market operations safeguarding our risk management and liquidity in order for them to remain solid. This will be done simultaneously with driving the market share by providing competitive pricing, appealing terms and innovative products features. We will also continue to uphold our strong corporate governance, compliance culture and solid risk management practices.

We will also expand our businesses organically to sustain our growth alongside our strong corporate brand as a respectable, safe and efficient Islamic cooperative bank. To drive this, we will continue to tap into available opportunities in the market by keeping the focus on delivering efficient services, and at the same time, broadening and innovating our product range to meet the increasing needs of our growing customers.

Another focus area in our aim to grow more sustainably in the long run is the diversification of financial portfolio. Personal Financing (PF) has been our bread and butter and we are by far the biggest player in the market. However, the move to diversify our business portfolio will see us slightly moving our focus from our PF segment as the fast-changing and increasingly competitive environments have made diversification necessary and forced us to change our business model. This move will see us grow our PF segment at a controlled pace of 1% a year and reduce it to 70% of our total financing in the coming years as we shift the focus to home, auto, and SME financing.

Our commitment to fulfil our mandated financing to SMEs and cooperatives will be continued. This will ensure the Bank's role in empowering SMEs and the cooperatives sector to drive the nation's economy. SMEs and the micro enterprises are expected to be partly responsible for the larger GDP share (2020 forecast: 41% of GDP), and with that in mind, we are keen to finance SMEs, particularly large cooperatives.



We are also going to acquire stronger earnings by continuing to grow our fee income segment by accelerating our Ar-Rahnu or Islamic pawnbroking's growth as we are already the market leader with a market share of about 45%.

As a cooperative bank that offers retail banking, close to 90% of our assets are retail assets. In order to lower our cost of funds, we will need to diversify our assets as well as our liabilities which are now focusing towards fixed and corporate deposits. We are looking to boost CASA by introducing new products and campaigns that will grow CASA in the coming years to at least 15% of our total deposits.

Moving forward, our focus will be on growing financing for retail, specifically on the higher income segment of government servants. In terms of business financing, our focus will be shifted to SMEs. Our funding structure will be diversified to increase retail funding and lessen the dependency on wholesale deposits. On top of that, our strength as an Islamic cooperative bank will be utilised to contribute significantly in the cooperative market which is our mandated role under the purview of previously KPDNKK and now MED as well as to expand products subscription by our existing shareholders. We will also put in improvement to our delivery channels via enhanced technologies for us to realign our portfolio composition, target a wider market and venture into new products and services.

Various initiatives have been implemented to strengthen our prudent risk taking and compliance culture for our risk management. Some of the initiatives we have implemented are Risk Awareness Programme to promote and maintain Bank-wide risk culture; enhancement of our Risk Management IT infrastructure with the implementation of the Integrated Risk Management System Project and the implementation of the Enterprise Risk Management Framework to furnish a combined view of the Bank's risk-taking activities and its profile to the Board and Senior Management. We will also continue to amplify credit underwriting standards; ensure the alignment of an adoption of regulatory standards set by BNM, Basel II and Basel III and Credit Risk Best Practices; and introduce the Scenario Analysis Framework which will allow the Bank to systematically conduct fault tree analysis of our internal control environment and estimate the probability and impact of a certain black swan event. This will be in line with BNM's Policy on Operational Risk introduced in May 2017 and the issuance of the revised Policy Document on Operational Risk Integrated Online Network (ORION).

The development of technology in the banking space will see the Bank staying astute to respond to the digital banking evolution. We will continue to expand our value proposition to customers by enhancing our digital capabilities, developing innovative payment capabilities and service enhancements.

CORPORATE INFORMATION

CHAIRMAN

- Datuk Noripah Kamso

BOARD OF DIRECTORS

- Datuk Noripah Kamso
- Datuk Wan Suraya Wan Mohd Radzi
- Datuk Siti Zauyah Md Desa
- Dato' Sri Jamil Salleh
- Wan Zamri Wan Zain
- Abd Rani Lebai Jaafar
- Edham Reza Shah Dato' Abdul Rahman
- Prof. Dr. Obiyathulla Ismath Bacha
- Dato' Rosman Mohamed

ACTING BANK SECRETARY

- Ratnasari Mohd Damanhuri

REGISTERED OFFICE

Bank Kerjasama Rakyat Malaysia Berhad

Tingkat 35, Menara 1, Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral, 50470 Kuala Lumpur

AUDITORS

Auditor-General of Malaysia National Audit Department Malaysia

No. 15, Aras 4, Persiaran Perdana, Presint 2,
Pusat Pentadbiran Kerajaan Persekutuan, 62518 Putrajaya
Tel : 03-8889 9000
Fax : 03-8888 9721

COOPERATIVE REGISTRATION NUMBER 2192

CORPORATE OFFICE

Bank Rakyat

Tingkat 35, Menara 1 Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral, 50470 Kuala Lumpur
Tel : 03-2612 9600

WEBSITE

www.bankrakyat.com.my

OUR VALUES, VISION & MISSION

VALUES



RAJIN

DILIGENT

AMANAH

TRUSTWORTHY

KOMPETEN

COMPETENT

YAKIN

CONFIDENT

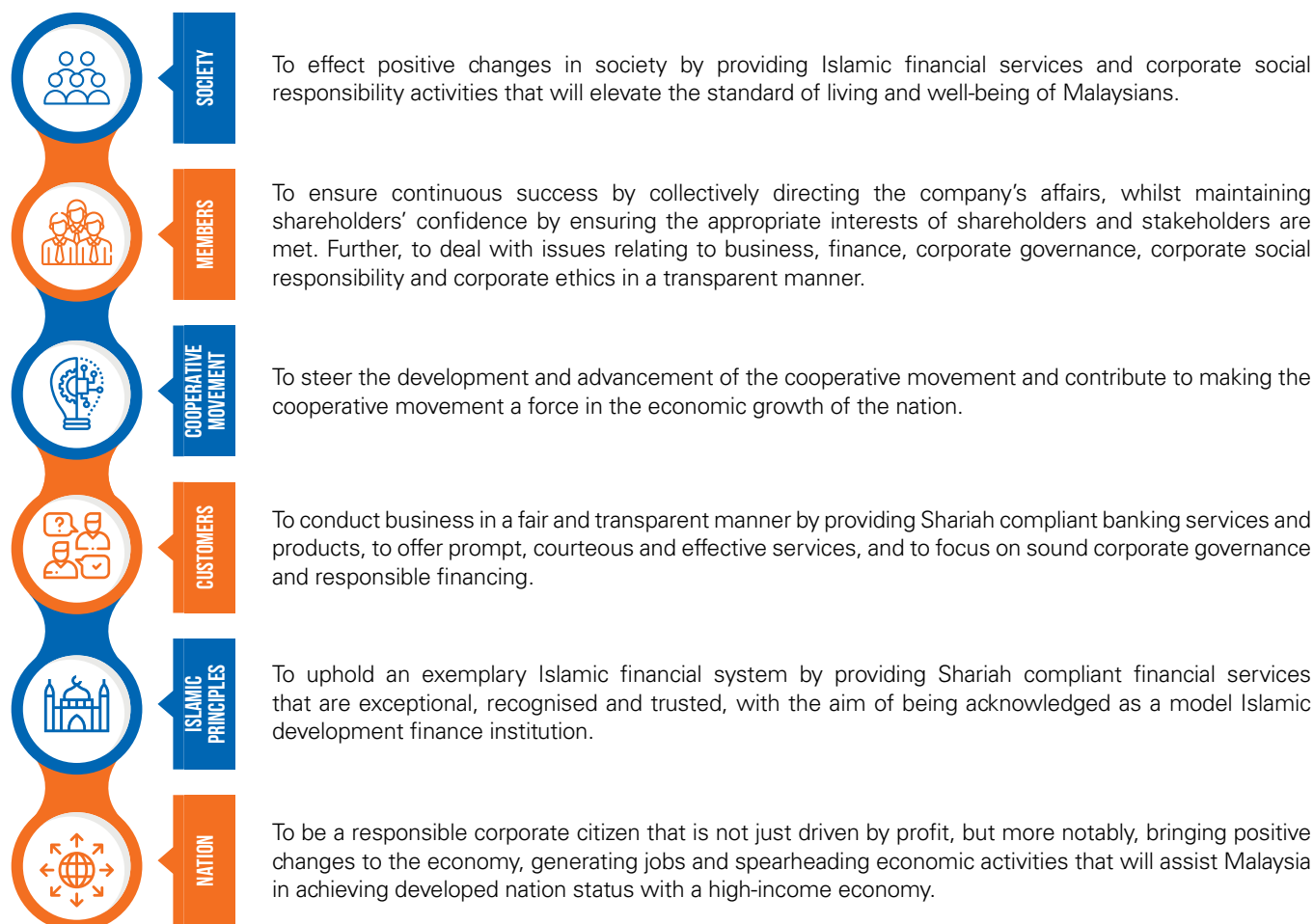
AKHLAK MULIA

*EXEMPLARY
BEHAVIOUR*

TAKWA

GOD-CONSCIOUS

OUR BUSINESS PILLARS



VISION

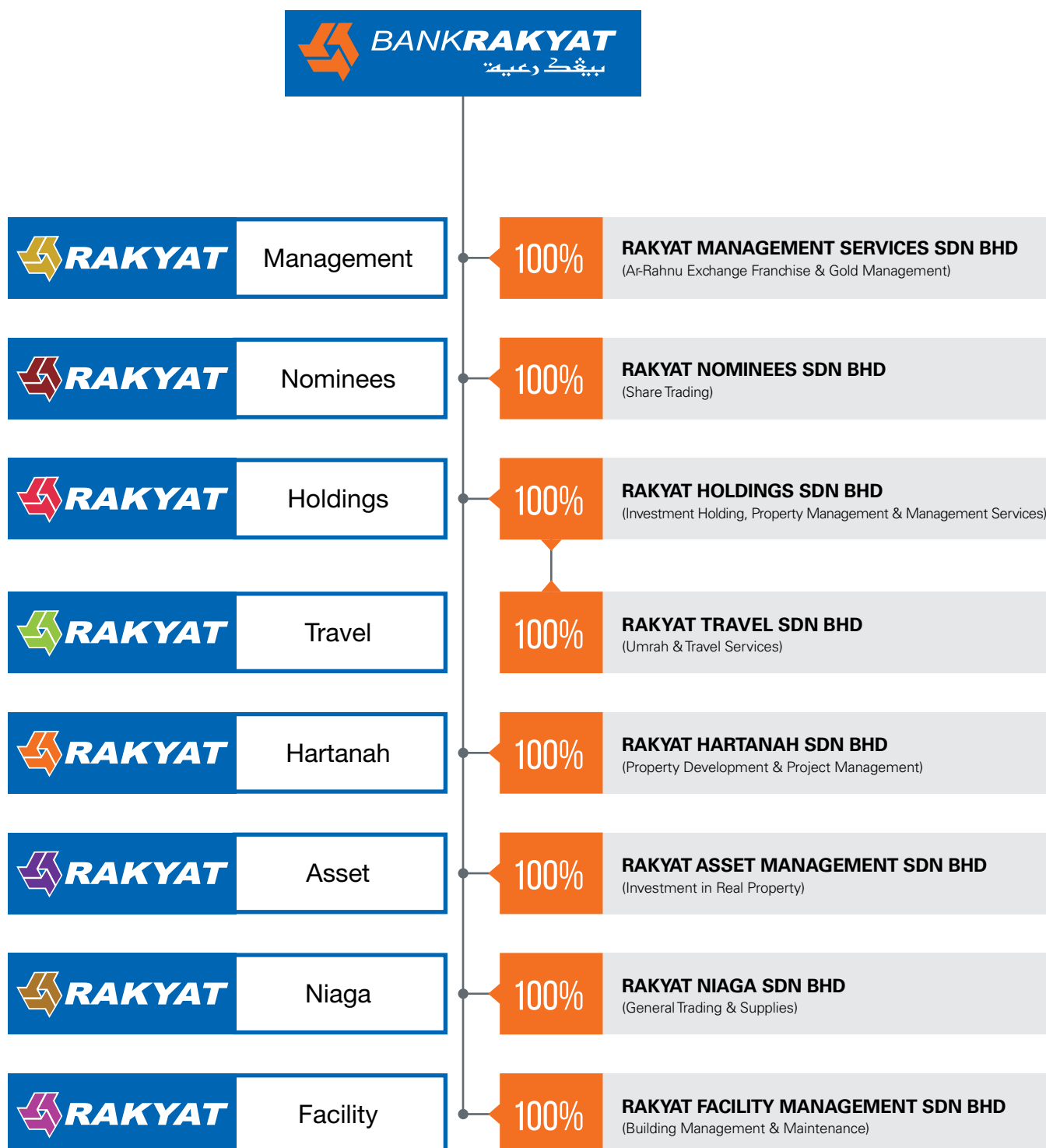
Serving the community, nation and planet.

MISSION

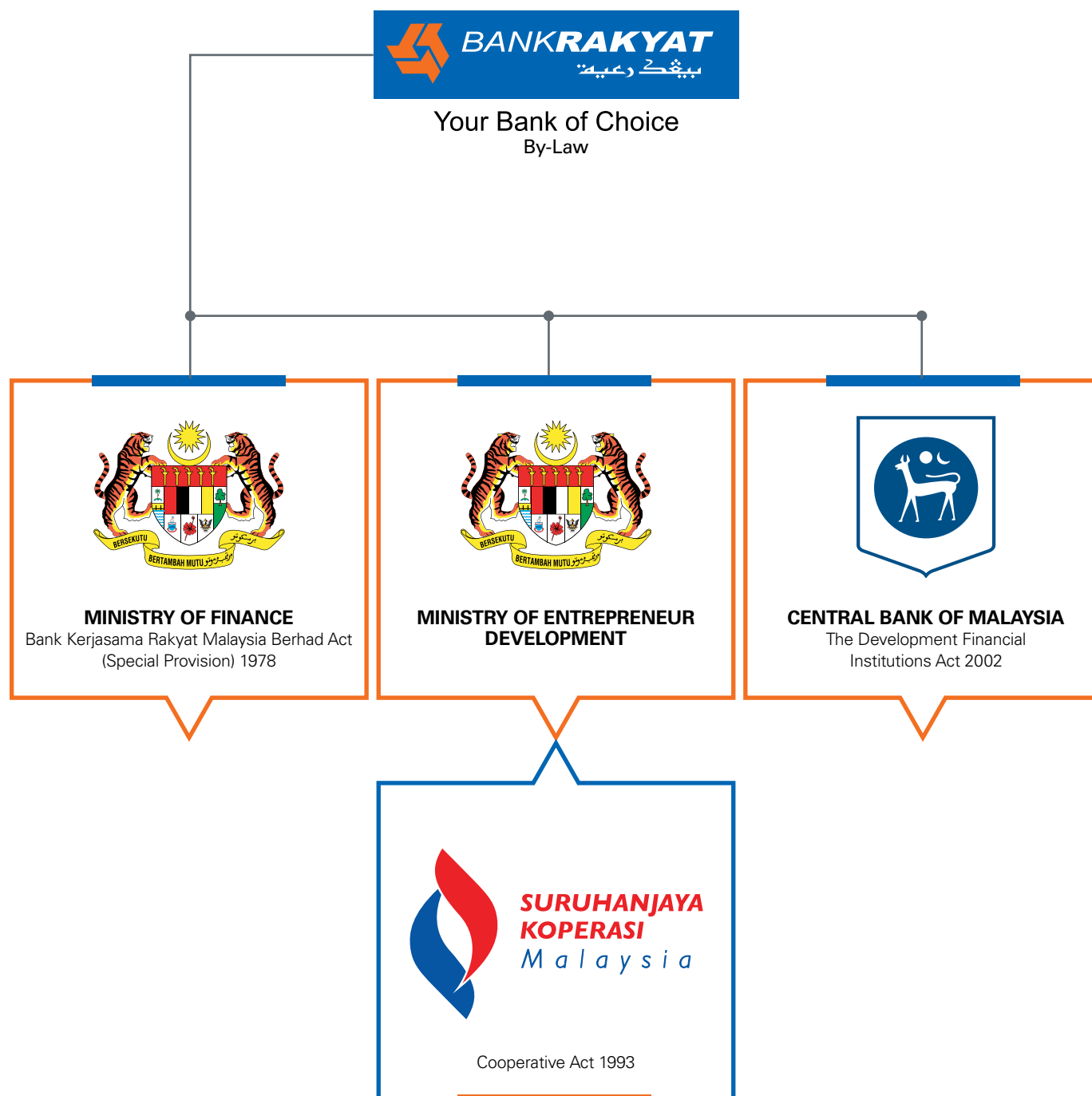
Be a globally recognised catalyst for national development through a range of financial services rooted in Islamic values, community spirit, and sustainability.

GROUP CORPORATE STRUCTURE

FROM THE TOP

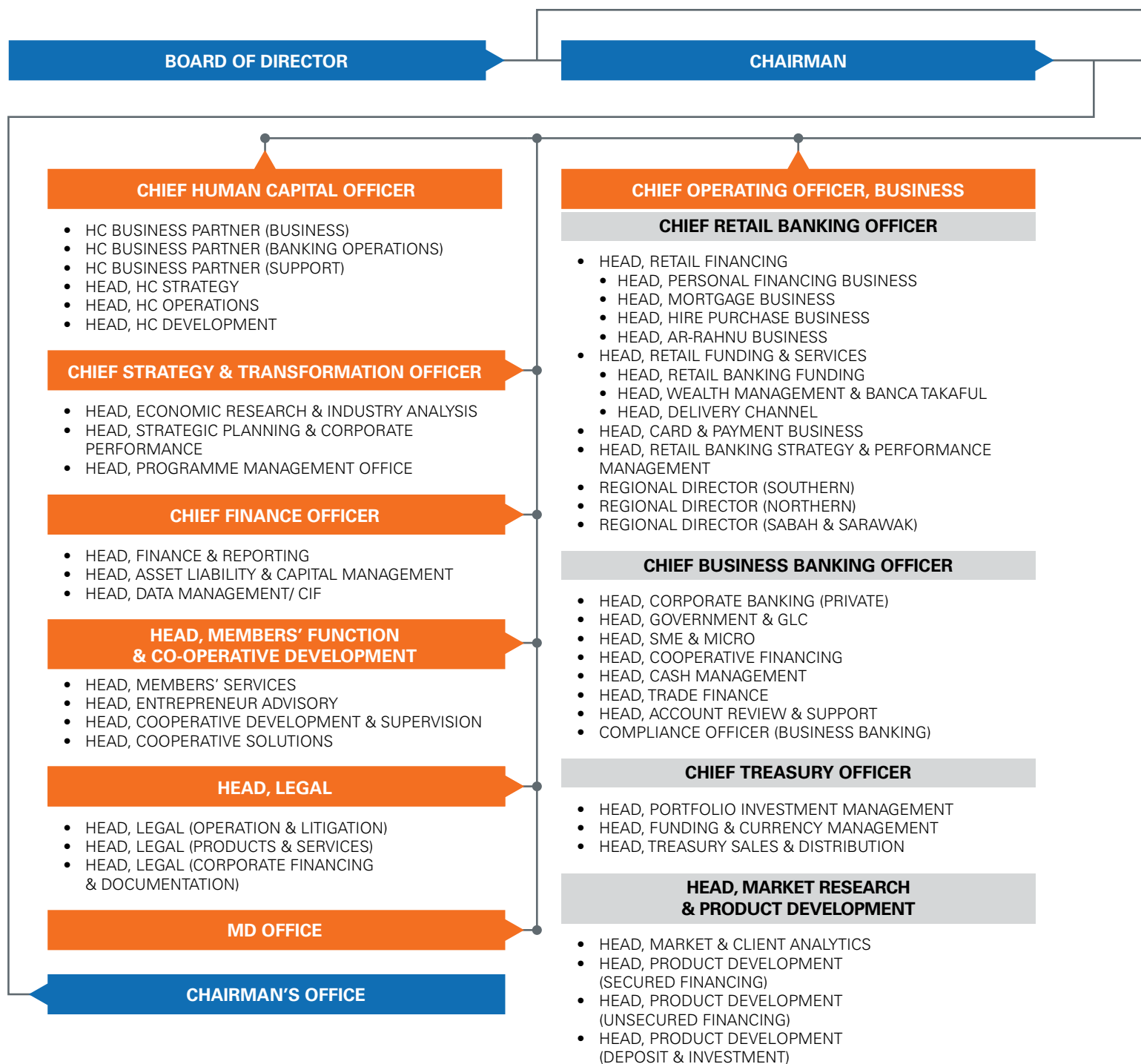


BANK RAKYAT AND THE GOVERNMENT

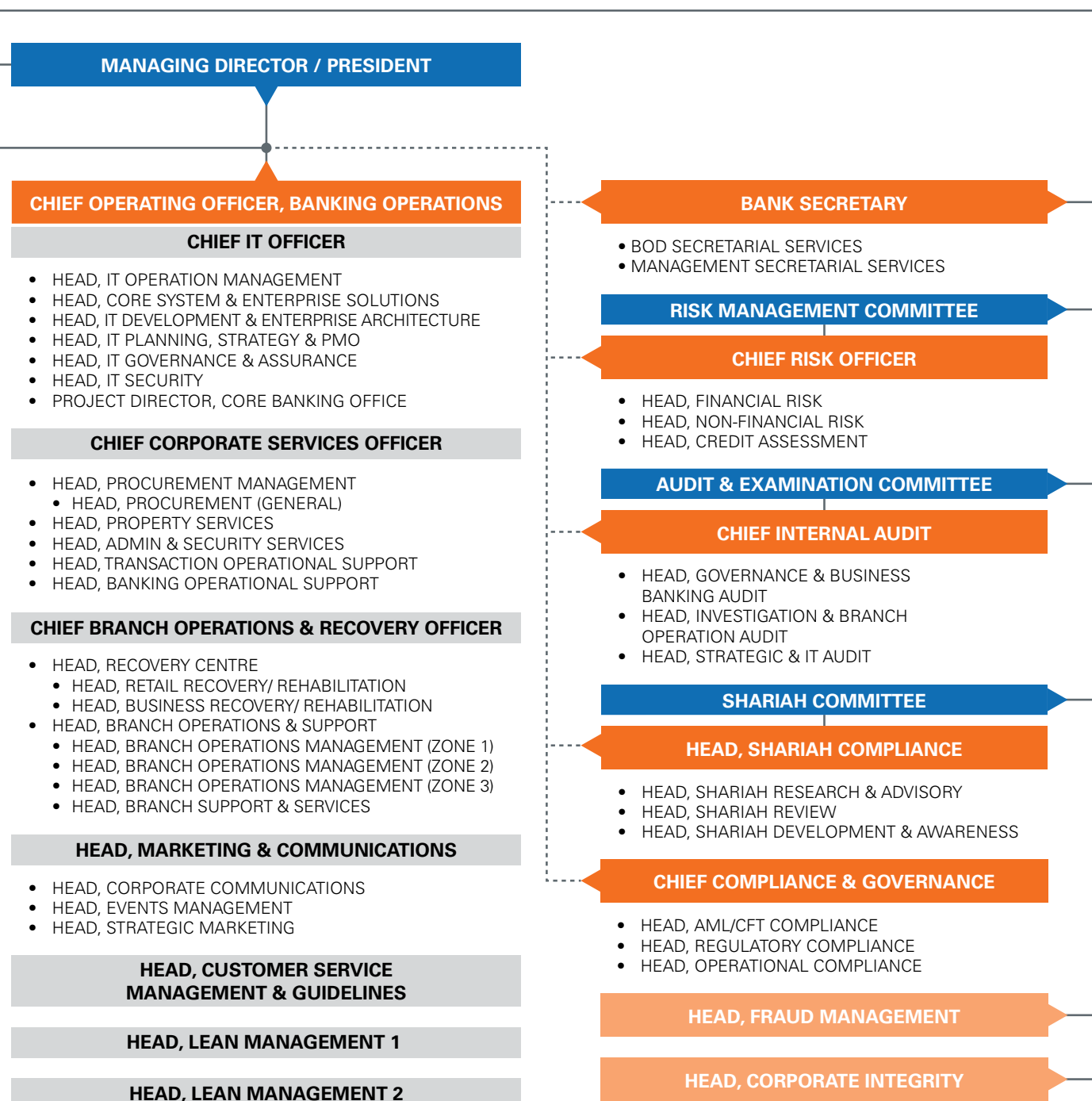


ORGANISATION CHART

FROM THE TOP



ORGANISATION CHART



LEADERSHIP

Great leaders must possess unrivalled tenacity, commitment to their goals and the sense that any task, regardless of audaciousness, must be accomplished for the good of the company.





BOARD OF DIRECTORS

OUR LEADERSHIP TEAM



1. Datuk Noripah Kamso
Chairman
2. Datuk Siti Zauyah Md Desa
3. Datuk Wan Suraya Wan Mohd Radzi
4. Dato' Sri Jamil Salleh
5. Wan Zamri Wan Zain

BOARD OF DIRECTORS



OUR LEADERSHIP TEAM

6. Abd Rani Lebai Jaafar

7. Edham Reza Shah Dato' Abdul Rahman

8. Dato' Rosman Mohamed

9. Prof. Dr. Obiyathulla Ismath Bacha

10. Ratnasari Mohd Damanhuri
(Acting, Bank Secretary)

BOARD OF DIRECTORS PROFILE



DATUK NORIPAH KAMSO
Independent Non-Executive Director

AGE:
62

GENDER:
Female

APPOINTMENT AS CHAIRMAN

- First Appointment as Chairman: 11 December 2018 - 10 December 2020

EDUCATION

- 1980, Master in Business Administration, Marshall University, Huntington, West Virginia, United States of America
- 1979, Bachelor of Science, Northern Illinois University, DeKalb, Illinois, United States of America
- 1978, Diploma in Business Studies, Institute Technology MARA

OTHER POSITIONS HELD

- Director, Top Glove Corporation Berhad
- Appeal Committee Member for SIDREC (Securities Industry Dispute Resolution Center), Securities Commission Malaysia
- Co-Chairman, Islamic Finance Industry Council, Malaysia-US Chamber of Commerce, Washington DC

PREVIOUS EXPERIENCE

- Fellow in Islamic Finance at Oxford Centre for Islamic Studies (2016 - 2017)
- Global Practitioner in Residence in the Center for Global Citizenship of Principal Financial Group, Drake University, Des Moines Iowa, United States of America (2015)
- Advisor of CIMB Islamic (2013 - 2014)
- Chief Executive Officer, CIMB Principal Islamic Asset Management (2008 - 2012)
- Chief Executive Officer, CIMB Principal Asset Management Berhad (2004 - 2008)
- Executive Director / Chief Executive Officer, CIMB Futures Sdn Bhd (1996 - 2004)
- Deputy General Manager, General Manager, Director, Corporate Banking, Commerce International Merchant Bankers Berhad (CIMB) (1993 - 2004)
- Executive Senior Manager Corporate Banker, Bank of Commerce (M) Berhad (1983 - 1992)
- Development Officer, Project Division, Urban Development Authority (UDA) (1980 - 1983)

BOARD OF DIRECTORS PROFILE



**DATUK WAN SURAYA
WAN MOHD RADZI**

Non-Independent Non-Executive Director

AGE:

50

GENDER:

Female

APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 11 December 2018 - 10 December 2021

EDUCATION

- LLB (Hons) University of Sheffield, Sheffield, United Kingdom
- Postgraduate Diploma in Public Management Programme, Kuala Lumpur, Malaysia
- Diploma in Trade Policy, World Trade Organization (WTO), Geneva, Switzerland
- High Potentials Leadership Programme, Harvard Business School, Boston, Massachusetts United States of America
- ASEAN Government Leadership Programme, GE Crotonville, New York, United States of America

OTHER POSITION HELD IN THE BANK RAKYAT

- Member, Board Nomination Committee
- Member, Board Investment Committee
- Member, Board Tender Committee
- Member, Board Remuneration Committee

OTHER POSITIONS HELD

- Secretary-General, Ministry of Entrepreneur Development, Malaysia

PREVIOUS EXPERIENCE

- Deputy Secretary-General (Strategy & Monitoring), Ministry of International Trade & Industry (MITI), Malaysia
- Senior Director (Sectoral Policy), Ministry of International Trade & Industry (MITI), Malaysia
- Senior Director (Investment Policy and Trade Facilitation), Ministry of International Trade & Industry (MITI), Malaysia
- Advisor on Economic Affairs, MITI Overseas Office (Singapore), Ministry of International Trade & Industry (MITI)
- Minister's Advisor on Economic Affairs, MITI Overseas Office (Brussels), Ministry of International Trade & Industry (MITI)
- Chief Assistant Director (ASEAN Economic Integration), Ministry of International Trade & Industry (MITI), Malaysia
- Assistant Director (International Trade), Ministry of International Trade & Industry (MITI), Malaysia

BOARD OF DIRECTORS PROFILE



DATUK SITI ZAUYAH MD DESA

Non-Independent Non-Executive Director

AGE

60

GENDER

Female

APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 1 July 2015 - 30 June 2017
- Reappointment: 1 July 2017 - 30 June 2019

OTHER POSITIONS HELD IN THE BANK RAKYAT

- Member, Board Investment Committee
- Member, Board Risk Committee
- Member, Board Financing Committee
- Member, Board Tender Committee
- Member, Board Nomination Committee

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Chairman, Rakyat Asset Management Sdn Bhd
- Board of Director, Rakyat Holdings Sdn Bhd
- Board of Director, Rakyat Hartanah Sdn Bhd
- Board of Director, Rakyat Management Services Sdn Bhd

OTHER POSITIONS HELD

- Deputy Secretary-General (Policy), Ministry of Finance
- Director, Johor Corporation
- Director, Majlis Amanah Rakyat (MARA)
- Director, Employees Provident Fund
- Director, National Trust Fund
- Director, Pegurusan Aset Air Berhad
- Director, Bintulu Port Holdings Berhad
- Director, Petroliaam Nasional berhad (PETRONAS)
- Director, Malaysia Airports Holdings Berhad

PREVIOUS EXPERIENCE

- Director, National Budget Office, Ministry of Finance
- Under Secretary, Government Investment Company Division, Ministry of Finance
- Under Secretary, Loan Management, Financial Market and Actuarial Division, Ministry of Finance
- Deputy Secretary (Economy), Investment, Ministry of Finance (Inc) & Privatisation Division, Ministry of Finance
- Deputy Secretary (Infrastructure), Investment, Ministry of Finance (Inc) & Privatisation Division, Ministry of Finance

- Head of Section (External Funding), Loan Management, Financial Markets & Actuary Division, Ministry of Finance
- Principal Assistant Secretary (Multilateral Unit), Loan Management, Financial Markets & Actuarial Division, Ministry of Finance
- Advisor to Director of the constituency belonging to Malaysia, Myanmar, Nepal, Singapore and Thailand
- Director, Social Security Fund of Malaysia
- Director, National Defense University of Malaysia
- Director, Malaysia Airport Holding Bhd (Alternate Director)
- Director, Jambatan Kedua Sdn Bhd (Alternate Director)
- Director, Export-Import Bank of Malaysia
- Director, Aerospace Technology Systems Corporation Sdn Bhd
- Director, Bank Pembangunan Malaysia berhad
- Director, UDA Holdings Berhad
- Director, Amanah Raya Bhd
- Director, KWAP Investment Panel
- Director, EPF Investment Panel
- Director, Islamic Corporation for the Development of the Private Sector (ICD)
- Director, Global Maritime Ventures Berhad
- Director, Syarikat Prasarana Malaysia Berhad
- Director, Bank Simpanan Nasional
- Director, Westports Malaysia Sdn Bhd
- Director, Telekom Malaysia Berhad (Alternate Director)
- Director, Malaysia Debt Ventures Berhad
- Director, DanaInfra Nasional Berhad
- Director, Govco Holdings Berhad
- Director, Turus Pesawat Sdn Bhd
- Director, Felda Global Ventures Holdings Berhad
- Director, Felda Holdings Berhad
- Director, Malaysia Digital Economy Corporation Sdn Bhd
- Director, Retirement Fund (Incorporated)

BOARD OF DIRECTORS PROFILE



DATO' SRI JAMIL SALLEH

Independent Non-Executive Director

AGE

60

GENDER

Male

APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 1 October 2016 - 30 September 2019

EDUCATION

- Bachelor of Arts (Hons) Anthropology and Sociology, University of Malaya
- Diploma in Public Administration, National Institute of Public Administration (INTAN) Malaysia

OTHER POSITIONS HELD IN THE BANK RAKYAT

- Member, Board Nomination Committee
- Member, Board Remuneration Committee
- Member, Board Tender Committee
- Member, Board Investment Committee

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Chairman, Rakyat Holdings Sdn Bhd
- Chairman, Rakyat Travel Sdn Bhd

PREVIOUS EXPERIENCE

- Secretary-General, Ministry of Domestic Trade, Co-operatives and Consumerism
- Chairman, Companies Commission of Malaysia
- Secretary-General, Ministry of Youth and Sports
- Deputy Secretary-General, Ministry of Youth and Sports
- Deputy Secretary, Ministry of Home Affairs
- Director, Prison Department, Ministry of Home Affairs
- Unit Head, Prison Department, Ministry of Home Affairs
- Assistant Secretary, Ministry of Defense
- Assistant Secretary, Ministry of Home Affairs
- Senior Assistant Director, Ministry of Youth and Sports
- Assistant Director, Ministry of Youth and Sports

BOARD OF DIRECTORS PROFILE



WAN ZAMRI WAN ZAIN

Independent Non-Executive Director

AGE

59

GENDER

Male

APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 9 October 2017 - 8 October 2019

EDUCATION

- Master of Business Administration (Financial Management and Management Information System), West Coast University, Los Angeles, California, United States of America
- Bachelor of Science in Finance and Business Economics, Southern Illinois University, Carbondale, Illinois, United States of America
- Associate Financial Planner, Institute of Financial Planners, Hong Kong
- International Certificate for Financial Advisors, Chartered Institute of Insurers, United Kingdom
- Diploma in Direct Marketing, Institute of Direct Marketing

OTHER POSITIONS HELD IN BANK RAKYAT

- Interim Chairman, Board Audit and Examination Committee
- Chairman, Board Tender Committee
- Chairman, Board Financing Committee
- Member, Board Nomination Committee
- Member, Board Remuneration Committee
- Member, Board Investment Committee
- Member, Board Risk Committee

OTHER POSITIONS HELD

- Independent Director, Zurich General Insurance Bhd

PREVIOUS EXPERIENCE

- Chief Executive Officer, AmMetlife Takaful Bhd
- Chief Executive Officer, AIA Takaful International Bhd
- Head of Group Business, HSBC Amanah Takaful (Malaysia) Sdn Bhd
- Head of Channel Management, HSBC Amanah Takaful (Malaysia) Sdn Bhd
- Senior Regional Sales & Distribution Manager, HSBC, Hong Kong, Asia Pacific, Personal Financial Services
- Regional Investment and Insurance Manager, HSBC, Hong Kong, Asia Pacific, Personal Finance Services
- Regional Manager, Ipoh and Cameron Highland Branches, HSBC Malaysia
- Manager Personal Banking, Ipoh Branch, HSBC Malaysia
- Manager Investment & Insurance Services, HSBC Malaysia
- Assistant Manager Corporate Credit, HSBC Malaysia
- Trade Services Executive, HSBC Malaysia
- Corporate Credit Executive, HSBC Malaysia
- Operation Officer, HSBC Malaysia

BOARD OF DIRECTORS PROFILE



ABD RANI LEBAI JAAFAR

Independent Non-Executive Director

AGE

61

GENDER

Male

APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 1 January 2018 - 31 December 2019

EDUCATION

- Member, Chartered Institute of Islamic Finance Professionals (CIIF)
- Financial Institutions Directors' Education Programme (FIDE), Bank Negara Malaysia
- Leadership Development Summer Program (GLDP), Harvard University Boston, Massachusetts, United States of America
- Member (MIBM) Institute Bank-Bank Malaysia
- Master of Business Administration Finance & Marketing, University of New Haven, Connecticut, United States of America
- Bachelor of Science in Business Finance, Indiana University Bloomington, Bloomington, Indiana, United States of America
- Diploma in Accountancy, MARA Institute of Technology

OTHER POSITIONS HELD IN BANK RAKYAT

- Chairman, Board Nomination Committee
- Chairman, Board Investment Committee
- Chairman, Board Risk Committee
- Member, Board Audit and Examination Committee
- Member, Board Financing Committee

OTHER POSITIONS HELD

- Board Member, Leadership & Entrepreneurship Advance Institute (LEAD), Management & Science University (MSU)
- Adjunct Professor, Management & Science University (MSU)

PREVIOUS EXPERIENCE

- Chairman & Director Zikay Factoring Sdn Bhd
- Director, Public Sector & Business Development, RHB Capital
- Chief Executive Officer/ Managing Director, RHB Islamic Bank
- Deputy Chief Executive Officer, Affin Islamic Bank
- Senior Vice President, Contract Financing & SME Department, Affin Bank Bhd
- First Vice President, Enterprise Banking, Affin Bank Bhd
- Deputy General Manager, Banking Division, Affin Bank Bhd
- Head of Operations Division, Affin Bank Bhd
- Branch Manager, Affin Bank Bhd
- Account Relationship Manager, Corporate Banking Division, Standard Chartered Bank

BOARD OF DIRECTORS PROFILE



EDHAM REZA SHAH

DATO' ABDUL RAHMAN S.A.P., B.K.T.
Independent Non-Executive Director

AGE
38

GENDER
Male

APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 2 January 2019 - 1 January 2022

EDUCATION

- Professional Certificate In Trade Financing, International Association of Accounting Professionals IAAP, United Kingdom
- Certificate of Eligibility on Qualified Lawyers Transfer Scheme (QLTS) as Solicitor of England and Wales, Law Society, United Kingdom
- Certificate in Oil & Gas Law, Brickfields Asia College, Kuala Lumpur, Malaysia
- Certificate in Islamic Finance (IFQ), Chartered Institute for Securities & Investment (CISI), United Kingdom
- Masters in Banking Law (Majoring in Islamic Banking Finance & Takaful) (LLM), International Islamic University Malaysia (IIUM), Malaysia
- Admitted as an Advocate & Solicitor to the Malaysian Bar, Bar Council Malaysia
- Admitted as Utter Barrister-at-Law, Gray's Inn London, United Kingdom
- Post Graduate Diploma in Bar Vocational Course (BVC), BPP Law School, London, United Kingdom
- LLB (Hons), University of Sheffield, United Kingdom

OTHER POSITIONS HELD IN BANK RAKYAT

- Member, Board Nomination Committee
- Chairman, Board Remuneration Committee
- Member, Board Audit & Examination Committee

OTHER POSITIONS HELD

- Joint Managing Partner, Abdul Rahman & Partners
- Commissioner for Oaths
- Member Panel of Arbitrators of Asian International Arbitration Centre (formerly known as The Kuala Lumpur Regional Centre for Arbitration) - Panel of Islamic Banking and Financial Services Arbitrator
- Associate member of The Chartered Tax Institute of Malaysia
- Member of Bar Council Malaysia
- Member of the Kuala Lumpur Bar Committee, Malacca Bar Committee, and Johore Bar Committee

PREVIOUS EXPERIENCE

- Partner, Head of Corporate Banking & Islamic Finance Takaful Practice, Abdul Rahman & Partners
- Associate, Corporate Banking & Finance, Albar & Partners

BOARD OF DIRECTORS PROFILE



DATO' ROSMAN MOHAMED

Independent Non-Executive Director

AGE

58

GENDER

Male

APPOINTMENT AS DIRECTOR

- First appointment as Board of Director: 1 April 2019 - 31 March 2020

EDUCATION

- Executive Diploma in Marketing & Selling Bank Services, International Management Centre, Buckingham, England
- Master's in Business Administration (MBA). St-Louis University, Missouri, United States of America
- Bachelor's in Business Administration, Urbana University, Ohio, United States of America

OTHER POSITIONS HELD

- Director, RM 48 Ventures Sdn Bhd
- Board Member, Koperasi Harapan Berhad
- Chairman, Koperasi Rangkaian Global Malaysia Berhad
- Vice President, Talent & Development, Malaysia-Bahrain Economic Cooperation Chamber (MBECC)
- Professor of Practice, Putra Business School, Universiti Putra Malaysia

PREVIOUS EXPERIENCE

- Managing Director, Centre of Excellence, Abdul Latif Jameel, Jeddah, Saudi Arabia
- Managing Partner, LDS (M) Sdn Bhd & Top Performers Leadership Centre
- Senior General Manager, Corporate Services, Bank Rakyat
- Managing Director Kaizen Business Development and Human Resources, Abdul Latif Jameel, Jeddah, Saudi Arabia
- Regional Business Development & HR Director Asia Pacific, CABOT
- Senior Manager-Change Management, British American Tobacco
- Founder and Consultant, Growthworks (Asia) Sdn Bhd
- Head of Training / Credit Manager, Maybank
- Executive Accounting Officer, Road Transport Department (JPJ)

BOARD OF DIRECTORS PROFILE



**PROF. DR. OBIYATHULLA
ISMATH BACHA**

Independent Non-Executive Director

AGE

61

GENDER

Male

APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 1 April 2019 - 31 March 2022

EDUCATION

- Doctor of Business Administration (with specialisation in Finance), Boston University, United States of America
- Master in Business Administration (with High Honors), Boston University, United States of America
- Master of Arts (Economics), Boston University, United States of America
- Bachelor Soc Sc (Hons, 2nd upper), Science University of Malaysia, Malaysia

OTHER POSITIONS HELD

- Professor of Finance, Depart. Of Finance and Accounting, International Centre for Education in Islamic Finance (INCEIF)
- Shariah Committee Member, SABANA, Real Estate Investment Trust (REIT)

PREVIOUS EXPERIENCE

- Advisor, Great Eastern Life Insurance
- President of Malaysian Finance Association
- Adjunct Professor of Finance, Luxembourg School of Finance, University of Luxembourg, France
- Shariah Committee Member, HSBC Amanah
- Shariah Committee Member, Asia Equity Partners (AEP) Private Equity, Singapore
- Investment Committee Member, Pacific Mutual Fund, Malaysia
- Derivatives Market Consultative Panel, Bursa Malaysia, Malaysia

- Consultant IDB - BNM Joint Working Group for Resource Mobilisation, BNM/IDB, Malaysia
- Consultant, IRTI-IFSB Midterm Review Islamic Capital Markets, IRTI-IFSB, Malaysia
- Consultant, The World Bank Project on Feasibility of Using Sukuk for Local Government Financing, World Bank - Turkey Branch Office, Turkey
- Consultant, UNESCAP, Ideas from Islamic Capital Markets for Sustainable Development in Asia and the Pacific, UNESCAP - Bangkok, Thailand
- Consulting on Proposed Risk Sharing Sukuk for Indonesia, Maybank Islamic, Malaysia
- Head / Dean of Graduate Studies, International Centre for Education in Islamic Finance (INCEIF), Malaysia
- Professor of Finance, Dept. of Business Administration, Faculty of Economics and Management Sciences, International Islamic University, Malaysia
- Professor and Director, Management Centre, International Islamic University, Malaysia
- Associate Professor & Director, Management Centre, International Islamic University, Malaysia
- Head, MBA Programme, International Islamic University, Malaysia
- Associate Professor & Head, Department of Business Admin, International Islamic University, Malaysia
- Assistant Professor & Head of Department of Business Admin, International Islamic University, Malaysia
- Assistant Professor of Finance, Boston, University, United States of America
- Credit Officer, Malayan Banking Berhad

BANK SECRETARY



APPOINTMENT AS ACTING BANK SECRETARY

- 2 October 2017

EDUCATION

- Bachelor of Management (Human Resource Management), Open University
- LS 0008410

RATNASARI MOHD DAMANHURI

Acting Bank Secretary

AGE

46

GENDER

Female

SHARIAH COMMITTEE

OUR LEADERSHIP TEAM



1. Dato' Setia Hj. Mohd Tamyas Abd Wahid
Chairman
2. Dr Mohammad Zaini Yahaya

3. Ustaz Md. Yunus Abd. Aziz
4. Assoc. Prof. Dr. Azman Mohd Noor

SHARIAH COMMITTEE



5. Ustaz Mohd Zamerey Abdul Razak

6. Ustaz Wan Rumaizi Wan Husin

7. Dr. Abdullaah Jalil

8. Prof. Dato' Dr Mohd Azmi Omar

SHARIAH COMMITTEE PROFILE



**DATO' SETIA HJ MOHD
TAMYAS ABD WAHID**
Chairman

APPOINTED TO SHARIAH COMMITTEE

- 1 May 2019 - 31 August 2021

EDUCATION

- Bachelor of Shariah (Hons), Al-Azhar University, Cairo, Egypt
- Diploma in Arabic Language Education, Ain Shams University, Cairo, Egypt

OTHER POSITIONS HELD

- Mufti of Selangor
- Chairman, State Fatwa Committee, Selangor
- Member, Selangor Royal Council
- Member, Board of Trustees, Selangor Zakat Board (LZS)
- Member, Selangor Islamic Religious Council (MAIS)
- Member, Al-Quran Printing Control and Licensing Board (LPPQ), Ministry of Home Affairs
- Member, Shariah Advisory Committee, as-Salihin Trustee Berhad
- Chairman, Zakat Distribution Committee, Selangor Zakat Board (LZS)

- Member, Investment Committee, Selangor Islamic Council (MAIS)
- Member, Shariah Panel, Wakaf Fund, Islamic University of Malaysia (UIM)
- Member, Board of Directors, Perbadanan Wakaf Selangor
- Member, Joint Management Committee Wakaf Selangor Muamalat, Bank Muamalat Malaysia Berhad

PREVIOUS EXPERIENCE

- Member, Shariah Panel, Standards and Industrial Research Institute of Malaysia (SIRIM Berhad)
- Member, Halal Certification Panel, Halal Development Corporation (HDC)
- Principal, Sekolah Agama Menengah Tinggi Hishamuddin, Klang
- Principal, Sekolah Agama Menengah Tinggi Kuala Kubu Bharu



USTAZ MD. YUNUS ABD. AZIZ

APPOINTED TO SHARIAH COMMITTEE

- 1 July 2018 - 30 June 2020

EDUCATION

- Master of Fiqh and Usul Fiqh, al-Bayt University, Jordan
- Bachelor of Shariah, University of Malaya

OTHER POSITIONS HELD

- Lecturer, Faculty of Shariah and Laws, Islamic Science University of Malaysia
- Member, Shariah Advisory Council, Islamic Science University of Malaysia
- Chairman, Surau At-Taqwa Desa Anggerik, Nilai, Negeri Sembilan

PREVIOUS EXPERIENCE

- Deputy Dean, Student Performance and Development Management, Islamic Science University of Malaysia
- Head, Bachelor's in Fiqh and Fatwa Programme, Islamic Science University of Malaysia
- Coordinator, World Fatwa Management and Research Institute (Documentation Section), Islamic Science University of Malaysia
- Coordinator, Falak Unit, Faculty of Shariah and Laws, Islamic Science University of Malaysia
- Shariah Advisor, Koperasi Alam Bersih (Ko-Alam)

SHARIAH COMMITTEE PROFILE



USTAZ WAN RUMAIZI WAN HUSIN

APPOINTED TO SHARIAH COMMITTEE

- 1 May 2019 - 31 August 2021

EDUCATION

- Master of Fiqh and Usul al-Fiqh, International Islamic University Malaysia
- Bachelor of Fiqh and Usul al-Fiqh, al-Bayt University, Jordan

OTHER POSITIONS HELD

- Member, Shariah Committee, PruBSN Takaful
- Member, Shariah Board, Ar-Rajhi Bank Malaysia
- Member, Shariah Advisory Committee, Tabung Haji Board
- Member, Shariah Council, Malaysian Chinese Muslim Association (MACMA)
- Member, Consultant Panel, International Research Centre in Islamic Economics and Finance (IRCIEF), International Islamic University College Selangor (KUIS)
- Consultant, Sadaqa House, International Research Centre in Islamic Economics and Finance (IRCIEF), International Islamic University College Selangor (KUIS)

PREVIOUS EXPERIENCE

- Lecturer, Department of Fiqh and Usul al-Fiqh, International Islamic University Malaysia
- Member, Shariah Committee, Yayasan Muamalat Belia
- Shariah Advisor, Tissue Bank, Universiti Sains Malaysia Hospital, Kubang Kerian, Kelantan
- Consulting Fellow and Module Developer, International Research Centre in Islamic Economics and Finance (IRCIEF), International Islamic University College Selangor (KUIS)
- Member, Working Group for MS1900: 2014 Standard (Shariah-based Quality Management Systems - Requirement with Guidance), SIRIM Secretariat
- Trainer in Islamic Finance and Banking for staff of Bank Negara Malaysia, CIMB, Hong Leong Bank, Public Bank, Prudential Assurance Malaysia Berhad, BSN, MBSB, PUNB, RHB and OCBC
- Member, International Union of Muslim Scholars (Ittihad al-Alami li 'Ulama' al-Muslimin), Qatar
- Member, Association of Shariah Advisors (ASAS), Kuala Lumpur
- Member, Muamalat Expert Panel, Jabatan Kemajuan Islam Malaysia (JAKIM)
- Member, Shariah Advisory Committee, International Islamic University Malaysia



DR. ABDULLAAH JALIL

APPOINTED TO SHARIAH COMMITTEE

- 1 April 2018 - 31 March 2020

EDUCATION

- PhD in Islamic Finance, INCEIF
- MBA (Islamic Banking and Finance), International Islamic University Malaysia
- Bachelor of Shariah (Fiqh and Islamic Studies), Yarmouk University, Irbid, Jordan

OTHER POSITIONS HELD

- Senior Lecturer, Faculty of Economics and Muamalat, Islamic Science University of Malaysia
- Shariah Compliance Officer, Quality Management System Certification MS1900:2005, Islamic Science University of Malaysia
- Chairman, Shariah Committee, PruBSN Takaful
- Member, Shariah Committee, Islamic Science University of Malaysia Staff Cooperative
- Member, Fatwa Researcher Panel, Mufti Department of Negeri Sembilan

PREVIOUS EXPERIENCE

- Member, Shariah Committee, Shariah and Islamic Finance Unit, World Fatwa Management and Research Institute (INFAD), Islamic Science University of Malaysia
- Member, Coordinating Committee for Muamalat Takaful, and Islamic Finance and Banking Programme, Ministry of Higher Education Malaysia
- Seminar Coordinator, World Fatwa Management and Research Institute (INFAD), Islamic Science University of Malaysia
- Research Fellow, Islamic Finance and Wealth Management Institute (IFWMI), Islamic Science University of Malaysia

SHARIAH COMMITTEE PROFILE



**ASSOC. PROF. DR AZMAN
MOHD NOOR**

APPOINTED TO SHARIAH COMMITTEE

- 1 January 2019 - 31 December 2020

EDUCATION

- PhD in Islamic Law, University of Edinburgh, UK
- Master of Islamic Criminal Law, National University of Malaysia
- Master of Muamalat (Islamic Law of Transactions), International Islamic University Malaysia
- Bachelor of Islamic Law, Islamic University of Madinah, Saudi Arabia

OTHER POSITIONS HELD

- Senior Lecturer, International Institute of Islamic Banking & Finance, International Islamic University Malaysia
- Deputy Chairman, Shariah Board, Al-Rajhi Bank Malaysia
- Chairman, Shariah Panel, AmFamily Takaful
- MQA Expert, Muamalah and Islamic Banking Panel
- Member, Fatwa Committee, Pejabat Mufti Negeri Perlis

PREVIOUS EXPERIENCE

- Member, Shariah Committee, SME Bank
- Member, Shariah Advisory Council, Securities Commission Malaysia
- Member, Shariah Committee, MNRB Retakaful



DR MOHAMMAD ZAINI YAHAYA

APPOINTED TO SHARIAH COMMITTEE

- 1 May 2019 - 31 August 2021

EDUCATION

- PhD, Fiqh & Usul Department, International Islamic University Malaysia
- Master of Islamic Studies, National University of Malaysia
- Bachelor of Shariah (Hons), Al-Azhar University, Cairo, Egypt

OTHER POSITIONS HELD

- Senior Lecturer, Department of Shariah, Faculty of Islamic Studies, National University of Malaysia
- Deputy Director, Islamic Centre, National University of Malaysia

PREVIOUS EXPERIENCE

- Lecturer, National University of Malaysia
- Tutor, National University of Malaysia
- Member, Research Panel, Research for The Enhancement of KAFA Curriculum (2015-2016),
- Department of Islamic Development Malaysia (JAKIM)

- Assessment Panel, Chair of Principal Fellow in Fatwa Research Project, World Fatwa Management and Research Institute (INFAD), Islamic Science University of Malaysia (USIM)
- Chairman, Panel Meeting for Assessment of Manuscripts and Sample Textbook Packages for Standard Curriculum for Prifor Primary Schools (KSSR), Dewan Bahasa & Pustaka (DBP)
- Chairman, Panel Meeting for Assessment of Manuscripts and Sample Textbook Packages for Standard Curriculum for Primary Schools (KSSR) Textbooks
- Member, Committee for The Development of DSKP KSSM (Document for Standard Curriculum and Assessment, Standard Curriculum for Secondary Schools) Al-Shahadah Al-Ulya Ulul Albab Turath Dirasat Islamiah 2017, Ministry of Education Malaysia
- Member, Shariah Committee, Asian Finance Bank

SHARIAH COMMITTEE PROFILE



**PROF. DATO' DR MOHD
AZMI OMAR**

APPOINTED TO SHARIAH COMMITTEE

- 01 January 2018 - 31 December 2019

EDUCATION

- PhD (Finance), Bangor University, Wales, United Kingdom
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals
- Master of Finance, Northern Illinois University, USA
- Bachelor of Finance, Northern Illinois University, USA
- Diploma in Finance, MARA Institute of Technology, Malaysia

OTHER POSITIONS HELD

- President / Chief Executive Officer, International Centre for Education in Islamic Finance (INCEIF)
- Member, Shariah Committee, Etika Takaful Berhad
- Islamic Finance Expert, Monetary Authority Brunei Darussalam

PREVIOUS EXPERIENCE

- Director General, Islamic Research and Training Institute, Islamic Development Bank Group Jeddah, Kingdom of Saudi Arabia
- Deputy Rector, Professor and Lecturer, International Islamic University Malaysia (1983 - 2011)
- Member, Amanah Ikhtiar Malaysia Shariah Committee



**USTAZ MOHD ZAMEREY
ABDUL RAZAK**

APPOINTMENT AS SECRETARY

- 18 August 2014 - To date

EDUCATION

- Master in Islamic Studies, Universiti Kebangsaan Malaysia
- Bachelor of Shariah (Hons), Yarmouk University, Jordan

OTHER POSITIONS HELD IN BANK RAKYAT

- Head, Shariah Compliance Division

OTHER POSITIONS HELD

- Chairman, Board of Trustees, Academy Imam Syafi'e
- Member, Board of Trustees, Tabung Amanah Tok Kenali
- Member, Board of Trustees, Yayasan Kolej University Islam Selangor (KUIS)

PREVIOUS EXPERIENCE

- Head, Shariah Department, Takaful Ikhlas Bhd
- Member, Shariah Committee, Stella Capital al-Aqarat, United States of America
- Member, Shariah Committee, Islamic Retail Fund (Isareit Retail Properties Sdn Bhd Malaysia)
- Head, Division, Asian Finance Bank Berhad
- Shariah Secretary, Asian Finance Bank Berhad
- Shariah Secretary, Safeena (L) Ltd (Islamic Marine Fund-Labuan)
- Industrial Advisor, Faculty of Muamalat & Management, International Islamic University College Selangor (KUIS)

MANAGEMENT COMMITTEE

OUR LEADERSHIP TEAM



1. Dr Mohammad Hanis Osman
Chief Retail Banking Officer

2. Dato' Amirudin Abdul Halim
*Chief Operating Officer, Business
(until 02/07/2019)*

3. Nor Haimee Zakaria
Chief Finance Officer

4. Dato' Asmuni Sudin
Chief Operating Officer, Banking Operations

5. Muzamir Omar
Chief Strategy and Transformation Officer

MANAGEMENT COMMITTEE



- 6. Ahmad Shukri Abdul Rahman
Chief Risk Officer
- 7. Mohd Shahril Isa
Chief Branch Operations & Recovery Officer
- 8. Dato' Syed Abdul Aziz Syed Hassan
Chief Corporate Services Officer

- 9. Abdul Razak Abu Bakar
Chief Business Banking Officer
- 10. Amren Faisal Fadzil
Chief Treasury Officer

MANAGEMENT COMMITTEE PROFILE



Dato' Amirudin Abdul Halim

Chief Operating Officer, Business

Dato' Amirudin was appointed Chief Operating Officer, Business, at Bank Rakyat on 3 July 2017. He is a graduate of the Advanced Management Program at the Wharton Business School, University of Pennsylvania, USA. In addition, he holds a Bachelor of Arts in Finance from St. Louis University, Missouri, USA; and a Diploma in Business Studies from MARA Institute of Technology, Malaysia. Before working with Bank Rakyat, he was Executive Director, Banking, at Affin Bank Bhd and Director, Business Banking, before that. Prior to that, he worked at Maybank Bhd, Mayban Fortiss Bhd and Mayban Finance Bhd.



Dato' Asmuni Sudin

Chief Operating Officer, Banking Operations

Dato' Asmuni assumed the position of COO, Banking Operations at Bank Rakyat on 4 December 2017. Prior to assuming the position of COO, Banking Operations, at Bank Rakyat, he held the post of Chief Finance Officer at Agrobank Bhd and Chief Operations Officer before that. His earlier working experience was at Maybank Bhd where he was Regional Director for Selangor and Negeri Sembilan Region. He also served as General Manager for Brunei. Dato' Asmuni holds a Bachelor's degree in Economics from the University of Malaya.

MANAGEMENT COMMITTEE PROFILE



Dr Mohammad Hanis Osman

Chief Retail Banking Officer

Dr Mohammad Hanis' career for the last 20 years has been extensively involved in the area of treasury and investment. He has worked both in Malaysia and in the Middle East with various commercial, Islamic and investment banks in areas involving the Money Market, Fixed Income, Foreign Exchange, Equities, Derivatives and Structured Products. His qualifications include PhD in Economics from International Islamic University Malaysia; Master of Business Administration (Finance) from International Islamic University Malaysia; and a BA (Hons) Accounting and Finance from University of East London, United Kingdom. He is also a Certified Treasury Professional and is licensed by Securities Commission Malaysia as a Licensed Dealer's Representative. He started working at Bank Rakyat on 15 December 2009.



Mohd Shahril Isa

Chief Branch Operations & Recovery Officer

Mohd Shahril holds a Bachelor of Economics degree from the University of Malaya and started his career with Bank Rakyat in 1984 as an Executive in the Human Resource Department.

He was then appointed Senior Vice President, Branch Network for Bank Rakyat from 2014-2015. Mohd Shahril has more than 30 years of experience in the banking industry, including as Branch Manager and Head of Financing Rehabilitation. On 1 September 2015, he was appointed Chief Retail Banking Officer. On 1 January 2018, he was appointed as Chief Branch Operations & Recovery Officer.

MANAGEMENT COMMITTEE PROFILE



Dato' Syed Abdul Aziz Syed Hassan

Chief Corporate Services Officer

Dato' Syed Abdul Aziz was appointed Chief Corporate Services Officer at Bank Rakyat on 1 April 2017. He comes with more than 29 years of experience at top management level in leading property development companies including five years as a Chief Executive Officer at Rakyat Holdings Sdn Bhd. During his tenure in the property development sector, he headed various property development projects at several leading property development companies such as Zikay Group Sdn Bhd, PECD Berhad and Island and Peninsular Berhad. Dato' Syed Abdul Aziz is a graduate of the Senior Management Programme at Harvard Business School.

He also holds a Bachelor's in Business Management from Ohio University, USA, and a Diploma in Plantation Industry Management from Universiti Teknologi Mara, Malaysia.



Nor Haimee Zakaria

Chief Finance Officer

Nor Haimee Zakaria, is a fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He also holds a Bachelor's Degree in Accountancy, Finance and Economics from the University of Essex, UK. He has more than 27 years' experience in finance and banking. He started his career as the Trainee Accountant (ICAEW) with Coopers and Lybrand, Birmingham, UK (1990) and later as Audit Senior with Coopers Lancaster Brewers, CA London, till end 1993. He came back to Malaysia and served as the Finance Manager with Arab Malaysian Development Bhd (1994-2001), before joining Bank Islam as the Head of Group Finance/Company Secretary till 2008. He later joined Bank Rakyat as Vice President, Finance, in October 2008, and later promoted as the Chief Finance Officer in 2014 - the position held until now.



Ahmad Shukri Abdul Rahman

Chief Risk Officer

Ahmad Shukri joined Bank Rakyat on August 15, 2016. Prior to this, he was Head of Risk Management at OCBC Al-Amin Bank. He has had 26 years' experience in the banking industry, 17 years of which were in local and foreign Islamic banks. Ahmad Shukri was one of the pioneers responsible for setting up Al Rajhi Bank Malaysia in 2006 before he left for Al Rajhi Bank in 2008 to form part of the team that established OCBC Al-Amin Bank Berhad. His working experience includes stints at Bank Muamalat, Pacific Bank Berhad and Oriental Finance Berhad. He holds an Executive Masters in Islamic Banking and Finance from Asia e University, Malaysia and a Bachelor of Business Administration (Finance) from Texas A&M University at Commerce, USA. He also holds a Certificate in Islamic Law from International Islamic University Malaysia. In his position as Chief Risk Officer at Bank Rakyat, Ahmad Shukri is responsible for managing bank-wide risks and focusing on ensuring robust and effective risk management and ensuring the Bank grows prudently within its risk appetite.

MANAGEMENT COMMITTEE PROFILE



Abdul Razak Abu Bakar

Chief Business Banking Officer

Abdul Razak holds a Bachelor of Accounting degree from the University Utara Malaysia and a Chartered Accountant of the Malaysian Institute of Accountants. He started his career as an Audit Executive/Tax Executive at Azman Wong Salleh & Co. Later, he served as Assistant Manager, Corporate Finance at Aseambankers Berhad. In 2001, he served as Senior Relationship Manager, Commercial Banking at RHB Bank Malaysia Berhad. Later, he served as Assistant Vice President, Head of Structured Finance at OCBC Bank Berhad. In 2009, he served as Head SME, Commercial Banking at Bank Islam Berhad. Later, he joined Bank Rakyat in 2012 as Assistant General Manager, Commercial Banking. In 2014, he served as Senior Vice President, Corporate Banking. On 1 November 2018, he was appointed as Chief Business Banking Officer.



Amren Faisal Fadzil

Chief Treasury Officer

Amren Faisal holds a Bachelor in Finance from University Teknologi MARA (UiTM) and a Diploma in Investment Analysis from University Teknologi MARA (UiTM). He is also holds a Certified Financial Planner and Federation of Malaysia Unit Trust Manager. He started his career as Financial Planner Executive at Permodalan Nasional Berhad. Later, he served as Portfolio Manager at Affin Fund Management. He joined Bank Rakyat in 2012 as Investment Manager. In 2014, he served as Equity Manager. In 2016, he served as Vice President, Investment Portfolio Management. On 1 November 2018, he was appointed as Chief Treasury Officer.



Muzamir Omar

Chief Strategy and Transformation Officer

Muzamir Omar holds a Master's in Business Administration from University Teknologi MARA (UiTM), Bachelor of Education 2nd Class Upper from Dewan Bahasa & Pustaka, Diploma in Translation from University of Kent, United Kingdom and Chartered Islamic Finance Professional. He started his career at Bank Rakyat as Manager of Corporate Planner. In 2006, he served as Manager of Corporate Planner in 2006. In 2014, he served as Vice President of Corporate Strategy. On 1 November 2018, he was appointed as Chief Strategy and Transformation Officer.

SUSTAINABILITY REPORT

Embarking towards a sustainable journey.





SUSTAINABILITY REPORT

ABOUT THE SUSTAINABILITY REPORT ("REPORT")

All corporations have a competitive agenda - winning in the marketplace and be profitable. Bank Rakyat has always believed that profits and corporate responsibility (CR) are not mutually exclusive. Profits are an important part of our ability to deliver the economic, environmental and social requirements of sustainable development.

The Report presents our clear direction, key areas of focus, major considerations, the governance, our motivation and overall view on sustainable finance and sustainable development. Our reporting process is inspired by Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements and its supplementary Sustainability Reporting Guide. This Report covers our financial year ended 2018 (1 January to 31 December 2018) and all operations within Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat"), unless otherwise stated.

STAKEHOLDER ENGAGEMENT

We believe that our Vision can only be achieved with support from our stakeholders. Our stakeholders and their inputs are valuable to us and we seek to reach out to them regularly through various platforms as part of the usual course of our business in order to understand their concerns. Feedback received both directly and indirectly influences the way we derive our material matters. The table below illustrates concerns raised by stakeholder groups:

Stakeholder Groups	Modes of Engagement	Matters of Interest
Members (also known as our shareholders)	<ul style="list-style-type: none"> Annual General Meetings Investor Relations Email correspondences 	<ul style="list-style-type: none"> Financial performance Societal impact of products and services Ethical business practice
Board of Directors ("the Board")	<ul style="list-style-type: none"> Board meetings Special meetings 	<ul style="list-style-type: none"> Overall performance and strategic direction Good governance practice Relationship with stakeholder groups
Management	<ul style="list-style-type: none"> Management meetings Special meetings 	<ul style="list-style-type: none"> Operational efficiency Innovative services and products Rapport with stakeholder groups Customer satisfaction Performance and societal impact
Employees	<ul style="list-style-type: none"> Intranet Web communities Town hall sessions Employee related events Grievance systems 'Open door' policy 	<ul style="list-style-type: none"> Employee welfare Career progression Ethical business practice Societal impact
Customers	<ul style="list-style-type: none"> Social media Customer service channels Public Complaints Bureau 	<ul style="list-style-type: none"> Amiable products and services Streamlined customer services Ethical business practice Personal data protection
Government and Regulators	<ul style="list-style-type: none"> Meetings Forums Regulatory briefings 	<ul style="list-style-type: none"> Products and services Ethical business practice Overall performance Regulatory compliance
Local communities	<ul style="list-style-type: none"> Volunteering activities CSR programmes 	<ul style="list-style-type: none"> Indirect economic contribution CSR contribution
Media	<ul style="list-style-type: none"> Meetings, press releases and press briefings 	<ul style="list-style-type: none"> Good governance practices Societal impact
Non-Government Organisations (NGOs)	<ul style="list-style-type: none"> Briefings, meetings, volunteer programmes 	<ul style="list-style-type: none"> Good governance practices Societal impact Indirect economic contribution

SUSTAINABILITY REPORT

OUR SUSTAINABILITY MATTERS

This year, we conducted a structured process to identify our material sustainability matters. Material sustainability matters are areas where we have the greatest impact and through which we seek to create shared value. We identified Bank Rakyat's sustainability matters by assessing the operating environment and emerging trends affecting the financial services industry, as well as benchmarking potential sustainability matters across a broad range of references such as peer reviews and the Global Reporting Initiative Standards ("GRI Standards"). For the purpose of this report, our Sustainability Working Group ("SWG") led a risk assessment exercise to determine the level of significance of each matter to the Bank. Based on the outcome of the risk assessment exercise, Bank Rakyat determined the level of impact of each sustainability matters to the business (i.e. The Bank).

We have grouped our material matters into three themes, as shown below. Our performance and measures taken to manage these matters are discussed in the next section of this Report.



SUSTAINABLE DEVELOPMENT GOALS AND ELEVENTH MALAYSIA PLAN

We understand that appropriate management of our matters creates value far beyond the vicinity of our operations. Global movements, most prominently represented by the United Nations 17 Sustainable Development Goals ("SDGs") and Malaysia's national Eleventh Malaysia Plan ("11MP"), echo a universal understanding that various facets of our current lifestyle needs to be adjusted towards sustainable practices. Therefore, we would like to acknowledge the universal cause, and the themes where Bank Rakyat is creating value alongside the relevant SDGs and the relevant 11MP movements:



SUSTAINABILITY REPORT



GOVERNANCE

At present, our sustainability matters are managed as part of the usual course of business. Our strategic direction is set by the Board and each Head of Department monitors the performance and management of respective risks and opportunities. The performance of each department is reported to respective Board Committees. At year end, information is collated and reported to stakeholders through our Sustainability Report. Moving forward, we would look into formalising our sustainability governance and reporting structure to better reflect the way we manage our areas of impact.

Responsible Lending

As the largest Islamic cooperative bank in Malaysia, we understand the critical role we play in supporting the country's development plan. We strive to ensure lending practices are performed responsibly to the benefit of our customers and members. In addition to our internal policies, our conduct is governed by our by-laws, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978, the DFI Act 2002, as well as the regulations of Bank Negara Malaysia.

In addition, our role as an Islamic financial institution promotes the granting of products and services in compliance with Shariah laws. In providing oversight on Shariah matters in relation to the Bank's business and operations, our governance structure includes a dedicated Shariah Committee (the "**Committee**"). The Committee reviews operational processes to ensure that our services and products are Shariah-compliant.

Responsible Procurement Practices

We recognise the role we play in ensuring our procurement practices are ethical and responsible, as well as supporting local businesses. Our internal processes, policies and procedures guide our employees in fair procurement and ensure appropriate criteria are thoroughly considered when selecting suppliers.

Our Code of Business Conduct and Ethics ("**COBCE**") and procedural documents guide our procurement staff in ethical conduct, including gift policy, facilitation payment, and ensuring suppliers' practices align with our policies and codes, as well as laws and regulations. All quotations and tenders submitted by suppliers are evaluated on quality of goods and services, background and experience, competitiveness of price, and any efforts towards energy efficiency or resource conservation.

In adhering to its policy of sustainable and ethical procurement, Bank Rakyat emphasises that all purchasing decisions must be based on good governance practices and in the best interest of the Bank. We are also committed to transparency, confidentiality and fairness in all our dealings. As such, all our suppliers can expect to be treated fairly and even-handedly at all stages of the procurement process. It means being open with those involved, ensuring that the principle of fair competition is upheld and that all bidders have access to the same information to ensure a level playing field.

There should be no conflicts of interest among Bank Rakyat employees involved in the tender process. The exertion of undue influence or abuse of power, as well as being unprofessional, may contravene relevant legislations, codes and guidelines. At the same time, we expect our suppliers to comply with legal requirements and agree to any negotiated terms and conditions.

Wherever possible, we practise supply chain diversification to avoid overreliance on any one supplier. All quotations and tenders submitted must be evaluated, not only on price competitiveness or value for money, but also the quality of the goods or services provided and track records of the bidders.

Procurement practices can also make a significant contribution to our sustainability goals. We take into account environmental factors as part of the tendering process, giving priority to products and services that conserve natural resources, protect the environment and are energy efficient.

Ethics and Compliance

Align with our role as a Development Financial Institution ("**DFI**"), we understand our responsibility to facilitate national development in the most responsible manner. Therefore, we acknowledge good corporate governance together with ethical and compliant business practices as the foundation of our business. Our actions are underpinned by our six (6) corporate cultures of Rajin (Diligent), Amanah (Trustworthy), Kompeten (Competent), Yakin (Confidence), Akhlak Mulia (Exemplary Behaviour) and Takwa (God-conscious) or R.A.K.Y.A.T and our commitments, prescribed in our policies and codes.

During the Induction Programme, our employees are made aware of our practices via our COBCE. The COBCE communicates our policies to our employees, including but not limited to our gift policy, anti-corruption policy, conflict of interest policy, and policy on political contributions.

We maintain two independent sources in guiding employees to report a misconduct: the Progressive Disciplinary Handbook and the Whistleblowing Policy. The Whistleblowing Policy is publicly available to allow parties external to Bank Rakyat to understand grievance channels available. Employees and third parties are encouraged to report any misconduct, including, but not limited to, fraud, bribery, and abuse of power through email to whistle@bankrakyat.com.my in a strict and confidential manner.

SUSTAINABILITY REPORT



COMMUNITY

Contributing to the local community has always been important to Bank Rakyat. As a responsible bank with a growing business, we deem it our obligation to support surrounding communities. We utilise our resources to provide for areas of need in local communities to help alleviate living standards.

Bank Rakyat is committed to carrying on our business and affairs in a socially responsible, sustainable, and meaningful way, taking into account ethics, the environment and society at large. We have in place our GPP 171 Donations/ Sponsorship Guidelines that focus our commitments and contributions towards programmes involving education, children with special needs, Islamic-related programmes, programmes organised by the government, ministry or agencies, Suruhanjaya Koperasi Malaysia, and also programmes organised by business partners, depositors and cooperatives.

We however do not support any activity, project or event that is related to a political group or party, or that is against Bank Rakyat's Corporate Values.

#AnakKita

The Malaysian government had in place various initiatives to elevate the lives of people with disabilities and this has been widely accepted by Bank Rakyat. To support this effort, we came up with the theme “#AnakKita” that seeks to engage and help children with autism. We hope our activities will not only raise public awareness on children with autism but also attract other organisations to join us in aiding these children. Our approach towards this is based on four (4) main pillars;

EDUCATING

Giving exposure and awareness to the community regarding autism



SOCIALISING

Providing children with autism the opportunity for recreational activities in public spaces



THERAPY

Organising activities relating to elevating cognitive behavioural therapy, and increasing their social and communication skills



FUNDRAISING

Involvement in fundraising and charitable activities to benefit the community and disadvantaged groups



In 2018, we had organised 105 activities to create awareness amongst the society on autism with the involvement of around 19,000 participants.

YEAR	2018
SCHOOLS / ASSOCIATIONS / INSTITUTIONS INVOLVED	50
IMPACT	7,380 People
CONTRIBUTION	RM 0.92 Mil
TOTAL NUMBER OF ACTIVITIES	105 Activities



NASOM welcomes such partnership from the corporate community like Bank Rakyat as we strive to improve the quality of life for people with autism and their families through programs, resources, knowledge and social innovation. We hope by getting more involvement from the corporate community, it would help us to create more awareness regarding the subject of autism.

FEILINA S.Y.
MUHAMMAD FEISOL
Chairman of NASOM



SUSTAINABILITY REPORT



Yayasan Bank Rakyat ("YBR")

Yayasan Bank Rakyat was established to focus on educational funding and charity contribution for the local community. We have been actively sponsoring education for underprivileged Malaysian citizens, regardless of religion, race, and background. The foundation also provides financial assistance to the disabled and individuals or organisations in need.

2018 marks the 11-year anniversary of our YBR that has affected many lives and will continue to be an integral part of Bank Rakyat's Corporate Social Responsibility efforts. In 2018, we have benefited around 154,000 individuals.

More information at <https://www.yayasanbankrakyat.com.my/>



Ministry of Education's 7-a-side 1 Student 1 Sport National Football Tournament

YBR realises the importance of a healthy and fit community. Thus sports is an important aspect in the holistic development of the future generation of the country. In line with the 1 Student 1 Sports Policy introduced in 2010, YBR in collaboration with the Ministry of Education Malaysia ("KPM"), organised the 7-a-side 1 Student 1 Sport National Football Tournament.

This tournament has been endorsed by the National Blue Ocean Strategy ("NBOS") under the National Education Blueprint 2013-2025 through the collaboration between the private sector and the KPM.

In addition to enhancing the involvement of students in sports, the tournament also focused on the development of human capital through sports by developing the talent of the young athletes from the early stages.



“

YBR gave me a platform to realise my dream and I am very thankful for the wonderful opportunity. The experience I had while studying in Australia helps me to improve as a person and more importantly, prepares me to be more confident in facing challenges ahead.

MUHAMMAD AMZAR
MUHAMMAD FAUZI

YBR Scholars
University of Western Australia

”

SUSTAINABILITY REPORT



Zakat

As an Islamic co-operative bank, we understand our obligations to abide by the Islamic principles to allocate a proportion of our business profit to aid the poor and needy. In 2018, Bank Rakyat's total zakat payment totalled RM23.45 million. We distribute our zakat payment directly to the State Zakat Centre and the Asnaf (the individuals entitled to receive zakat).



Community Engagement

Aligning business practises with societal needs and expectations help drive long-term sustainability. Having grown to our present of strength in the banking sector, this means we can apply the size and scale we have to reach out and make a difference in addressing some of society's biggest challenges. By doing so, we contribute to the strength and vibrancy of the communities in which we serve

FYE 2018	
Distribution to State Zakat Centre (RM Million)	Asnaf Zakat Distribution (RM Million)
14.66	8.79

FYE 2017	
Distribution to State Zakat Centre (RM Million)	Asnaf Zakat Distribution (RM Million)
25.42	15.25

FYE 2016	
Distribution to State Zakat Centre (RM Million)	Asnaf Zakat Distribution (RM Million)
22.91	13.74

FYE 2015	
Distribution to State Zakat Centre (RM Million)	Asnaf Zakat Distribution (RM Million)
23.24	13.94

FYE 2014	
Distribution to State Zakat Centre (RM Million)	Asnaf Zakat Distribution (RM Million)
25.62	15.37

FYE 2013	
Distribution to State Zakat Centre (RM Million)	Asnaf Zakat Distribution (RM Million)
25.62	15.37

SUSTAINABILITY REPORT



ENVIRONMENT

Our great national reach places us in the position to affect the environment and local communities that we operate in. We believe that we have a responsibility to protect the environment and support the local community. Therefore, it is imperative for us to continuously enhance the way we manage our environmental and social impacts in order to move towards sustainable excellence.

Environmental Management

We are persistently progressive on how we monitor and manage our environmental footprint by focusing on our greenhouse gas ("GHG") emissions, water, energy consumption, and waste management.

Our office buildings contribute to our overall energy consumption. The Bank Rakyat Twin Towers reflect our commitment to monitor and reduce our energy usage. The towers have been uniquely designed to maximise energy performance as they are installed with glass facades that enable maximum transparency and capture natural sunlight. Apart from that, the offices and common areas are cooled by a centralised Chiller system, with temperature transmitters monitoring the building load and chilled water flow rate to maximise energy efficiency.

Our waste management effort is largely directed towards monitoring waste generated from paper and IT equipment. As our operations move towards digitalisation, we have seen a great reduction in our paper usage as well as increased productivity. The e-documents system uses software to manage documents more efficiently and cost-effectively. Apart from that, we also advocate to our employees to use paper only when it is necessary.

Paperless Environment

Worldwide consumption of paper has risen in the last 40 years. With increasing awareness, there is a growing trend towards sustainability in the global pulp and paper industry. Since 2014, with the move to its new headquarters, Bank Rakyat has been increasingly transitioning towards implementing a paperless work environment, where the use of paper is greatly reduced or eliminated altogether. Going paperless not only reduces clutter, saves money and boosts productivity, but it is also a great public relations message in a more environmentally-conscious world.

Documents, whether electronic or paper, are essential components of any corporations. The e-documents system uses cutting-edge software to manage documents more efficiently and cost-effectively. With the system, lost or mislaid files are a thing of the past. The reduced need to print or copy documents also saves time and money. The introduction of e-forms for claims, leave application, purchase of flight tickets among others, has also contributed to an increasingly paperless environment in Bank Rakyat.

Electricity Usage in kWh at Menara Kembar Bank Rakyat

Tower 1	11,303,701
Tower 2	5,040,584
FYE 2018	
Tower 1	9,207,487
Tower 2	5,089,421
FYE 2017	
Tower 1	10,269,337
Tower 2	4,833,660
FYE 2016	

SUSTAINABILITY REPORT



WORKPLACE

We value our employees as their dedication and talents contribute to the sustainable success of Bank Rakyat. We strive to attract and retain the best talent in the industry as part of our continuous business improvement. Therefore, it is essential for Bank Rakyat to provide a nurturing, competitive, exciting and safe working environment for all our 5,178 employees.

Employment Practices

We place great importance on upholding the fundamental rights of our employees. Built on our commitments, we shape and endorse a safe and respectful workplace with fair and equal opportunities for our employees. Bank Rakyat's COBCE is an integral point of reference for Bank Rakyat's employees and is accessible via the intranet.

We endeavour to promote diversity in terms of gender and age ratios as we firmly believe embracing diversity will increase productivity. As of 2018, 42% of our total employees are women. We intend to provide more opportunities for women in the coming years.

Item	Category	Total no. of Employees		
		FYE 2016	FYE 2017	FYE 2018
Gender	Female	2,049	2,058	2,207
	Male	2,987	2,950	2,971
Age Group	Below 30	1,551	1,321	1,333
	30 - 50	3,258	3,401	3,431
	Over 50	227	286	414
Position	Senior Management	54	64	68
	Middle Management	260	262	291
	Executive	2,483	2,573	2,915
	Non-Executive	2,239	2,109	1,904
Employment Contract	Permanent	4,700	4,800	4,755
	Contract	336	208	423

BANK RAKYAT TOTAL EMPLOYEES (FYE 2016 - 2018)

2018	5,178
2017	5,008
2016	5,036

TOTAL EMPLOYEES BY GENDER AS AT 31ST DECEMBER 2018

Female	2,207
Male	2,971

TOTAL EMPLOYEES BY AGE

Below 30	1,333
30 - 50	3,431
Over 50	414

2018

Below 30	1,321
30 - 50	3,401
Over 50	286

2017

Below 30	1,551
30 - 50	3,258
Over 50	227

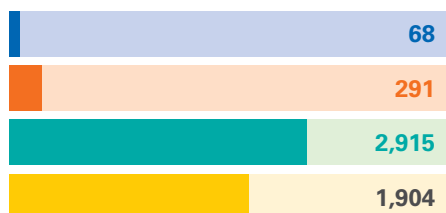
2016

Below 30	1,721
30 - 50	3,200
Over 50	214

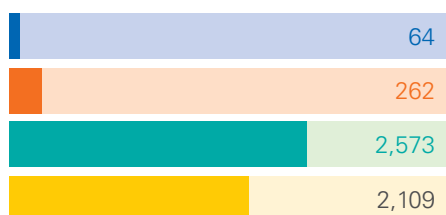
2015

SUSTAINABILITY REPORT

TOTAL EMPLOYEES BY POSITION



2018



2017

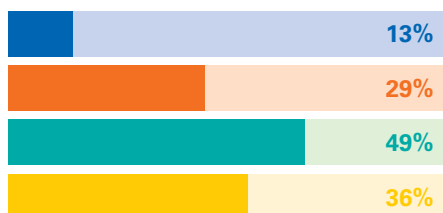


2016

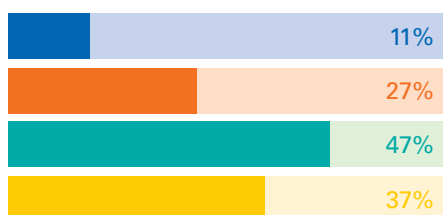
Senior Management

Middle Management

BANK RAKYAT FEMALE EMPLOYEES



2018



2017



2016

Executive

Non-Executive

TOTAL EMPLOYEES BY GENDER



2018



2017



2016



2015

TOTAL EMPLOYEES BY CONTRACT TYPE



2018



2017



2016



2015

Our commitment towards providing fair and equal opportunities is further showcased by employing differently-abled individuals. To date, we currently employ 2 individuals whom are currently working as our telephonist. One is visually impaired and the other requires a wheelchair for mobility. To ensure we cater to their special needs, we adapted their working space to ensure it is near the restroom and also provide a special area to place the wheelchair.

	FYE 2016	FYE 2017	FYE 2018
No. of differently-abled employees	2	2	2

SUSTAINABILITY REPORT

Bank Rakyat places great emphasis on the welfare of its employees. Bank Rakyat covers the employees with attractive benefits that support their productivity. The benefits provided are as shown below:

Type of Benefit	Description
Life insurance and medical benefits	<p>The Life Insurance covers death, total permanent disability and partial permanent disability.</p> <p>The total for hospitalisation and non-hospitalisation is 60 days.</p>
Health and wellness	<p>'Kelab Sukan Bank Rakyat' ("KEBARA") conducted the Floor to Floor Health Talk sessions in 2017 in MKBR. The objective is to improve the level of awareness about healthy lifestyle among employees. Apart from that, 10 sessions of the Health & Wellness Training was organised for involving 355 employees from all over the country.</p>
Retirement benefits	<p>Bank Rakyat organises the Pre-Retirement Program where we conduct sessions consisting of awareness on financial, health and business after retirement.</p> <p>In 2017, 667 employees received the Long Service Award 2016 which was presented during the Annual Dinner 2017.</p>
Other benefits	<ul style="list-style-type: none"> Compassionate Leave (Death of close relatives/Disasters/Warded Immediate Family): Bank Rakyat provides maximum four (4) days of compassionate leave per annum Incentive for employees (Further studies): 59 recipients in 2017 Incentive for Dependent (Achieve Excellent Result): 144 recipients in 2017 Corporate Golf Memberships (Entitlement: Manager Level & Above): 51 golf clubs handed with the number of 145 memberships in 2017

Employee Engagement

We engage with our employees regularly, as part of our culture to foster open channels of communication and develop meaningful relationships with our employees to motivate and accelerate their learning and development. We value individual input from our employees and provide platforms for them to raise their concerns.

We conduct performance review sessions annually to help them plan and strategies their professional development and encourage them to create their own career opportunities. During Human Capital Day in 2016, we launched the Career at Bank Rakyat handbook that provides guidance to our employees towards achieving their full potential. In the handbook, we communicate to our employees the roles and responsibilities they, their managers and the Bank have, to support their personal development and growth. We also established an organised approach to help our people reach their full potential in the Bank's Talent Management process flow.



SUSTAINABILITY REPORT



We also motivate our employees to take the initiative to discuss with their managers whenever they identify possible areas for them to contribute towards the increase in revenue/profit, reduced costs, or otherwise make the Bank more efficient or effective. We also conducted the Employee Engagement Survey twice, in 2015 and 2017, as part of our initiatives to our people's aspirations and development needs.

	FYE 2016	FYE 2017	FYE 2018
Percentage (%) of employees who received performance reviews	100%	100%	100%

EMPLOYEE ENGAGEMENT SURVEY



4,991 Invited Participants

4,850 Responses

97% Responses Rate

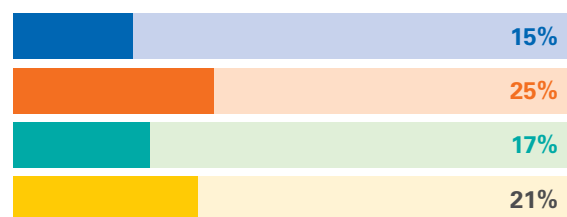
2017

4,817 Invited Participants

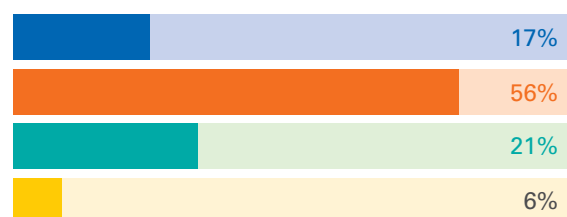
4,420 Responses

92% Responses Rate

2015



2017



2015



SUSTAINABILITY REPORT

Grievance Mechanism

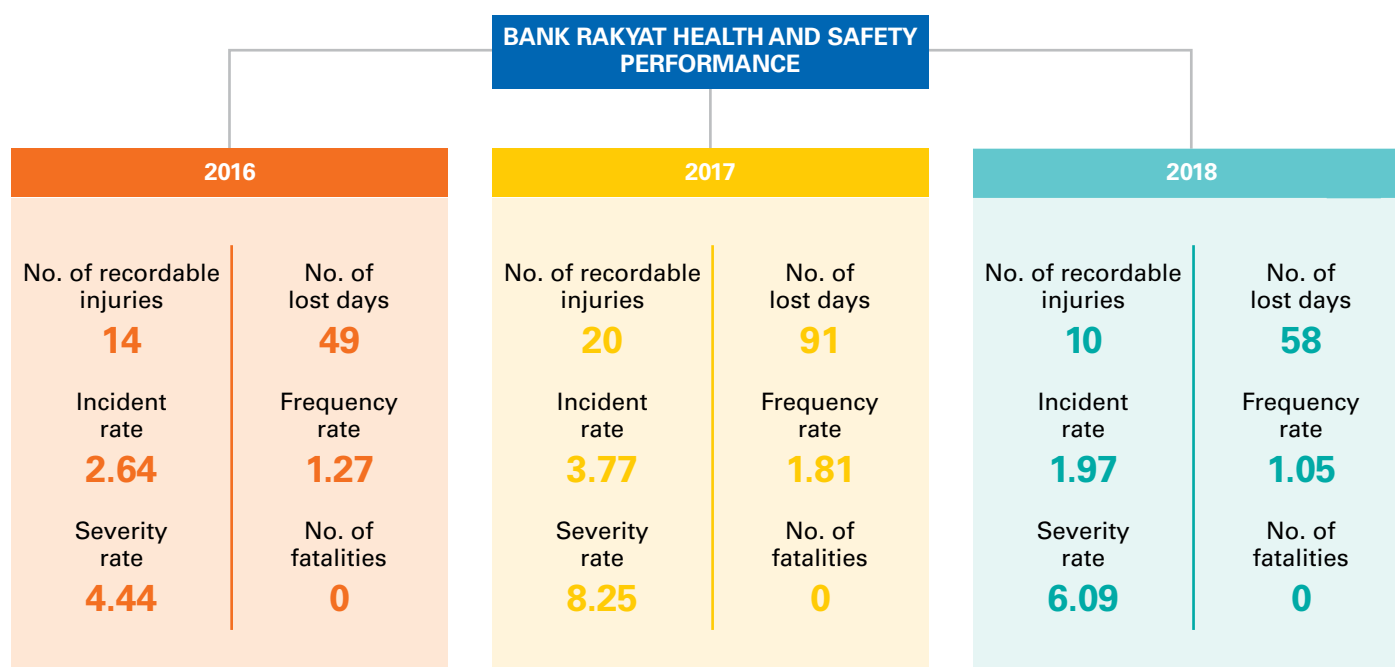
We promote a working culture where there is respect for the individual. We encourage our people to lodge on any official complaints through our MyHR Portal. As at December 2018, we only received 1 grievance case.

	FYE 2016	FYE 2017	FYE 2018
Total no. of grievance cases	-	1	1

Health and Safety

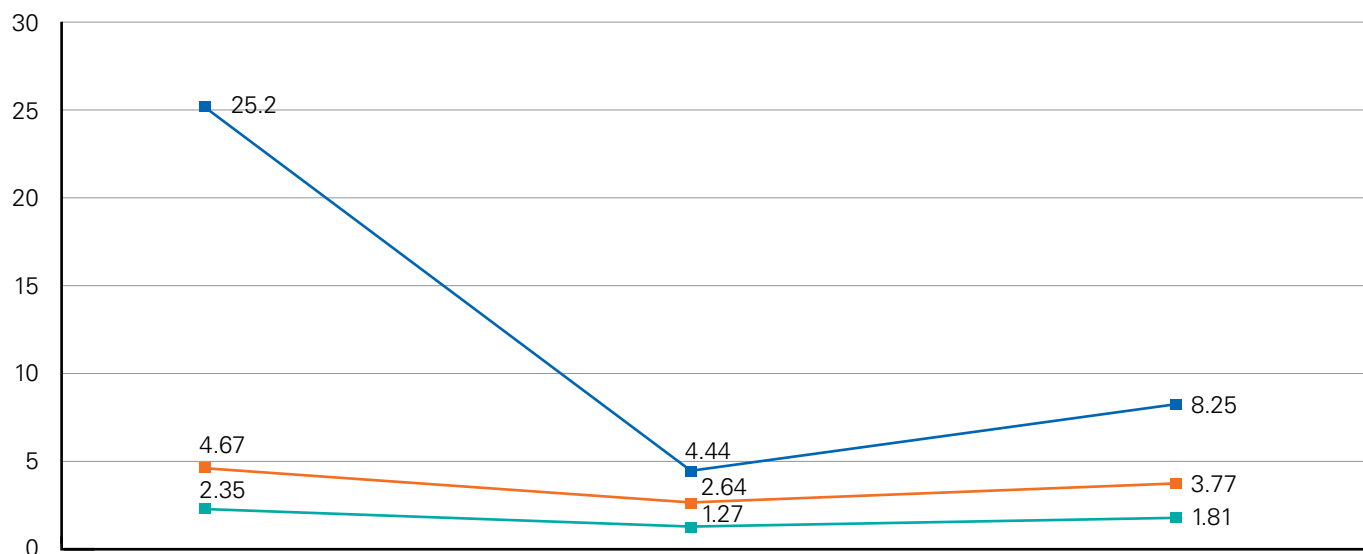
The health and safety of our employees is a priority for Bank Rakyat. To demonstrate our commitment to protect the health and safety of our employees, we have in place Bank Rakyat Occupational Safety & Health ("OSH") Policy & Manual which is communicated and available via the intranet and also displayed on every level of Menara Kembar Bank Rakyat and at each of our branch. The Bank has established a Safety Unit under the Industrial Relations Department that reports directly to the Human Capital Chief Officer in his capacity as Chairman of the OSH Main Committee. The Safety Unit serves as a secretariat to OSH Main Committee in preparing the OSH Policy and manuals, followed by monitoring of the implementation of the policy and manuals and periodic reviews to ensure effectiveness. We are the first bank in Malaysia to obtain the OHSAS 18001:2007 Occupational Health and Safety Management System certification as well as MS1722:2011 Malaysian Standard on Occupational Health and Safety Management System.

To measure the effectiveness of our OSH management, we monitor the health and safety performance of our employees. For FYE 2018, our reported injuries reduced from the previous year by 10 cases.



SUSTAINABILITY REPORT

Bank Rakyat Health and Safety Performance



As part of our initiatives to ensure a safe and healthy workplace, we encourage our employees to adopt a healthy lifestyle by introducing the Floor-To-Floor Health Talk (Health Awareness) and Corporate Wellness Programme. We continuously seek ways to reduce the number of accidents in our operations. In 2018, we organised several trainings to increase awareness on occupational health and safety, as illustrated below:

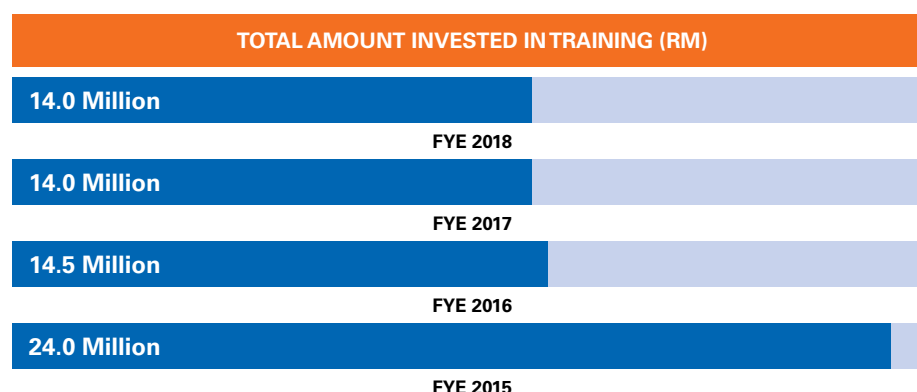
Type of Training/ Programme	No. of Session	No. of Participants
Mega OSH Tool Box 2018	1	15
Chemical Exposure Monitoring for Ar-Rahnu Unit	1	22
Commuting Safety Support Program	8	192
Participate in Pertandingan Kawad Kecekapan Bomba State Level (Wilayah Persekutuan Kuala Lumpur)	1	18
Basic Occupational First Aid & CPR Training	8	190
Fire & Rescue Team Training	10	355
Floor To Floor Health Talk	24	900
ISO 45001 Interpretation & Internal Audit Training	1	20
Defensive Riding Training	5	100

SUSTAINABILITY REPORT

Talent Attraction and Retention

The Bank provides a supportive place for career progression and to meet the needs of our employees. We enable our employees to reach their full potential and accomplish personal goals by continuously investing in developing their skills and knowledge. In addition, we ensure we provide for our employees by listening and understanding their needs.

Since 2016, we have been conducting programmes specifically dedicated to the development of our talent in an internal training room at Menara 2, Menara Kembar Bank Rakyat, that is equipped with dedicated training facilities. In 2018, we invested a total of RM14 million to provide our employees with regular trainings and other career development programmes. The programmes were targeted at all level of employees.



Training and development

To define high quality development plans, we believe it is crucial to apply the 70/20/10 model. The concept states that only a blend of different learning approaches will provide powerful development for our people.

70/20/10	
70: Experiential Learning	This is the process of learning through experience and practise such as on the job training, knowledge sharing, projects, assignments, international exposure, acting role, shadowing, etc.
20: Informal Learning (Coaching & Feedback)	It is defined as a process of learning through others via coaching and support. It requires a partnership of learners and those providing the support to reach the objective of learning. There is a variety of strategies used such as observation, networking with those with similar function and asking others. Learning could be optimised most of the time through feedback by others of how well the individual is performing.
10: Formal Learning	The formal classroom training as a model for knowledge and technical skills transfer is always mistaken as the optimal choice of learning for performance. In reality, it only provides a very small percentage of an individual's job skills. Other learning avenues of formal learning includes research, reading books, e-learning, etc.

SUSTAINABILITY REPORT

Life Long Learning

The continuous change in globalisation will surely impact and pose a challenge to all countries, especially developing countries like Malaysia. To address this, YBR has taken proactive steps in empowering the workforce to become competitive and advanced by developing skilled and knowledgeable human capital. Lifelong learning enables one to acquire knowledge and skills in conjunction with high-income economy models that are capable of integrating the potential of young executives, to ensure the sustainability and relevance of the organisation they work for. Ultimately, they contribute to the development of the nation, enabling it to stay ahead of the changing environments. Education is not only for the youth, hence YBR has taken a vigorous step in ensuring the incessant implementation of lifelong learning.

Our Life Long Learning programme, established in 2015, is still ongoing in collaboration with Universiti Utara Malaysia Professional and Continuing Education Centre ("UUM-PACE"). All classes are held once a month at Bank Rakyat's Twin Towers. This programme is aimed at providing opportunities for tertiary education, enhancing knowledge skills, and applying lifelong learning culture regardless of age, and is open to Bank Rakyat's employees, including subsidiaries and members.

YBR also took the initiative towards developing productive workers, possessing high-level thinking skills and the capacity to use information and communication technology ("ICT"). Employees should now be able to perform more complex tasks, innovate and improve work processes through the use of new technology. In the direction of human capital development, continuous learning is needed to help achieve targeted standards.

Programmes: Talent Management Initiatives

Frequency: Annual

Target group: Management level

In an effort to retain employees in an organisation, a robust and inclusive talent management process is crucial. Bank Rakyat places great emphasis in meeting the ever changing demand of employees and has embarked on a Career Conversation initiative. Career Conversation is a career discussion between an employee and their immediate manager where identified areas of interest are expressed and development plans are identified and agreed upon. Career Conversation helps the employer understand the employees' needs for career development and provide encouragement along the way. This helps to motivate and accelerate Bank Rakyat employees' learning and development.

Career Conversation is also a means of providing avenues for employees to feel appreciated and be heard. It creates a culture that encourages career management to attract, engage and retain the brightest of talents and allow a self-directed journey in managing their career progression in the long run. It also provides an avenue to help employees develop new capabilities and knowledge while providing longer term career growth opportunities.

In Bank Rakyat, Career Conversation is conducted when the performance management cycle is concluded. As employees have proven their capabilities to achieve the organisation's desired result, this Career Conversation would allow them to realise their potential and developmental areas that would excel them further in their career. Since its implementation, all executive level employees of Bank Rakyat have gone through this process and has their own individual development plan which is monitored as part of their performance achievement on a yearly basis. Subsequent to this exercise, other talent initiatives – Talent Potential Assessment and Classification of Talent – were also implemented in an effort to drive the Bank towards a high performing and agile organisation.



SUSTAINABILITY REPORT

Programme: The Islamic Banker ("TIB")

Frequency: Biannual

Target group: Management trainee

The Bank's focus on the development of talent is not just for existing employees. As a mean to attract younger generations into the organisation, the Bank has launched a management trainee programme – The Islamic Banker ("TIB"). The programme is a 2-year comprehensive development journey with the minimum requirement of being a Certified Professional Islamic Finance ("CPIF") candidate by the Chartered Institute of Islamic Finance Professionals ("CPIF"). This is a fast track CPIF pathway of attaining the certification in a 2-year timeframe.

Trainees would be equipped with relevant management and soft skills competencies through a series of development programmes by renowned trainers such as ICLIF, Excel Minds and OBS. The 2-year programme is divided into 3 phases of development: foundation building, business appreciation and career placement.

The programme aims to equip trainees with comprehensive competencies development to kick start their employment journey with the Bank. Additionally, trainees are also required to participate in one CSR initiative anchored by the SDGs.

Upon completion of the 1-year development programme, they are expected to become a group of well-rounded trainees and would have the option to work in a preferred business unit mapped against their aspiration with alignment to the Bank's business requirements.

Development Framework

Frequency: Throughout the year

Target group: All employees

Bank Rakyat provides a comprehensive Development Framework that caters to the development needs for all level of employees. The programmes are aimed at equipping them with technical know-how as well as managerial / soft skills and competencies.

Employees at all levels have equal opportunity for continuous learning. The robust development effort is also committed in granting professional certifications that are relevant to the financial services industry to remain competitive among their peers.

Managers and above are also equipped with comprehensive leadership capability programmes. It ranges from local built programmes to global exposure leadership programmes. This intervention programme aims to equip and enhance the leadership capabilities of our people in driving Bank Rakyat to its desired growth.



“

This programme is a good platform for my career growth and it helps us to develop our full potential. What makes this programme so special is how it gives exposure to almost all core banking sectors as it aims to train us to be a complete banker.

MUHAMMAD
SYAZWAN MOHD
REDZUAN

Islamic Banker trainee

”

SUSTAINABILITY REPORT



MARKETPLACE

At present, our sustainability matters are managed as part of the usual course of business. Our strategic direction is set by the Board and each Head of Department monitors the performance and management of respective risks and opportunities. The performance of each department is reported to respective Board Committees. At year end, information is collated and reported to stakeholders through our Sustainability Report. Moving forward, we would look into formalising our sustainability governance and reporting structure to better reflect the way we manage our areas of impact.

FULFILLING OUR MANDATE

As a DFI, we were a pioneer in the cooperative and entrepreneurship movement, guided by a vision of reducing the social inequalities in Malaysia's rural societies.

Our mandate was to raise the social and economic status of rural communities, provide them with opportunities for self-improvement and to build a more promising future for their families and communities. From our present position of strength and capitalising on our core competencies, it is a role that we continue to play to this day. To this end, we offer products and services that target key communities in need. Highlights of our key products and services are shown below:

Name of the Product	Description and Target Groups	No. of Beneficiaries	Total Value Spend (RM)
Retail Shop Transformation Programme ("TUKAR-i")	<ul style="list-style-type: none"> The programme aims to modernise existing traditional grocery stores to compete in a highly competitive retail business. Retailer can utilise borrowed funds to upgrade premises or equipment, procure stocks, purchase of point of sale ("PoS") system or used as working capital This programme is in collaboration with local and foreign hypermarkets (as consultants), with funds provided by Ministry of Domestic Trade, Co-operatives and Consumerism ("MDTCC") 	<p>In the year 2018, 7 applications were approved</p> <p>A total of 1,577 retailers have benefited from the programme since 2011</p>	<p>2018: RM1.09million</p> <p>A total of RM108.39 million of fund has been approved since 2011.</p>
Modernisation of Automotive Workshop ("ATOM")	<ul style="list-style-type: none"> ATOM is a programme designed to modernise existing workshops and enhance their competitiveness, utilising funds provided by MDTCC The programme is implemented in collaboration with automotive associations and organisations (appointed Consultants) and to be carried out until 2020 	<p>This year, 15 applications were approved, making it a total of 1,044 recipients benefiting from the programme since 2011</p>	<p>2018: RM5.09 million</p> <p>A total of RM107.86 million has been approved since 2011</p>
Rural Economic Financing Scheme ("SPED")	<ul style="list-style-type: none"> The scheme aims to: increase the number of rural Bumiputera entrepreneurs in all dynamic and legal economic areas; upgrade the business of rural Bumiputera entrepreneurs to be more dynamic, competitive, and resilient; provide funding facilities for rural Bumiputera entrepreneurs in order to improve the rural economy; provide a collateral-free funding scheme with a low installment rate; and encourage creation of Bumiputera Commercial and Industry Community ("BCIC") among rural residents. 	<p>In 2018, 22 applications were approved</p> <p>Since 2001, 2,397 Bumiputera entrepreneurs have benefited from the scheme</p>	<p>2018: RM2.41 million</p> <p>Since its launching, a total of RM209.22 million has been approved</p>

SUSTAINABILITY REPORT

We will continue working hand-in-hand with the government and other parties to serve the national development agenda. We will also strive further to provide innovative ethical and Shariah-compliant products and services to cater to the needs of our customers and members.

DIGITALISATION AND INNOVATION

In financial services, digitalisation of services and process lines are critical to ensure the Bank complements the lifestyle of our members and non-members. It also allows us to provide higher quality services with faster turnaround time. As we push for digitalisation, we are able to observe further opportunities which leads to our desire to continuously innovate our digitalised platform.

We make a conscious effort to deliver a more structured digital service, system experience and support to our customers and members. We look to optimise customer-facing technologies and improve digital touchpoints with the aim of enhancing customer experience on our digital platform.

Some of the digital transactions occur as part of the following services:

Name of the Product	Description of the Product
i-Rakyat Mobile Responsive	· This feature allows customers to optimise i-Rakyat Interface via multiple devices such as desktop, tablet and mobile phone
Tabung Haji ("TH") Internet Banking	· The enablement of TH Internet Banking on our platforms provide convenient access for our customers in dealing with balance inquiry, fund transfer, Hajj registration, Hajj status checking, account linkage and account delink
Perbadanan Tabung Pendidikan Tinggi Nasional/ Skim Simpanan Pendidikan Nasional ("PTPTN") Internet Banking	· The enablement of PTPTN Internet Banking on our iRakyat platform will allow users to perform loan repayment
e-Statement	· Effective July 2018, Credit Card-i e-Statement will be sent to Bank customers' email address as we strive to promote environmentally-friendly approaches in our operations

To support and drive the innovations and development of our digital products and services, we have established the Bank Rakyat Innovation and Technology Centre of Excellence Team ("BRITE"). This dedicated team is tasked with overseeing innovation and research activities regarding Information Technology ("IT") and digital services.

In the near future, we will continue to provide exceptional digital services to our customers and members, leveraging on several initiatives, including new corporate internet banking for our corporate customers, enhancing mobile banking applications, mobile wallet, real-time payment platforms and agent banking mobile applications amongst others, to remain relevant and competitive in the business.

CUSTOMER EXPERIENCE

As our customers form one of our business pillars, we strive to meet their needs through our products and services, as well as the way we conduct business. We conduct business in a fair and transparent manner, provide Shariah compliant banking services and products, and focus on sound governance and responsible financing. We aspire to be the bank of choice for our members and customers.

We engage our customers via various platforms, including social media and Biro Aduan Awam. During which, we obtain comments on areas such as customer service experience, feedback on areas of improvement, and products or services. We listen to our customers and consider their feedback in identifying areas of improvement or developing new products. In 2018, we received **22,999** complaints from our customers which is slightly higher compared to 2017. The increase is due to customer awareness on their right to pursue complaints to Bank Negara, Ombudsman for Financial Services and Securities Industry Dispute Resolution Centre. We managed to resolve each of the complaints made and will continue to provide better services to our customers.

Total no. of Customer Complaints		
FYE 2016	FYE 2017	FYE 2018
16,462	22,814	22,999

GOVERNANCE

Developing a credible and trustworthy institution built on the principles of transparency and accountability.





BOARD OF DIRECTORS AND MAIN COMMITTEES

The Board of Directors of Bank Kerjasama Rakyat Berhad (BKRM) aspires to pursue its efforts in improving its corporate governance by facilitating effective and prudent management that can deliver long-term success of the Bank whilst achieving the highest standard of business principles and professionalism for its shareholders and stakeholders.

THE BOARD OF DIRECTORS

1. Composition of Board

Currently, there are nine (9) Directors on the Bank Rakyat's Board, comprising of:

- Seven (7) Independent Non-Executive Directors.
- Two (2) Non-Independent Non-Executive Directors (Nominees from the Ministry of Finance and the Ministry of Entrepreneur Development ("**MED**").
- One (1) Non-Independent Executive Director, designated as Managing Director.

The current Board composition is in compliance with Bank Negara Malaysia Guidelines on Corporate Governance for Development Financial Institutions. More than half of the members are Independent Directors, which provides an effective check and balance in the functioning of the Board.

The Directors are from diverse backgrounds with expertise and knowledge in banking, finance, accounting, legal and business that provides the necessary experience needed to address key risks and major issues relating to the Bank's business and its policies, strategies and action plans to effectively overcome the challenges and obstacles faced in today's banking environment.

2. Board Charter

The Board formalised a Board Charter setting out the duties, responsibilities and functions of the Board. The Board Charter also provides references for Directors and other Board Committees in discharging their stewardship effectively and efficiently.

The Board Charter covers the following key areas:

- i) The Size and Composition of the Board
- ii) New Appointment/Reappointment of the Directors
- iii) The Role and Responsibilities of the Board
- iv) Code of Conduct for the Directors
- v) Conduct of Board Meetings
- vi) Roles of Chairman
- vii) Roles of Managing Director
- viii) Roles of Independent Non-Executive Directors
- ix) Roles of Board Committees

3. Roles and Responsibilities of the Board

The Board members, in carrying out their duties and responsibilities, are firmly committed and compliant with the highest standards of corporate governance. This ensures the Bank continues delivering strong financial performance that serves to give long term and sustainable value to the stakeholders. The Board has a fiduciary responsibility to act in the best interest of the Bank.

The Board assumes the following key roles:

- Provides strategic guidance and direction for the Bank, charting the course of its business operations; and
- Reviews and approves, in consultation with the Managing Director and Senior Management, the business plans and key policies of the Bank.

BOARD OF DIRECTORS AND MAIN COMMITTEES

The major responsibilities of the Board include:

- a) Finance and Operations
 - i) Review and approve the Bank's business strategies.
 - ii) Provide clear objectives and policies within which Management is to operate;
 - iii) Review, approve and monitor budgets, major capital commitments, capital management, acquisitions and divestitures.
 - iv) Review, approve and monitor the Bank's business plans, annual targets, financial statements and other reports.
 - v) Provide input and feedback, review and approve Management's development strategies and performance objectives.
 - vi) Ensure Management's performance in implementing the approved strategies, plans and budget within the approved risk appetites.
 - vii) Review and approve the Bank's business and operational policies.
 - viii) Ensure that the operating infrastructure, systems of control, systems for risk identification and management, and financial and operational controls, are in place and properly implemented.
 - ix) Avoid conflicts of interest, ensure disclosure of possible conflicts of interest and review and approve the entry into, or variation of, any contract, transaction, arrangement or commitment with any related party or any dealing involving conflict of interest situation.
 - x) Determine dividend policy and the amount, nature and timing of dividends to be paid.
 - xi) Select, appoint and terminate the appointment of the external auditor.
 - xii) Oversee the Audit and Examination Committee's evaluation of the performance of the external auditor and ongoing independence.
 - xiii) Ensure and maintain corporate governance standards and set Key Performance Indicators to enhance business prosperity and corporate accountability.
- b) Risk Management
 - i) Review and approve risk management framework and policies and ensure that the Bank establishes adequate internal controls and infrastructure to effectively monitor and manage these risks.
 - ii) Review and approve the Bank's Business Continuity Management Policy in dealing with extreme internal or external events and disasters.
 - iii) Evaluate the effectiveness of the Management in controlling and handling the risks of the Bank.
- c) Internal Audit
 - i) Establish the functions, role and responsibilities of the internal audit division and the scope and nature of the financial and management audit and evaluate the effectiveness of the internal audit function in providing independent evaluation on the adequacy and compliance with established policies and procedures.
 - ii) Evaluate the lines of reporting of the internal audit function and the procedures used to report internal control deficiencies.
- d) Human Resource and Governance
 - i) Review and approve the appointment, job grade, promotion, remuneration, compensation and removal of key Management personnel.
 - ii) Review and approve Human Resource policies.
 - iii) Undertake ongoing assessment and annual review of the performance of the Chairman, Managing Director and individual Directors and key Senior Management personnel and evaluate the effectiveness of the Board.
 - iv) Make recommendations on remuneration packages, allowances, benefits, new appointments and re-appointments for Directors.
- e) Compliance
 - i) Review relevant reports and proposals to ensure the operations of the Bank are in compliance with the relevant laws, statutory acts, Shariah principles and established policies and procedures of the Bank.
 - ii) Uphold and observe all applicable laws, regulations, rules, directives, guidelines and circulars (including continuous disclosure) and ethical standards.
 - iii) Consider and provide any response, attestation, undertaking or confirmation as required by regulatory authorities in relation to compliance with regulatory requirements.
- f) Others
 - i) In carrying out its functions, the Board has access to the records, properties and personnel of the Bank.

BOARD OF DIRECTORS AND MAIN COMMITTEES

4. New Appointment and Re-Appointment

1. The proposed appointment or re-appointment of Directors is subject to prior approval of the Minister who is responsible for cooperative development.
2. The appointment of new Directors is for an initial term not exceeding three (3) years and any such appointee is eligible for re-appointment for a term not exceeding two (2) years.

5. Training and Continuous Professional Development of Directors

Continuous Training is vital for the Directors to broaden their perspective and keep abreast of the development in the banking industry and of changes in new statutory and regulatory requirements to further enhance their skills and knowledge in discharging their responsibilities effectively.

Directors of the Bank are required to register for the Director's core training programme under the Financial Institutions Directors' Education Program ("**FIDE**"). The Directors are also encouraged to attend other training that is relevant to enable them to discharge their responsibilities effectively. In this regard, focus will be on the elective training organised by FIDE as such training is structured based on areas that are relevant to the banking industry. The Directors can also attend other training organised by local professional bodies and regulatory authorities in areas that are relevant to the Bank.

The training needs of Directors will be on a continuous basis and the areas determined will be used to provide further understanding of the issues faced by the Bank.

6. Independent Non-Executive Directors

The effective participation of Independent Non-Executive Directors brings an external perspective and enhances accountability in the Board's decision-making process. The responsibilities of Independent Non-Executive Directors should therefore include the following:

- (a) To provide and enhance the necessary independence and objectivity of the Board;
- (b) To ensure effective checks and balances on the Board;
- (c) To mitigate any possible conflict of interest between the policy making process and the day-to-day management of the Bank;
- (d) To constructively challenge and contribute to the development of business strategy and direction of the Bank; and
- (e) To ensure that adequate systems and controls to safeguard the interests of the Bank are in place.

In addition to the rights accorded to Directors, Independent Non-Executive Directors may request that their views, comments and stance are recorded to enable them to effectively discharge their duties.

7. Directors' Remuneration

The remuneration and allowances of the Chairman and all other Directors are determined by the Minister-in-Charge and with the concurrence of the Ministry of Finance ("**MOF**").

8. Roles and Responsibilities of the Chairman

The Chairman is responsible for

- a) The leadership and management of the Board and ensuring that the Board and the Board Committees function effectively;
- b) Chairing all Board meetings and leading discussion among Directors;
- c) Ensuring that the Directors receive accurate, timely and clear information to enable them to discharge their duties. The Directors are entitled to request additional information where they consider such information necessary to make informed decisions;
- d) Ensuring that the views, guidelines, circulars and directives of Bank Negara Malaysia, the MOF and the Minister are communicated to and adhered to by the Board;

BOARD OF DIRECTORS AND MAIN COMMITTEES

- e) Ensuring that the Directors continually update their skills, knowledge and familiarity with the Bank to fulfil their role both on the Board and on Board Committees;
- f) Facilitating the effective contribution of all Directors at Board meetings; and
- g) Promoting constructive and respectful relations between Directors, and between the Board and Management.

9. Roles and Responsibilities of the Managing Director

The Managing Director is responsible for

- a) The development, in conjunction with the Board, and implementation of short, medium and long-term corporate strategies for the Bank, preparing business plans and reports with Senior Management and reporting/presenting to the Board on current and future initiatives;
- b) Ensuring that the policies and decisions approved by the Board are carried out by Management to their desired outcomes;
- c) Ensuring the efficient and effective day-to-day operations of the Bank;
- d) Ensuring that the Bank has the appropriate risk management policies in place;
- e) Providing strong leadership and, together with Management, communicating the Bank's vision, management philosophy and business strategy to the employees;
- f) Assessing business opportunities which are of potential benefit to the Bank; and
- g) Bringing material and other relevant matters to the attention of the Board in an accurate and timely manner.

10. Board Meetings

The Board of Directors meets at least once a month and additional meetings are held when required. The Board held fourteen (14) meetings during the financial year ended 31 December 2018 and the attendance was as follows:

Name	Attendance at Board Meetings
Tan Sri Shukry Mohd Salleh (Appointment as Chairman until 25 November 2018)	13/13
Dato' Zulkiflee Abbas Abdul Hamid	14/14
Dato' Sri Jamil Salleh	14/14
Datuk Siti Zauyah Md Desa	12/14
Wan Zamri Wan Zain	14/14
Abd Rani Lebai Jaafar (Appointment effective 1 January 2018)	14/14
Armi Zainudin (Appointment effective 1 March 2018)	11/11
Dato' Sri Alias Haji Ahmad	10/14
Datuk Haji Abdul Rahman Kasim (Appointment until 14 April 2018)	5/5
Razalee Amin (Appointment until 18 February 2018)	2/3
Datin Dr Nik Sarina Lugman Hashim (Appointment until 31 May 2018)	6/7

BOARD OF DIRECTORS AND MAIN COMMITTEES

11. Board Committees

The following standing committees have been established to assist the Board in carrying out its responsibilities

- a) Audit and Examination Committee;
- b) Risk Management Committee;
- c) Nominations Committee;
- d) Remuneration Committee;
- e) Financing Committee;
- f) Investment Committee;
- g) Tender Board.

The composition, roles and responsibilities of the Board Committees are laid out in their respective charters.

The members serving the Board Committees shall be changed at appropriate and regular intervals. To ensure that the entire Committee is not replaced at any one time, such change of members shall be done on rotation basis.

a) Audit and Examination Committee

The Audit and Examination Committee is committed to ensure the operational levels of the Bank are at their best. This responsibility is fulfilled through the independent supervision of risk management, internal controls and governance processes.

The Audit and Examination Committee shall comprise not less than three (3) Non-Executive Directors of the Board. The Committee held ten (10) meetings during the financial year ended 31 December 2018 and the attendance was as follows:

Name	Attendance at Meetings
Wan Zamri Wan Zain (Appointment as Interim Chairman effective 7 March 2018)	10/10
Abd Rani Lebai Jaafar (Appointment effective 27 March 2018)	7/7
Armi Zainudin (Appointment effective 28 May 2018)	6/6
Datuk Haji Abdul Rahman Kasim (Appointment until 14 April 2018)	3/3
Razalee Amin (Appointment until 18 February 2018)	1/1
Datin Dr Nik Sarina Lugman Hashim (Appointment until 31 May 2018)	4/4

The objectives of the Audit and Examination Committee are

- To assist the Board in the discharge of its statutory duties and responsibilities relating to accounting and reporting practices of the Bank, its subsidiaries and Yayasan Bank Rakyat;
- To provide an independent oversight of the Bank's financial reporting and internal control systems; and
- To ensure that adequate risk management processes and checks and balances are in place for the proper overall management of the Bank.

BOARD OF DIRECTORS AND MAIN COMMITTEES

The function of the Audit and Examination Committee:

The Committee has explicit authority to investigate matters within its terms of reference in line with such limits as may be determined by the Board from time to time. During the discharge of such duties, the Committee shall have full and unrestricted access to

- The records, properties and personnel of the Bank;
- Cooperation from Management and the discretion to invite any Director and employee to attend its meetings;
- The advice and services of the Secretary of the Bank, the Managing Director, the Chief Internal Auditor and external auditors; and
- The independent professional advice and expertise necessary to perform its duties at the expense of the Bank provided that written approval from the Board must be obtained prior to the incurring of any such expense on behalf of the Bank.

The Committee's duties and responsibilities are to

- Ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies and bad and doubtful debts and that the financial statements comply with applicable financial reporting standards.
- Ensure fair and transparent reporting of the accounts for submission to the Board and ensure the prompt publication of annual accounts.
- Establish an internal audit function which reports directly to the Committee.
- Oversee that the internal audit function has an appropriate standing within the Bank and has access to the Committee at all times, evaluate their performance and report to the Board at regular intervals.
- Oversee, review and report to the Board the adequacy and effectiveness of the internal audit function, internal controls and risk management and governance processes (including compliance with Shariah).
- Ensure that all fraud and non-fraud related irregularities are investigated and the responses and explanations are examined and investigated and to report the findings to the Board.
- Review any significant transactions that are not within the normal course of business and where potential conflict of interest may arise between related parties and to report the transactions to the Board.
- Recommend to the Board the external experts to be engaged and the fees payable where the internal audit function lacks expertise needed to perform specialised audit and ensure clear establishment of the terms and scope of engagement, working arrangement with the internal auditors and reporting requirements.
- Review and determine the deliverables of the Shariah audit function upon consultation with the Shariah Committee.
- Oversee the function of the external auditors.
- Review internal, external and Shariah audit findings and recommend to the Board the action to be taken by Management.

b) Risk Management Committee

The Risk Management Committee comprises not less than three (3) Non-Executive Directors of the Board. The Committee held five (5) meetings during the financial year ended 31 December 2018 and the attendance was as follows:

Name	Attendance at Meetings
Abd Rani Lebai Jaafar (Appointment as Chairman effective 27 March 2018)	5/5
Datuk Siti Zauyah Md. Desa	5/5
Wan Zamri Wan Zain (Appointment effective 28 May 2018)	4/4
Datin Dr Nik Sarina Lugman Hashim (Appointment until 31 May 2018)	1/1
Datuk Haji Abdul Rahman Kasim (Appointment until 14 April 2018)	1/1

BOARD OF DIRECTORS AND MAIN COMMITTEES

The objectives of the Risk Management Committee are:

- To provide an oversight of the identification and management of the Bank's significant risks;
- To ensure that adequate risk management processes and checks and balances are in place for the proper overall management of the Bank; and
- To foster the establishment and maintenance of an effective risk awareness culture throughout the Bank and the Bank's compliance with policies and legal and regulatory requirements.

The function of the Risk Management Committee:

The Committee shall have the authority to deliberate and approve on matters within its primary duties and responsibilities in line with such limits as may be determined by the Board from time to time. During the discharge of such duties, the Committee shall have access to

- The records, properties and personnel of the Bank;
- The advice and services of Senior Management personnel of the Risk Management and Compliance sectors and the Chief Risk Officer ("**CRO**"); and
- The independent professional advice and expertise necessary to perform its duties at the expense of the Bank provided that written approval from the Managing Director must be obtained prior to the incurring of any such expense on behalf of the Bank.

The Committee's duties and responsibilities are to

- Oversee the effectiveness of the risk management function and ensure compliance with relevant Bank Negara Malaysia's guidelines on risk management function requirements.
- Review the implementation of capital management in line with the Capital Adequacy Framework for Islamic Banks issued by Bank Negara Malaysia and approve scenario for stress test on capital adequacy.
- Review the allocation of risk-adjusted capital and broad-based limits across the Bank covering credit, market and operational risks.
- Review with Management and advise the Board on whether a sound and effective approach has been followed in establishing the Bank's business continuity planning arrangements including whether disaster recovery plans have been tested periodically.
- Review with Management on any legal matter that could have a significant impact on the Bank's operations and financial performance.
- Review and monitor compliance initiatives and activities on anti-money laundering/counter financing of terrorism ("**AML/CFT**") and other regulatory requirements.
- Provide oversight for compliance with the Bank's policies, guidelines and procedures as well as all applicable laws, rules and regulations.
- Ensure there is a system for monitoring the Bank's compliance with laws and regulations and obtain reports on an annual basis that the Bank is in conformity with applicable legal requirements.
- Ensure that all issues related to Bank Negara Malaysia's Composite Risk Rating (CRR) are being monitored and resolved accordingly.
- Review and recommend to the Board the new products and services and discretionary power or authority limits in relation to any product programme proposal.
- Review all business proposals, particularly
 - i) product programme and its performance;
 - ii) target market and risk acceptance criteria of any products and services; and
 - iii) product profitability assessment.
- Review and recommend to the Board any new outsourcing proposals and approve the renewal of outsourcing services including the appointment and/or renewal of the outsourcing service providers.

BOARD OF DIRECTORS AND MAIN COMMITTEES

c) Nomination Committee

The Nomination Committee comprises a minimum of five (5) members, of which at least four (4) must be Non-Executive Directors of the Board. The Committee held ten (10) meetings during the financial year ended 31 December 2018 and the attendance was as follows:

Name	Attendance at Meetings
Abd Rani Lebai Jaafar (Appointment effective 7 March 2018) (Appointment as Chairman effective 28 May 2018)	9/9
Dato' Sri Jamil Salleh	10/10
Wan Zamri Wan Zain (Appointment effective 14 November 2017) (Re-appointment effective 28 May 2018)	8/8
Dato' Sri Alias Haji Ahmad (Appointment effective 7 March 2018)	8/9
Armi Zainudin (Appointment effective 27 March 2018)	8/8
Datuk Siti Zauyah Md Desa (Appointment effective 28 May 2018)	6/6
Datuk Haji Abdul Rahman Kasim (Appointment until 14 April 2018)	3/3
Razalee Amin (Appointment until 18 February 2018)	1/1
Datin Dr Nik Sarina Lugman Hashim (Appointment until 31 May 2018)	3/4

The objectives of the Nomination Committee are:

- To establish a formal and transparent procedure for the recommendation of eligible candidates for appointment or re-appointment of Directors, Shariah Committee members, Managing Director, Chairman and key Senior Management personnel;
- To assess the effectiveness of individual Directors, the Board and Board Committees, Shariah Committee members and Shariah Committee as a whole; and
- To evaluate the performance of the Managing Director and key Senior Management personnel.

The function of the Nomination Committee:

The Committee shall have the authority to deliberate and approve on matters within its primary duties and responsibilities in line with such limits as may be determined by the Board from time to time. During the discharge of such duties, the Committee shall have access to

- The records, properties and personnel of the Bank;
- The advice and services of the Secretary of the Bank and key Senior Management personnel in the Human Capital/Resources department; and
- The independent professional advice and expertise necessary to perform its duties at the expense of the Bank provided that written approval from the Managing Director must be obtained prior to the incurring of any such expense on behalf of the Bank.

BOARD OF DIRECTORS AND MAIN COMMITTEES

The Committee's duties and responsibilities are to

- Review the structure, size and composition of the Board.
- Establish and recommend to the Board the minimum requirements on the skills, business experience, professional and academic qualifications, expertise and other core competencies of a Director and Shariah Committee member.
- To determine the appropriate limit for the total number of directorships that can be held by the nominee in companies / institutions / organisations.
- Assess the competency and experience and recommend to the Board the nominees for directorship, Board Committee members, Shariah Committee members and the Managing Director.
- Undertake ongoing assessment and annual review of the performance of the Directors, Shariah Committee members, the Managing Director and Chairman.
- Recommend to the Board the removal or any other actions to be taken against any Director, Shariah Committee member, the Managing Director or the Chairman from the Board or Board Committees.
- At least once a year, review, in consultation with the Chairman, and implement a mechanism for the formal assessment on the effectiveness of the Board as a whole and the Board Committees individually and the contribution of each Director to the effectiveness of the Board and Board Committees and report to the Board as may be necessary.
- Assess and recommend to the Board the appointment, job grade, promotion, remuneration package, succession planning and performance evaluation of key Senior Management personnel.
- Recommend to the Board the actions to be taken against any key Senior Management personnel if they are ineffective, errant or negligent in discharging their responsibilities.

d) Remuneration Committee

Members of the Remuneration Committee comprise not less than three (3) Non-Executive Directors of the Board. The Committee held four (4) meetings throughout the financial year ended 31 December 2018 and the attendance was as follows:

Name	Attendance at Meetings
Dato' Sri Alias Haji Ahmad (Appointment as Chairman effective 21 June 2017)	4/4
Dato' Sri Jamil Salleh	3/4
Wan Zamri Wan Zain (Appointment effective 27 March 2018)	3/3
Armi Zainudin (Appointment effective 27 March 2018)	3/3
Datuk Haji Abdul Rahman Kasim (Appointment until 14 April 2018)	2/2

The objectives of the Remuneration Committee are:

- To establish a formal and transparent procedure for developing a remuneration policy for Directors, Shariah Committee members, the Managing Director and key Senior Management personnel; and
- To ensure that the compensation structure is competitive and consistent with the Bank's culture, objectives and strategy.

BOARD OF DIRECTORS AND MAIN COMMITTEES

The function of the Remuneration Committee:

The Committee shall have the authority to deliberate and approve on matters within its primary duties and responsibilities in line with such limits as may be determined by the Board from time to time. During the discharge of such duties, the Committee shall have access to

- The records, properties and personnel of the Bank;
- The advice and services of the Secretary of the Bank and key Senior Management personnel in the Human Capital/Resources department; and
- The independent professional advice and expertise necessary to perform its duties at the expense of the Bank provided that written approval from the Managing Director must be obtained prior to the incurring of any such expense on behalf of the Bank.

The Committee's duties and responsibilities are to

- Review and recommend to the Board the overall remuneration policy for directors, the Managing Director and key Senior Management personnel;
- Review and recommend to the Board specific remuneration package for the Directors, Managing Director and key Senior Management personnel reporting functionally or administratively to the Managing Director and such other personnel as determined by the Board from time to time;
- Determine the total individual remuneration package for personnel including appropriate bonuses, incentive payments, etc. based on individual performance;
- Make recommendations to the Board in relation to any review of employee remuneration and benefit structures including bonuses and performance related pay schemes to ensure alignment throughout the Bank;
- Review and recommend to the Board the remuneration of Shariah Committee members.

e) Board Financing Committee

The Board Financing Committee comprises not less than three (3) Non-Executive Directors of the Board. The Committee held nine (9) meetings during the financial year ended 31 December 2018 and the attendance was as follows:

Name	Attendance at Meetings
Wan Zamri Wan Zain (Appointment effective 27 March 2018) (Appointment as Chairman effective 28 May 2018)	8/8
Datuk Siti Zaayah Md. Desa	7/9
Abd Rani Lebai Jaafar (Appointment effective 27 March 2018)	8/8
Datin Dr Nik Sarina Lugman Hashim (Appointment until 31 May 2018)	3/3
Razalee Amin (Appointment until 18 February 2018)	1/1

The objective of the Board Financing Committee:

The objective of the Committee is to assist the Board in fulfilling their responsibilities by ensuring the proper oversight of the credit risk management of the Bank.

BOARD OF DIRECTORS AND MAIN COMMITTEES

The function of the Board Financing Committee:

The Board Financing Committee shall have the authority to deliberate on matters within its primary duties and responsibilities in line with such limits as may be determined by the Board from time to time. During the discharge of such duties, the Committee shall have access to:-

- The records, properties and personnel of the Bank;
- The advice and services of the Secretary of the Bank and key Senior Management personnel in the Business Banking department; and
- The independent professional advice and expertise necessary to perform its duties at the expense of the Bank provided that written approval from the Managing Director must be obtained prior to the incurring of any such expense on behalf of the Bank.

The Committee's duties and responsibilities are to:-

- Affirm or veto the Financing Committee A's approval on annual reviews with the unchanged terms and conditions.
- Affirm or veto the Financing Committee A's approval on new / additional financing and / or variation on terms and conditions of existing financing.
- Recommend for the Board's decision on all financing exceeding Financing Committee A's discretionary power.
- Affirm or veto all restructuring and rescheduling financing proposal and recommend for the Board's decision.
- Oversee the performance of rescheduled and restructured accounts to minimise credit loss and maximise the recovery of such accounts.
- Affirm or veto the Financing Committee A's approval on all cases of charge-off and write-off of financings.
- Oversee the management of impaired financing as well as monitor the recovery of impaired financing to oversight the financing recovery functions to maximise collections.

f) Board Investment Committee

The Board Investment Committee shall comprise not less than three (3) Non-Executive Directors of the Board. The Committee held four (4) meetings during the financial year ended 31 December 2018 and the attendance was as follows:

Name	Attendance at Meetings
Abd Rani Lebai Jaafar (Appointment effective 27 March 2018)	3/3
Datuk Siti Zauyah Md Desa	4/4
Dato' Sri Jamil Salleh (Appointment effective 27 March 2018)	3/3
Wan Zamri Wan Zain (Appointment effective 27 March 2018)	3/3
Datuk Haji Abdul Rahman Kasim (Appointment until 14 April 2018)	1/1
Razalee Amin (Appointment until 18 February 2018)	1/1
Datin Dr Nik Sarina Lugman Hashim (Appointment until 31 May 2018)	1/1

The objective of the Board Investment Committee:

The objective of the Board Investment Committee is to play a role in drafting the policies and directions relating to investment to ensure the Bank's investments are secure and provide satisfactory returns.

BOARD OF DIRECTORS AND MAIN COMMITTEES

The function of the Board Investment Committee:

The Committee shall have the authority to deliberate and approve on matters within its primary duties and responsibilities in line with such limits as may be determined by the Board from time to time. During the discharge of such duties, the Committee shall have access to

- The investments in equities, fixed income, real estate and other investments deemed necessary.
- The determination and approvals of the investment policies and procedures based on the Bank's business objectives generally.
- The approvals of any new investment related activities other than real estate investment.
- The affirmation of real estate investment.

The Committee's duties and responsibilities are to

- Determine and approve policies and procedures for investment, assets allocation, the direction of investment, risk control and other relevant investment.
- Consider and approve any proposal relating to new investment activities other than real estate investment.
- Consider and recommend investment in real estate before being forwarded to the Board for approval.
- Inform the investment decision that has been made to the Board.
- Appoint the members of the Investment Committee at the Management level.

g) Tender Board

The Tender Board shall comprise not less than three (3) Non-Executive Directors of the Board. The Tender Board held three (3) meetings during the financial year ended 31 December 2018 and the attendance was as follows:

Name	Attendance at Meetings
Wan Zamri Wan Zain (Appointment as Chairman effective 27 March 2018)	3/3
Datuk Siti Zauyah Md Desa	3/3
Dato' Sri Jamil Salleh	3/3
Dato' Sri Alias Haji Ahmad (Appointment effective 27 March 2018)	3/3
Armi Zainudin (Appointment effective 27 March 2018)	3/3

The objectives of the Tender Board:

Among the objectives of the Tender Board is to deliberate on and approve tenders submitted for acquisitions valued at more than RM3 million that involves capital expenditure and expenditure for renovation.

The function of the Tender Board:

The Committee shall have the authority to deliberate and approve on matters within its primary duties and responsibilities in line with such limits as may be determined by the Board from time to time. During the discharge of such duties, the Committee shall approve procurement tenders worth more than RM3 million (capital expenditure and renovation).

The Committee's duties and responsibilities are to

- Consider and approve procurement tenders worth more than RM3 million (capital expenditure and renovation).
- Proper and clear record of all basis and selection factors and the decision to be communicated to the Board of Directors.

BOARD OF DIRECTORS AND MAIN COMMITTEES

ANNUAL GENERAL MEETINGS

The Annual General Meetings ("**AGM**") represents the primary platform for a dialogue between the shareholders, the Board and Senior Management. At the AGM, a comprehensive and concise review of the Bank's financial performance and value created for shareholders is presented.

ACCOUNTABILITY AND AUDIT

1. Financial Report

The Board of Directors is committed to provide a balanced, comprehensive and easily-understood assessment of the Bank's financial status and prospects in all disclosures made to shareholders and the authorities.

The Bank uses the appropriate accounting policies and standards consistently and supported by reasonable considerations and estimates. All the relevant accounting standards are complied with, particularly in the reporting of the Annual Financial Statements to ensure the integrity of the Bank remains intact. The Board is assisted by the Audit Committee to oversee the financial reporting process and the reliability of the financial reporting.

2. Internal Controls

The Board of Directors has the overall responsibility to ensure that, on the whole, all existing internal controls provide reasonable operational effectiveness, efficiency and compliance with laws, regulations, policies and internal procedures.

The size and the diversity of the Bank's operations necessitate mitigation management of various risks. The diversity of risks could entail the Bank experiencing unexpected and unavoidable losses. Internal Audit conducts reviews on compliance with policies and procedures and the effectiveness of the structure of the Bank's internal control as a whole.

AUDIT AND EXAMINATION COMMITTEE REPORT

1. COMPOSITION AND TERMS OF REFERENCE

1.1 Composition

- a. The Audit & Examination Committee ("**Committee**") is established by the Board of Directors from amongst its Directors and consisted of not less than three members, all of whom are Non-Executive Directors.
- b. At least one member of the Committee should have accounting expertise or experience in the field of finance.

1.2. Frequency and Proceeding of Meetings

- a. Meetings shall be held at least once in three months.
- b. The Chairman may also convene a meeting upon request of any members of the Committee, the Management, or internal or external auditors to consider any matters that should be brought to the attention of the Board of Directors or members of the Bank.
- c. The Committee will regulate its own procedure pertaining to the calling of meetings, the notice to be given of such meetings, the voting and proceedings of such meetings, the keeping of minutes, and the custody, production and inspection of such minutes.
- d. The Committee may invite any Directors who are not a member of the Committee and/or any employees of the Bank to attend any of its meetings.
- e. The Chairman of the Committee shall report all matters that require the attention of the Board of Directors or members of the Bank.

1.3. Quorum

A quorum shall consist of three (3) members.

1.4. Secretary

The Secretary of the Committee shall be the Chief Internal Auditor.

1.5. Rights

The Committee shall, wherever necessary and reasonable for the performance of its duties, have the following rights at the cost of Bank Rakyat:

- Authority to investigate any matters within its terms of reference;
- The resources which are required to perform its duties;
- Full access to any information pertaining to the Bank;
- Direct communication channels with the external and internal auditors;
- Ability to obtain independent professional or other advice; and
- Ability to convene meetings with the external auditors.

AUDIT AND EXAMINATION COMMITTEE REPORT

1.6. Duties & Responsibilities

The primary responsibilities of the Committee are as follows:

- To review the adequacy and effectiveness of the system of internal controls, risk management and governance processes (which includes compliance with Shariah) of Bank Rakyat, its subsidiaries and Yayasan Bank Rakyat including the scope of internal audit, internal audit programme, internal audit findings, and recommend action to be taken by the Management.
- To review the adequacy of the functions and resources of the Internal Audit Sector and ensuring that it has the necessary authority to carry out its work.
- To appoint, determine the appropriate remuneration package, evaluate performance and decide on the transfer and dismissal of the Chief Internal Auditor.
- To review and consider the internal investigations' findings and the Management's responses.
- To review the external auditor's scope of audit plan, the system of internal accounting controls, the audit controls, the audit reports (including the Management Letter and Management's responses), the assistance given by the Management and any findings or actions to be taken.
- To select / recommend external auditor for the appointment / re-appointment / removal by the Board of Directors;
- To review the quarterly results and year-end financial statements focusing particularly on the reliability of the information disclosed therein, changes in accounting policy, significant matters highlighted, including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions and how these matters are addressed, compliance with accounting standards and other legal requirements.
- To ensure fair and transparent reporting of the financial accounts for submission to the Board of Directors and ensure the prompt publication of annual accounts.
- To review any related party transactions that may arise between the Bank and its subsidiaries.
- To review the deliverables of Shariah Audit upon consultation with the Shariah Committee.
- To review the assessment and audit findings on the effectiveness of the internal control system and the Bank's compliance with Shariah.
- Oversee the functions of the Internal Audit Sector and ensuring compliance with Bank Negara Malaysia's ("BNM") Guidelines on Internal Audit Function of Licensed Institutions [BNM/RH/GL 013-4].

AUDIT AND EXAMINATION COMMITTEE REPORT

2. ATTENDANCE AT MEETINGS

Ten (10) Committee meetings were held during 2018. The details of attendance of each member at the Committee meetings are as follows:

Name of Committee Members	Attendance at Committee Meetings	Percentage of Attendance
Y. Brs. En. Razalee Amin Member (resigned with effective from 19 February 2018)	1/1	100%
Y. Bhg. Datuk Hj. Abdul Rahman Kasim Member (ceased with effective from 14 April 2018)	3/3	100%
Y. Bhg. Datin Dr. Nik Sarina Lugman Hashim Member (ceased with effective from 31 May 2018)	4/4	100%
Y. Brs. En. Wan Zamri Wan Zain Interim Chairman (appointed with effective from 9 October 2017)	10/10	100%
Y. Brs. Tuan Haji Abd Rani Lebai Jaafar Member (appointed with effective from 27 March 2018)	7/7	100%
Y. Brs. Puan Hajah Armi Haji Zainuddin Member (appointed with effective from 28 May 2018)	6/6	100%

3. SUMMARY OF ACTIVITIES

During the year under review, the Committee in the discharge of its duties and functions, had carried out the following activities:

3.1. Financial Reporting

Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Bank and Bank Rakyat Group to ensure that the financial reporting and disclosure requirements are in compliance with the accounting standards and regulatory requirements.

3.2. Internal Audit

- Reviewed and approved the annual audit plan to ensure the comprehensiveness of audit scope and coverage over the activities of Bank Rakyat, its subsidiaries and Yayasan Bank Rakyat as well as the adequacy of Internal Audit Sector's resources to carry out its functions.
- Reviewed the Internal Audit reports, audit recommendations and Management's responses to these recommendations.
- Reviewed the status report on actions implemented by Management to rectify the outstanding audit issues to ensure control lapses were addressed.
- Reviewed the monthly Internal Audit Achievements and Performance Reports to ensure the progress, achievement, performance, and coverage of the Internal Audit functions are in line with the annual audit plan.
- Reviewed the audit reports issued by regulatory authorities, Management's responses to the Regulators' recommendations and the remedial actions taken to rectify the weaknesses highlighted.

AUDIT AND EXAMINATION COMMITTEE REPORT

- f. Reviewed the audit reports on subsidiaries and Yayasan Bank Rakyat for an overview of the risk management and internal control systems of those entities.
- g. Evaluated the performance of the Chief Internal Auditor.
- h. Instructed the conduct of investigations on matters within its terms of reference.
- i. Reviewed and noted the Committee's minutes of meetings to obtain overviews of the deliberations and remedial actions taken by Management on the control lapses raised by Internal Audit Sector.

3.3. External Audit

- a. Reviewed with the external auditors:
 - The Audit Planning Memorandum and scope of work for the year; and
 - The results of audit, the relevant audit reports, Management Letter and Memorandum of Recommendations together with Management's responses / comments to the findings.
- b. Ensured that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the auditors.
- c. Assessed the performance of the external auditors and made recommendations to the Board of Directors on their reappointment.

3.4. Related Party Transactions

Reviewed the related party transactions entered into by Bank Rakyat and its subsidiaries.

4. TRAINING

The training attended by members of the Committee is reported under the Statement on Corporate Governance.

5. INTERNAL AUDIT FUNCTION

The Committee is supported by Internal Audit Sector in the discharge of its duties and responsibilities. Internal Audit Sector provides independent and objective assessment on the adequacy and effectiveness of the risk management, internal controls and governance processes. Internal Audit Sector also carries out investigative audits where there are improper, illegal and dishonest acts reported.

Internal Audit Sector reviews the effectiveness of internal control structures over the activities of Bank Rakyat, its subsidiaries and Yayasan Bank Rakyat focusing on high risk areas as determined using a risk-based approach. All high risk activities in each auditable area are audited annually.

Internal Audit Sector covers the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, management efficiency and level of customer services, amongst others. These audits are to ensure that the established controls are appropriate, effectively applied and achieved acceptable risk exposures consistent with the Bank's risk management policy. In performing such reviews, Internal Audit Sector made recommendations to improve and enhance the existing system of internal controls and work processes.

Internal Audit Sector also conducts audits on the information system of Bank Rakyat to ensure that the computing resources are adequately secured to protect data integrity and confidentiality as well as the availability of adequate controls to safeguard the system's continuity in supporting the business operational needs.

AUDIT AND EXAMINATION COMMITTEE REPORT

Internal Audit Sector provides consulting or advisory functions in the evaluation of risk exposures of new systems, business products and services to assess the controls that should be in place to mitigate the risks identified prior to their implementation. In order to maintain its objectivity and independence, Internal Audit Sector is not involved in the system selection or implementation process when providing such consulting or advisory functions.

All auditing activities are conducted in line with Bank Rakyat's objectives and policies and in compliance with the relevant policies and guidelines issued by BNM and as guided by the Code of Ethics and International Standards for the Professional Practice of Internal Auditing ("**Standards**") promulgated by the Institute of Internal Auditors ("**IIA**")

During 2018, the activities undertaken by Internal Audit Sector were as follows:

- Developed an annual audit plan using a risk-based approach, taking into consideration the Bank's 5-Year Strategic Plan (2018-2022) and inputs from the Management (as recommended by the Institute of Internal Auditors);
- Provided independent assessment and objective assurance over the adequacy and effectiveness of risk management, internal control and governance processes through structured reviews of departments and operations identified in the annual audit plan;
- Conducted periodical assessments to ensure that a sound and effective internal control system for Shariah compliance has been implemented;
- Performed independent assessments and provided objective assurances to add value and improve the Bank's compliance with Shariah;
- Monitored and provided assurance on the soundness and robustness of the Bank's Shariah governance framework;
- Assisted the Shariah Committee in discharging its oversight role on Shariah matters related to the Bank's business operations and activities through Shariah Audit's participations at Shariah Committee Meetings which enabled the Shariah Committee to identify issues that require its attention and where appropriate, to propose corrective measures;
- Performed audits on the Bank's information systems to ensure the adequacy of the systems' security, controls and compliance with the relevant acts or regulatory requirements;
- Applied a holistic approach in extending audit coverage by using data analytics tools;
- Reviewed risk exposures of new systems, business products and services to ensure that there are controls in place to mitigate the risks identified prior to implementation;
- Conducted ad-hoc assignments and special reviews as instructed by the Committee, Management or BNM;
- Participated in various Business Continuity Management exercises to ensure the Bank's readiness in resuming/recovering its operational activities and systems in the event of disaster within the expected timelines;
- Ascertained the level of compliance with established policies and procedures and statutory requirements;
- Recommended improvements and enhancements to the existing system of internal controls, work procedures/processes, Operational Guidelines ("**GPOs**") and Department Manuals;
- Conducted investigations on activities or matters as instructed by the Committee and Management;
- Engaged an external consultant, Deloitte Risk Advisory Sdn Bhd to conduct a Quality Assurance Review ("**QAR**") to assess its effectiveness;
- Prepared the Audit & Examination Committee Report for Bank Rakyat's Annual Report for Financial Year Ended 31 December 2017; and
- Conducted Internal Control Awareness Programmes ("**ICAP**") for branch staff.

The total costs incurred for the Internal Audit Sector of Bank Rakyat for 2018 is RM8,032,225.16 million.

RISK MANAGEMENT COMMITTEE REPORT

Amidst the sea of changes in macro and micro economic conditions, geopolitical environment and regulations in 2018, Risk Management has remained steadfast in supporting and upholding the Bank's transformation agenda. Working hand in glove with the business, operations and other control functions in the Bank, Risk Management has been integral to strategic business development and growth initiatives, as well as in the Bank's pursuit of operational excellence through business process and technology transformation. Rooted to our role as the second line of defense throughout our involvement, the Risk Management Committee has ensured the risk policies and parameters remained accommodative for business growth without transgressing the confines of the risk appetite set by the Board.

Enhanced Roles and Responsibilities

The Bank's risk governance framework is developed in accordance with the requirements by BNM Guidelines on Corporate Governance and Risk Governance. Additionally, the Bank's risk governance will comply with other BNM guidelines which stipulated the expectation on governance related to the role of Board and Senior Management as well as risk management function.

Through its quarterly meetings, the Board Risk Committee had detailed deliberation of the enterprise risk and compliance profiles and heatmaps, key risk indicators and dashboards, scenario analyses, stress testing and thematic review reports. The Board Risk Committee also played a pivotal role in the oversight of the risks in the introduction of new products and services, as well as during risk and compliance policy development, review and refinement.

In 2018, the role of the Board Risk Committee was expanded beyond the oversight of risk and compliance to include the oversight on new financial technology implementation. In this new role, the Board Risk Committee is entrusted with the responsibility to ensure risk management and security controls are in place to mitigate risks prior to implementing the e-banking services or any material enhancement to the e-banking services. Quality of risk and compliance oversight function has been further enhanced via common membership between the Board Risk Committee and the Audit and Examination Committee.

From a governance perspective, Risk Management has been instrumental in the continuous enhancement of the approving authority matrixes and limits on credit underwriting for various retail and business financing products, capital expenditure and operating expenditure. Together with Compliance and Internal Audit, Risk Management performed independent quality assurance role in strategic business plan implementation, Malaysian Financial Reporting Standard ("MFRS") 9 implementation and information technology projects through representation in project working committees and project steering committees. In view of the project risks and criticality of the core banking system replacement project, the Bank had gone further by establishing a dedicated committee comprising Risk Management, Compliance, Internal Audit and Shariah Advisory to oversee risk and internal control requirements on changes to standard operating procedures and workflows arising from the implementation of the new core banking system.

Ongoing Professional Development and Capacity Building

In line with the industry-wide commitment to professionalism of the bank's workforce characterised by high standards of professional conduct, knowledge and competence, we have enrolled Risk Management staff to undertake professional accreditation on Bank Risk Management organised by Asian Institute of Chartered Bankers ("AICB"). It is the Bank's commitment to continuously invest in professionalisation or certification of standards for Risk Management.

Besides the commitment with AICB, we also continuously invest in professional development of our staff with training and development programs for specific areas necessary to increase the skills and capabilities. This is to ensure Risk Management function and capabilities evolve and align with the rapid changes and expectation in business environment and regulatory requirements as well as to effectively managing the risk-taking activities of the Bank.

As part of the initiatives to inculcate risk awareness and maintain a strong risk culture, Risk Management has conducted training sessions known as Best Practice and Lessons Learnt for all credit personnel at branches in efforts to ensure branches adopt the best practices in the extension of retail financing to customers. The sessions had also shared the common and recurring credit issues in retail financing at branches, especially on the origination of retail financings. The session is part of our strategic initiatives of capacity building to enhance the skill set of the origination team.

RISK MANAGEMENT COMMITTEE REPORT

Strategic Business Partner

In support of the Bank's business expansion towards becoming a competitive financial institution in the industry, Risk Management has remained to be a strategic partner to its stakeholders through active participation in the core pillars of the Bank's transformation agenda. This is performed by ensuring that the regulatory requirements relating to credit practices and risk management are not compromised while realising the Bank's business strategies. Additionally, Risk Management has maintained its advisory role with its capability in providing consultation on matters relating to credit governance, policies and processes.

Anticipating the realisation of business growth as well as the expectation of evolving regulatory requirements, the Bank has strengthened its credit risk function and resources by empowering its competent personnel with a discretionary power to decide on Business Banking financing within parameters and threshold limits approved by the Board. This is also to be in line with the Bank's direction to focus on growing its financing to Small and Medium Enterprise ("**SME**") businesses and to improve the Turn-Around-Time ("**TAT**") of financing processes. Recognising the importance of proactive risk management, a dedicated function in Risk Management was established to perform post approval credit review ("**PACR**") to provide independent assessment on the quality of credit appraisal, effectiveness of the credit process and quality of financing. The observations from the PACR would be shared with the relevant stakeholders on a periodic basis with the objective to instil and enforce strong credit underwriting culture within the Bank.

The Bank has also enhanced its risk modelling function to withstand the challenges in fulfilling the expectation of robust credit risk measurement methodologies in estimating credit losses. Risk Management play a prominent role in the implementation of MFRS9 as a function duly entrusted in the generation of Probability of Default ("**PD**") for each business portfolio segmentation of the Bank. A comprehensive Forward Looking ("**FL**") Multivariate Economic Variable ("**MEV**") was also conducted where the necessary correlation and regression were performed to gauge the significance of MEV in estimating credit risk impairment. In addition, the function was also strengthened in preparation of complying to regulatory expectations as mooted by BNM in its Credit Risk policy document.

Robust and granular portfolio monitoring continued to take place to ensure constant monitoring of the performance of the respective financing portfolio as well as overall portfolio. This was merely conducted by detecting early warning signals as preventive measures to avoid deterioration in asset quality. These early warning signals not only helped in dealing with the existing portfolio but also prevent future financing to become delinquent based on historical signals detected. Identification of changes in the risk profiles and significant credit exposures were escalated appropriately to support oversight and decision making by the Management and/or Board.

In ensuring the Bank's credit underwriting standard and credit processes remain relevant in the industry, credit policies were reviewed and enhanced reflecting the Bank's tolerance level of risks. These policies were diligently observed as indicated through the overall asset quality that was deemed sustainable. Significant enhancement of Impairment Policy was being made incorporating the staging of financing accounts as outlined in MFRS9 requirements. The Policy delineated trigger events for credit exposures which included Business Banking financing, Retail Banking financing and Islamic Debt Securities ("**IDS**"). Additionally, the application of trigger events of each financing portfolio and managing of accounts by stages were also administered by the Policy. Governing the work processes of risk modelling and ensuring the necessary standards are being adhered to, Model Validation Framework & Policy was developed. The Framework is developed to ensure that the Bank has effective and robust model validation programmes while the Policy provides principle standards and requirements that depict the required actions to ensure that risk assessment and measurement models are able to generate accurate, consistent and unbiased predictive estimates.

As the Bank is receptive with the external causes such as regulatory requirements and market changes, Risk Management will continue to embrace challenges alongside sustaining the soundness of assets and profitability through risk parameters setting with consideration of the Bank's aspiration to offer various range of banking facilities.

Pro-active Management for Strategic Growth

In achieving its financial objectives, the Bank charts its strategic business plan within the boundaries of its risk appetite, assuming an appropriate balance between the level of risk and the level of return desired to sustain maximum returns to shareholders. It entails a proactive management of the Bank's balance sheet as well as prudent management of the Bank's resources to support the growth of the Bank's economic value and maintaining a sound capital base. In doing so, it engages the Bank in the process of identifying, measuring, monitoring and managing capital against structural risks inherent in all activities of the Bank.

RISK MANAGEMENT COMMITTEE REPORT

While addressing the appropriate mix of its assets and liabilities, the Bank has to maintain the optimal liquidity position as every financial transaction or a commitment has an implication directly or indirectly to the Bank's liquidity. This requires the Bank to be particularly attentive to the liquidity risk strategy and management approach and continuously enhance its efforts to effectively manage liquidity risk.

Liquidity risk positions are monitored regularly against the established liquidity risk management framework, policies and procedures. The Bank uses a range of tools to monitor and control liquidity risk exposure such as intra-day cash flow position, liquidity mismatch gap, concentration of deposits, availability of funding and stress testing. The process of managing liquidity risk includes maintaining sufficient amount of unencumbered high-quality liquid assets as a protection against any unforeseen interruption to the Bank's cash flows. In this regard, the Bank ensures its compliance with liquidity regulatory requirements and is pro-actively strategising its readiness to observe Basel III liquidity ratios; i.e. Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**").

The Bank has in place a Liquidity Contingency Funding Plan ("**LCFP**") formulated to provide a systematic approach in addressing potential liquidity crisis or funding disruption affecting its liquidity soundness and financial solvency. The LCFP comprises strategies, decision-making authorities, communication channels and processes as well as courses of action for management to make prompt decisions. The plan is reviewed and tested regularly to ensure its effectiveness and robustness in handling liquidity crisis events, to meet its obligations in a timely manner and at a reasonable cost.

Changes in the macro and micro-economic and geopolitical landscape expose the Bank to adverse market conditions, unfavorable prices and volatility, which could affect the Bank's revenues and profits as well as timely achievement of the Bank's strategic objective. The Bank's market risk management ensure that the control and minimizing such impact with an established framework, policy and procedures. In addition, with the new system and enhanced technology in place, it will enable the Bank to monitor and manage the exposure in a timely and efficient manner.

Preserving the Operational Excellence

The Bank remained vigilant on the risk exposure to emerging cyber threats, emanating from the myriad 'Macau scams', ransomwares and threats of data theft that had been afflicting the industry at large. In addition to the bank-wide Risk and Control Self-Assessment (RCSA) exercise, and monitoring and analysis of key risk indicators and loss event data, the Bank had conducted scenario and fault-tree analyses to obtain in-depth understanding of our cyber security and resiliency posture, identify areas of potential vulnerabilities and the quantified impact as well as institute the appropriate mitigation plan. Amongst others, the Bank has strengthened our cyber security controls and monitoring, fraud detection and management capabilities, incident management and coordination as well as customer awareness programmes.

Recognising that prompt incident management and handling is paramount in averting crisis, Risk Management spearheads the Bank's incident management team to ensure effective coordination and prompt actions by all elements involved, not limited to business and operational functions, information technology, legal, public relations and customer service. Notwithstanding, business continuity management strategies and plans, which are also under Risk Management's purview, were continuously being reviewed and tested in preparation for any eventualities.

Moving Forward for 2019

In the current fast-paced business environment, technology has become more prominent to the industry particularly to financial institutions. While banks have greatly benefited from the technology especially in information security, they have also been attracted by more threats and vulnerabilities.

Cyber threats are one of the exposures emanating from technology advancement. Given the exposure on technology risks, the Bank will continue to strengthen the internal controls to ensure compliance as well as managing the regulators' expectations. As the Bank values customers' information, the Bank will be focusing further on the effort to establish a role that is responsible for technology risk management and provide oversight on cyber risks.

Given the importance of modelling technique in the current business environment and technology, the framework and methodologies of modelling landscape will continuously enhance. The Bank will embark on comprehensive capacity building for modelling technique that includes but is not limited to credit risk model, market risk model and capital stress test model. The scopes range from technical modelling techniques to the understanding on the usage and implication of the model.

SHARIAH COMMITTEE TERMS OF REFERENCE

1.0 OBJECTIVE OF SHARIAH COMMITTEE

Establishment of Shariah Committee ("**SC**") of Bank Rakyat is a requirement by Bank Negara Malaysia ("**BNM**"). The purpose is to ensure all activities, products, transactions, operations and zakat management of Bank Rakyat and all of its subsidiaries are Shariah compliant at all times as a full-fledged Islamic financial institution incorporated in Malaysia.

2.0 FORMATION OF SHARIAH COMMITTEE

- 2.1 The SC shall report directly to the Board of Directors ("**BOD**") and shall be recognised as an independent committee.
- 2.2 The appointment of the SC members must obtain prior written approval from BNM and BOD upon recommendation by the Nomination Committee.
- 2.3 SC member must fulfill the 'fit and proper' criteria to become an SC as described in Shariah Governance Framework for Islamic Financial Institutions of BNM ("**BNM/SGF**").
- 2.4 The SC shall comprise at least five (5) members as required by BNM/SGF.
- 2.5 Majority members in the SC shall have qualified Shariah background with at least a Bachelor's degree in Shariah, which includes study in *usul fiqh* (origin of Islamic law) or *fiqh muamalat* (Islamic transaction/commercial law) from a recognised university.
- 2.6 Chairman of the SC shall have qualified Shariah background.
- 2.7 The SC may comprise experts with diverse qualification, experience and knowledge to support the depth and breadth of the Shariah deliberations.
- 2.8 Majority members of SC should be able to demonstrate strong proficiency and knowledge in written and verbal Arabic and have good understanding in Bahasa Malaysia and English.
- 2.9 The SC member is not considered an SC member and disallowed to perform the roles of SC upon expiry of the appointment term until fresh approval is obtained from BNM.

3.0 ROLES AND RESPONSIBILITIES

- 3.1 Responsible and accountable for all Shariah decisions, views and opinions issued on Shariah matters provided by the SC.
- 3.2 Advice, provide input and necessary assistance on Shariah matters to BOD, Bank Rakyat's stakeholders and parties associated with Bank Rakyat's business operations and activities including the activities of its subsidiaries and cooperatives regulated by Suruhanjaya Koperasi Malaysia ("**SKM**") which consult or refer to Bank Rakyat on a case to case basis to ensure compliance with Shariah requirements at all times.
- 3.3 To adopt the resolutions of Shariah Advisory Council of Bank Negara Malaysia ("**SAC/BNM**") and Shariah Advisory Council of Securities Commission ("**SAC/SECCOM**") upon publication in deriving Shariah decisions and to highlight to Management and BOD in the event SC invokes its right to adopt stringent decisions as permissible by BNM/SGF.
- 3.4 Perform oversight role on Shariah matters related the Bank Rakyat's business operations and activities including its subsidiaries and guide Bank Rakyat and its subsidiaries on the implementation of Shariah decisions issued.
- 3.5 Assess and validate works which include Shariah research, *takyif fiqhi* (application of Shariah ruling), report and findings carried out by all Shariah functions inclusive of Shariah Research and Advisory, Shariah Review, Shariah Risk and Shariah Audit in order to ensure Shariah compliance.

SHARIAH COMMITTEE TERMS OF REFERENCE

- 3.6 Approve and provide written confirmation (or in a form of certificate being signed off by all SC members) on Shariah compliance of Bank Rakyat's product proposal based on proper support of *takyif fiqhi* and confirmation whereby no contradiction against SAC/BNM ruling is identified in the product proposal for the purpose of new product approval submission to BNM.
- 3.7 Endorse all framework, policies, procedures and any other applicable documents relating to Shariah and ensure the contents do not contain any elements which are not in line with Shariah.
- 3.8 Endorse and validate all relevant documentations relating to products, business and operations including but not limited to legal documents, product policies and procedures, product manual and marketing collaterals to ensure compliance with Shariah requirements with exception to certain specific tasks empowered to specific internal Shariah functions by recorded decision of the SC by consensus.
- 3.9 Advice and assist Bank Rakyat to consult SAC/BNM and/or SAC/SECCOM when necessary in a written form.
- 3.10 Advice Bank Rakyat on the calculation, allocation and distribution of zakat and validate the list of zakat recipients post-decision of Jawatankuasa Zakat Perniagaan Bank di bawah Asnaf ("**JZPBA**").
- 3.11 Abstain from making a decision which is not in line with the ruling of SAC/BNM which may violate the Central Bank of Malaysia Act 2009.
- 3.12 Must not act in a manner that would undermine the rulings and decisions made by SAC/BNM and the SC and required to respect and observe the published Shariah rulings issued by SAC/BNM and shall not go against the decisions of the SC that they represent in public.
- 3.13 Retreat of Shariah decision issued by SC in the event of issuance of new and/or revised Shariah resolutions and decisions made by SAC/BNM and SAC/SECCOM.
- 3.14 Harmonise the conflict between Shariah and legal approaches to gradually lead Bank Rakyat's practices towards the best globally accepted Shariah practices.
- 3.15 Validate and endorse all matters related to Shariah non-compliant event, rectification measures and purification process including the list of beneficiaries of tainted income for further reporting to BOD.
- 3.16 Inform BNM on Shariah non-compliant activities in the event they are not effectively or adequately addressed or no rectification measures are made by Bank Rakyat.
- 3.17 Regularly inform the BOD on relevant Shariah matters.
- 3.18 Disclose sufficient information relating to Shariah as required by BNM in the annual SC report which is embedded in Bank Rakyat's annual report and endorse the annual report prior to publication.
- 3.19 Act as Shariah spokesperson to respond on Shariah related inquiries during Bank Rakyat annual general meeting or any public events which involve Bank Rakyat.
- 3.20 Observe the principle of confidentiality in relation to Bank Rakyat's business, operations and affairs at all times whereby all information obtained shall not be used in the manner that could be detrimental to Bank Rakyat.
- 3.21 Other responsibilities being assigned by BOD from time to time or any Shariah matters that require SC's immediate attention.

SHARIAH COMMITTEE TERMS OF REFERENCE

4.0 SHARIAH COMMITTEE MEETING

- 4.1 The SC meeting shall be held at least once in every two (2) months.
- 4.2 Minimum quorum of SC meeting shall be 2/3 with majority attending are Shariah qualified members.
- 4.3 In the event Chairman of SC is unable to attend the SC meeting, the members shall elect one (1) member among themselves to become the alternate Chairman with qualified Shariah background to preside over the meeting.
- 4.4 Any decisions during the SC meeting shall be made on the basis of 2/3 of the members present where majority of the 2/3 votes shall come from Shariah qualified members.
- 4.5 Any dissenting view by members of SC shall be properly recorded with justification and he/she reserves the right to abstain from voting in decision making.
- 4.6 The SC members must attend at least 75% of the SC meetings held in each financial year, except with reasonable excuse, at official venue in Bank Rakyat's headquarters or other venue determined by Shariah Secretariat to SC in or outside Malaysia.
- 4.7 SC meeting can be facilitated by means of video or telephone conference as an alternative.
- 4.8 Managing Director, Chief Risk Officer and Chief Internal Audit and other members of Management may be invited on per meeting invitation basis to provide explanation to SC on matters arising and/or papers presented.
- 4.9 Formal decision of SC shall be escalated to Management and BOD on a quarterly basis and escalation to business and support unit shall be done on post-meeting basis upon review by the Secretary to SC and validation by the Chairman of SC.
- 4.10 The number of SC meetings held in the particular year, as well as the attendance of every SC members, shall be disclosed in the annual report.

5.0 ANNUAL SHARIAH COMMITTEE REPORT

- 5.1 SC is required to report all approved and launched products for the year, disclose sufficient information relating to Shariah as required by BNM in the annual SC report which is embedded in Bank Rakyat's annual report, confirm the management of zakat is compliant to Shariah and endorse the annual report prior to publication.
- 5.2 The report must also address all information required by BNM under the 'Guidelines on Financial Reporting for Development Financial Institutions'.
- 5.3 The report shall be signed by all SC members.

6.0 REPRESENTATION IN BOARD OF DIRECTORS MEETING

- 6.1 Representative of SC attends the BOD meeting to serve as a bridge or communicator between SC and BOD in matters pertaining to Shariah.
- 6.2 One (1) of the SC members may be appointed as permanent representative while another one (1) as an alternate representative in the event the permanent representative is unavailable to attend the meeting.
- 6.3 The SC representative shall provide advice on Shariah related matters only without intervening into matters other than the coverage of roles and responsibilities of the SC.
- 6.4 Seating fee paid to the SC representative who attends the meeting is subjected to BOD's approval and/or review from time to time upon recommendation by the Remuneration Committee.

SHARIAH COMMITTEE TERMS OF REFERENCE

7.0 ADVISOR TO JAWATANKUASA ZAKAT PERNIAGAAN BANK DI BAWAH ASNAF

- 7.1 Two (2) of the SC members are appointed as an advisor to JZPBA to ensure the management of zakat is compliant to Shariah.
- 7.2 JZPBA meeting can only be conducted with the presence of at least one (1) of the appointed advisors.
- 7.3 The SC representative or zakat advisor shall provide advice on zakat matters which cover the zakat calculation, allocation, distribution, issue of *had kifayah* (sufficient amount) and *asnaf* qualification related matters to be in line with Shariah principles and requirements.
- 7.4 Seating fee paid to the SC representative who serves as the advisor to JZPBA is subjected to BOD's approval and/or review from time to time upon recommendation by the Remuneration Committee.

8.0 REMUNERATION OF SHARIAH COMMITTEE MEMBER

- 8.1 SC member is remunerated with fixed monthly retainer fee and seating fee which are paid based on meeting attendance.
- 8.2 Seating fee includes SC meeting and all other meetings that require the SC member to be present.
- 8.3 Whenever SC member is invited to attend formal or informal Bank Rakyat's event, attending formal event on Bank Rakyat's behalf, invited as a trainer to Bank Rakyat's internal or external programme or any other event in the name of Bank Rakyat, the respective SC member is entitle to a fixed event fee and mileage claim.
- 8.4 Upon reappointment of SC member, an increment to the respective SC member shall be considered.
- 8.5 Remuneration amount is subjected to BOD's approval and/or review from time to time upon recommendation by the Remuneration Committee and it shall commensurate with the roles and responsibilities of the SC member.

9.0 SECRETARY AND SECRETARIAT TO SHARIAH COMMITTEE

- 9.1 Head of Shariah who is a qualified Shariah personnel shall be appointed by SC as the Secretary to SC. Secretary to SC has no voting power in decision making by the SC.
- 9.2 Secretary to SC or an alternate secretary appointed by the Secretary to SC in his/her absence with apology, should attend all SC meetings and should maintain accurate and adequate records of any action deliberated during the meetings. All records regarding SC meeting shall be reviewed by the Secretary prior to escalation.
- 9.3 The function of Shariah Secretariat to SC is assigned to SC Secretariat under Shariah Research and Advisory Department of Bank Rakyat.

10.0 ATTENDANCE OF SHARIAH COMMITTEE MEETINGS IN 2018

Name of Committee Members	Attendance at Committee Meetings	Percentage of Attendance
SS Dato' Setia Mohd Tamyas Abd Wahid	13/14	92.86%
Prof. Dato' Dr. Mohd Azmi Omar	12/14	85.71%
Dr. Mohammad Zaini Yahaya	14/14	100%
Ust. Md. Yunus Abd. Aziz	13/14	92.86%
Ust. Wan Rumaizi Wan Husin	13/14	92.86%
Dr. Abdullaah Jalil	14/14	100%
Prof. Madya Dr. Azman Mohd Noor	14/14	100%

NOTICE OF ANNUAL GENERAL MEETING

Date : 18 April 2019 / 12 Syaaban 1440H

**All Representatives of Bank Rakyat Cooperative Members
All Representatives of Bank Rakyat Individual Members**

NOTICE OF BANK RAKYAT ANNUAL GENERAL MEETING 2019

NOTICE IS HEREBY GIVEN THAT the Bank Rakyat Annual General Meeting 2019 will be held as follows:

**Date : 04 May 2019 (Saturday)
(28 Syaaban 1440H)**

**Venue : Dewan Tun Abdul Razak
Level 2, Tower 1
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat
50470 Kuala Lumpur.**

Time : 11:30 am

MEETING AGENDA

1. Presentation of Bank Rakyat's future;
2. Confirmation of the minutes of the Annual General Meeting held on 08th April 2018;
3. To appoint a Committee of six (6) representatives and four (4) members of the Board including the Chairman, to verify the draft of the minutes of the Annual General Meeting;
4. To present the Audited Financial Statements for the year ended 31st December 2018, together with the Board of Directors' Report, Audit and Examination Committee Report, Auditor General's Report, and Views of the Malaysia Cooperative Societies Commission; and
5. To deliberate on the proposals from members received by the Board not less than seven (7) days before the Annual General Meeting (if available).

By Order of the Board



RATNASARI MOHD DAMANHURI
Acting Bank Secretary

FINANCIAL STATEMENTS

The background is a solid blue color with a complex network of white lines and dots, resembling a digital or financial data structure. A large, glowing, wireframe globe is centered in the upper half. In the bottom right corner, there are several white icons: a group of three people, a candlestick chart, and a laptop with a pen, all connected by lines to a central point.

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**REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
BANK KERJASAMA RAKYAT MALAYSIA BERHAD
FOR THE YEAR ENDED 31 DECEMBER 2018**

Report on the Audit of the Financial Statements

Opinion

The financial statements of Bank Kerjasama Rakyat Malaysia Berhad and of the Group have been audited by my representative which comprise the Statements of Financial Position as at 31 December 2018 and Statements of Profit Or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies as set out on pages 4 to 215.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank Kerjasama Rakyat Malaysia Berhad and of the Group as at 31 December 2018 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, guidelines issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Cooperative Societies Act 1993 (Act 502) and the Development Financial Institutions Act 2002 (Act 618).

Basis for Opinion

The audit was conducted in accordance with the Audit Act 1957 and The International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence and Other Ethical Responsibilities

I am independent of the Bank Kerjasama Rakyat Malaysia Berhad and of the Group and I have fulfilled the other ethical responsibilities in accordance with the The International Standards of Supreme Audit Institutions.

Information Other than the Financial Statements and Auditor's Report Thereon

The Directors of Bank Kerjasama Rakyat Malaysia Berhad are responsible for the other information in the Annual Report. My opinion on the financial statements of Bank Kerjasama Rakyat Malaysia Berhad and of the Group does not cover the information other than the financial statements and auditor's report thereon and I do not express any form of assurance conclusion thereon.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements of Bank Kerjasama Rakyat Malaysia Berhad and of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards, guidelines issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Cooperative Societies Act 1993 (Act 502) and the Development Financial Institutions Act 2002 (Act 618). The Directors are also responsible for such internal control as it is necessary to enable the preparation of the financial statements of Bank Kerjasama Rakyat Malaysia Berhad and of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of Bank Kerjasama Rakyat Malaysia Berhad and of the Group, the Directors are responsible for assessing Bank Kerjasama Rakyat Malaysia Berhad and of the Groups' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements of Bank Kerjasama Rakyat Malaysia Berhad and of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with The International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with The International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- a. Identify and assess the risks of material misstatement of the financial statements of the Bank Kerjasama Rakyat Malaysia Berhad and of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bank Kerjasama Rakyat Malaysia Berhad and of the Groups' internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- d. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Bank Kerjasama Rakyat Malaysia Berhad or the Groups' ability to continue as a going concern. If I conclude that a material uncertainty exists, I have to draw attention in my auditor's report to the related disclosures in the financial statements of Bank Kerjasama Rakyat Malaysia Berhad and of the Group or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of auditor's report.
- e. Evaluate the overall presentation of the financial statements of Bank Kerjasama Rakyat Malaysia Berhad and of the Group, including the disclosures that achieves fair presentation.
- f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of guidelines issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Cooperative Societies Act 1993 (Act 502) and the Development Financial Institutions Act 2002 (Act 618), I also report the following:

- a. In my opinion, the accounting and other records required to be kept by Bank Kerjasama Rakyat Malaysia Berhad and its subsidiaries of which I have acted as auditor have been properly kept in accordance with guidelines issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Cooperative Societies Act 1993 (Act 502) and the Development Financial Institutions Act 2002 (Act 618).
- b. I have considered the accounts and the auditors' reports of all the subsidiaries of which I have not acted as auditor, which are indicated in Note 17 to the financial statements, being accounts that have been included in the consolidated accounts.
- c. I am satisfied that the accounts of the subsidiaries that have been consolidated with the Bank Kerjasama Rakyat Malaysia Berhad's financial statements are appropriate and proper in form and content for the purposes of the preparation of the financial statements of the Group and I have received satisfactory information and explanations required by me for those purposes.
- d. The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment.

Other Matters

This report is made solely for the Directors and for no other purpose. I do not assume responsibility to any other person for the content of this report.



(DATO' NIK AZMAN NIK ABDUL MAJID)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA

26 MARCH 2019



STATEMENT BY DIRECTORS

We, **DATUK NORIPAH KAMSO** and **DATO' ZULKIFLEE ABBAS ABDUL HAMID**, being two of the Directors of Bank Kerjasama Rakyat Malaysia Berhad, do hereby state that:

- (i) The financial statements of the Bank have been prepared in accordance with the provisions of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Co-operative Societies Act 1993 (Act 502), Development Financial Institutions Act 2002 (Act 618) and applicable Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") with modifications based on guidelines issued by Bank Negara Malaysia ("BNM") and in compliance with the principles of Shariah;
- (ii) The financial statements of the subsidiaries of the Bank have been prepared in accordance with MFRS, IFRS and the provisions of the Companies Act, 2016 in Malaysia.

In the opinion of the Directors, the financial statements are drawn up so as to give true and fair view of state of affairs as at 31 December 2018 and of the results of the operations and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.



DATUK NORIPAH KAMSO
Chairman



DATO' ZULKIFLEE ABBAS ABDUL HAMID
Managing Director/President

Kuala Lumpur
Date: 14 March 2019

ANNUAL REPORT OF SHARIAH COMMITTEE OF BANK RAKYAT 2018

In carrying out the roles and responsibilities of Shariah Committee of Bank Rakyat, we hereby submit the following report on Shariah compliance of Bank Rakyat's business activities and operations for the financial year ended 31st December 2018.

The Management of Bank Rakyat is responsible for ensuring Bank Rakyat conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of Bank Rakyat's operation and to report to the Board of Directors of Bank Rakyat.

During the financial year ended 31st December 2018, the Shariah Committee had convened 14 times with an addition of another 2 special sittings in which we reviewed on products, services, transactions, processes and banking documentations.

We have provided the Shariah advisory services on various aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings locally and globally made by the Shariah Advisory Councils of the regulatory bodies.

To ensure smoothness of banking operation, we empowered and delegated the approval authority to Shariah Compliance Division to approve generic Shariah related matters and the approvals by the Shariah Compliance Division are duly reported to us on a quarterly basis for review and confirmation.

We planned and performed our review 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 Rakyat has not violated the Shariah principles.

APPROVAL

1. We have endorsed and approved the principles and the contracts relating to the following products offered by Bank Rakyat in the year of 2018 as below:
 - i. Implementation of Cash Line-i (Corporate) based on the concept of *Tawarruq* launched on 17th October 2018.
 - ii. Waqaf Fund Initiative involving strategic collaboration with *Majlis Agama Islam Dan Adat Melayu Terengganu* ("**MAIDAM**") launched on 14th December 2018
 - iii. System enhancement and replacement of Shariah contract for *Kontrak-i Tijari* from *Bai Inah* to *Tawarruq* executed on July 2018.
2. We have endorsed and approved the transactions, applications and dealings entered into by Bank Rakyat through the following processes:
 - i. Shariah review on products and departmental policies and procedures.
 - ii. Shariah review on legal and banking documents, Products Disclosure Sheet ("**PDS**"), notices and marketing materials prior to publishment.
 - iii. Shariah review on Shariah compliance status of commercial banking customers prior to approval of financing.
 - iv. Shariah review on product operations at the branch level, related departments and Bank's subsidiaries which involve review on legal documents executed and *akad* sequences.
 - v. Shariah review on system application related to banking products.

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- vi. Shariah review on banking activities, asset rental by the bank and its subsidiaries to third party as well as sponsorship activities.
- vii. Shariah risk assessment on new products or enhancement to the existing products, processes and procedures, business activities and operations.
- viii. Shariah audit on operations, documentations and system application of departments, branches and subsidiaries of Bank Rakyat.

SHARIAH RESEARCH AND ADVISORY, SHARIAH REVIEW, SHARIAH AUDIT AND SHARIAH RISK

1. Shariah Research and Advisory, Shariah Review, Shariah Audit and Shariah Risk functions play a vital role in achieving the objective of ensuring end to end Shariah Compliance of the bank at all times by evaluating and assessing all activities and banking operation.
2. We have assessed the work carried out by Shariah Research and Advisory, Shariah Review, Shariah Audit and Shariah Risk which included examining on a sample basis of each type of transaction, the relevant documentations and procedures adopted by Bank Rakyat.
3. Shariah Research and Advisory provide advisory on product development and day to day business operations which include issuing of Shariah Compliance Review Certificate, Shariah parameters, vetting of legal documentation, screening business banking financing applications, approving marketing materials and co-operative appointment of card merchants as delegated by us.
4. Shariah Review and Shariah Audit have performed their review and audit based on review and audit plan approved by us. Shariah Review and Shariah Audit Reports were presented and deliberated in our meetings to confirm that the Bank has complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Shariah Advisory Council of Securities Commission Malaysia and decisions made by us.
5. Shariah Risk is responsible to systematically identify, measure, monitor and control Shariah non-compliance risks, and therefore mitigate or minimise the occurrence of Shariah non-compliances. A systematic approach of managing Shariah non-compliance risks will enable the Bank to continue its operations and activities effectively without exposing the Bank to unacceptable levels of risk.
6. During the financial year of 2018, Shariah Review and Shariah Audit presented to us the following reports:

Shariah Review

- a. Shariah Review Report on 147 Bank Rakyat's branches
- b. Shariah Review Report on 17 Rakyat Xcess & Ar-Rahnu X'change (combo), 4 Rakyat Xcess and 26 Ar-Rahnu X'change
- c. Shariah Review Report on 46 corporate financing and cooperative financing application
- d. Shariah Review Report on 42 Trade Finance application
- e. Shariah Review Report on 4 Treasury Departments and 7 subsidiaries of Bank Rakyat
- f. Shariah Review Report : Branch Operation Processing Department
- g. Shariah Review Report : Virtual Banking Department
- h. Shariah Review Report : Payroll & Benefits Administration Department
- i. Shariah Review Report : Card & Payment Business Department
- j. Shariah Review Report : Business Banking Division

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- k. Shariah Review Report : Early Monitoring Department
- l. Shariah Review Report : Cash Management Department
- m. Shariah Review Report : Legal (Corporate Financing & Documentation) Department
- n. Shariah Review Report : Money Market Department
- o. Shariah Review Report : Foreign Exchange Department
- p. Shariah Review Report : Equity Department
- q. Shariah Review Report : Fixed Income Department
- r. Shariah Review Report : Marketing & Communication Division
- s. Shariah Review Report : Strategic Marketing Department

Shariah Audit

- a) Shariah Audit Report : Special Audit on Zakat Management
- b) Shariah Audit Report : Micro Financing-i
- c) Shariah Audit Report : Auto Financing-i
- d) Shariah Audit Report : SME Financing
- e) Shariah Audit Report : Virtual Banking Department
- f) Shariah Audit Report : Corporate Banking (Operations)
- g) Shariah Audit Report : Corporate Banking (Government / Government Linked Company)
- h) Shariah Audit Report : Legal (Corporate Financing & Documentation)
- i) Shariah Audit Report : Member's Services
- j) Shariah Audit Report : Payroll & Benefit Administration Department (Staff Financing)
- k) Shariah Audit Report : Shariah Review Department
- l) Shariah Audit Report : Shariah Research & Advisory Department
- m) Shariah Audit Report : Private (Business Development) Department
- n) Shariah Audit Report : Limited review on settlement arrangement handled by Business Rehabilitation Department
- o) Shariah Audit Report : Limited review on Rakyat Hartanah Sdn Bhd's Operation
- p) Shariah Audit Report : Limited review on Shariah governance process related to documentation of Trade Finance
- q) Shariah Audit Report : Limited review on Credit Card-i, Acquiring Business
- r) Shariah Audit Report : Limited review on Shariah governance process related to sukuk documentation, Capital Management
- s) Shariah Audit Report : Limited review on outsourcing of gold wafers production, Rakyat Management Services Sdn Bhd
- t) Shariah Audit Report : Limited review on Unit Trust & Estate Management Department
- u) Shariah Audit Report : Limited review on Shariah Risk Unit, Operational Risk Department
- v) Shariah Audit Report : Limited review on management of tenancy & rental collection, Rakyat Holdings Sdn Bhd
- w) Shariah Audit Report : Limited review on Combo Debit Card-i
- x) Shariah Audit Report : Limited review on investment activities of quoted shares handled by Equity Department

Shariah Training and Awareness

1. For the financial year of 2018, a total of 39 Shariah training and awareness programmes have been conducted to internal employees of the bank which were attended by more than 900 participants throughout Malaysia.
2. To increase the awareness on Shariah governance and compliance among the headquarter's ("HQ") staffs, the Bank conducts Shariah Town Hall sessions whereby we were responsible to update on Shariah requirements and rulings issued either by us or the regulators and sharing on Shariah non-compliance incidences detected by Shariah Review and Shariah Audit to avoid any occurrence event in meeting the business objectives.

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3. Training Academy of Bank Rakyat also retained the slots of Shariah application in Islamic Banking during the induction programme which has been specifically organised for new recruits, as one of the efforts to ensure all levels of the bank's employees understand the application of Shariah in every product offered by the bank.
4. Bank Rakyat has also committed to elevate the knowledge and understanding of Shariah as well as Islamic Banking of its employees by execution of in-house intensive programmes. 7 members of Shariah Committee together with 22 Shariah officers have attended 5 days Intensive Course of Muamalat from the Perspective of Mazhab Shafi'i, which were proudly led by Sheikh Dr. Abdul Sattar Abu Ghuddah, a prominent Shariah scholar of worldwide Islamic Finance industry. In addition, to sharpen the internal talent and accommodate the training efficiency, 2 Shariah officers have successfully completed the Certified Training Professional ("**CTP**") by Finance Accreditation Agency ("**FAA**") which is an independent quality assurance and accreditation body supported by Bank Negara Malaysia (Central Bank of Malaysia) and Securities Commission Malaysia.
5. Bank Rakyat has conducted 15 series of Zero Tolerance Clinic programme which includes Shariah compliance briefing sessions attended by representatives of management from each branches throughout Malaysia, in an effort to increase the awareness on Shariah compliance culture among the employees at branches.

Shariah Non Compliance Issue

1. For the financial year ended 31st December 2018, the Shariah non-compliance issues deliberated by us were as follows:
 - a) Overcharged safekeeping fees in the process of Gold Auction between branch and Rakyat Management Services Sdn Bhd (RMS) due to the delay in closing of customers' accounts.
 - b) Subscription of conventional insurance premium financed by the bank for Vehicle Financing-i (An-Naqlu 2) involving 11 accounts from 7 branches.
 - c) Execution of disbursement payment to customers on the purchase of Shariah non-compliant goods under the *Skim Pinjaman Tukar-i*.
2. All of the events together with the rectification plans were presented to us and the Board of Directors for approval, and were accordingly reported to Bank Negara Malaysia in accordance with the Shariah non-compliance reporting requirements imposed by the Islamic Financial Services Act 2013 ("**IFSA**").
3. Shariah non-compliance events experienced by the Bank were mostly due to operational non-compliances detected by Shariah Review and Shariah Audit. The Bank has taken corrective as well as preventive measures in order to avoid the same Shariah non-compliance events from occurring in the future which includes specific Shariah training to all of the staff.
4. Within the financial year of 2018, the Bank received Shariah non-compliant income amounting to **RM10,979.11**. The amount was returned to the affected customers and part of it was disposed for charitable purposes upon Shariah Committee and Board of Directors' approval.

Zakat on Business

1. In the financial year of 2018, we confirmed that the Bank has fulfilled its obligation to pay zakat on its business to Majlis Agama Islam Negeri-Negeri by adopting the growth capital computation method and in compliance with the Manual Pengurusan Zakat Perbankan issued by Jabatan Wakaf, Zakat dan Haji.
2. For the Zakat Asnaf, we confirmed that Business Zakat of the Bank was distributed accordingly to the eligible asnaf as guided by Policy and Procedure Business Zakat Management of Bank Rakyat that was approved by us.

ANNUAL REPORT OF SHARIAH COMMITTEE OF BANK RAKYAT 2018

Based on the report, **we opined that:**

1. The Shariah principles and contracts implemented on products listed in paragraph 1 are in compliance with the Shariah principles and Shariah resolutions issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.
2. The transactions, applications and dealings entered into by the Bank that we have reviewed excluding the Shariah non-compliance incidences mentioned above, are in compliance with the Shariah principles and Shariah resolutions issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.
3. Rectification plans has been executed on all confirmed Shariah non-compliant events.
4. The transactions, applications and dealings which are subjected to further investigation and rectification will be carried out on an ongoing basis.
5. All earnings that have been realised from sources or by means prohibited by the Shariah principles were disposed accordingly.
6. The calculation and distribution of zakat on Banking Business for the year of 2018 is in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Rakyat, to the best of our knowledge, do hereby confirm that the operations of Bank Rakyat, to the best of its effort, for the year ended 31st December 2018 have been conducted in conformity with the Shariah principles.



USTAZ MD. YUNUS ABD. AZIZ
Member of Shariah Committee



USTAZ WAN RUMAIZI WAN HUSIN
Member of Shariah Committee



USTAZ ABDULLAAH JALIL
Member of Shariah Committee



PROF. MADYA DR. AZMAN MOHD NOOR
Member of Shariah Committee



PROF. DATO' DR. MOHD AZMI OMAR
Member of Shariah Committee



DR. MOHAMAD ZAINI YAHAYA
Member of Shariah Committee



SS DATO' SETIA HJ. MOHD TAMYES ABD WAHID
Chairman of Shariah Committee

STATUTORY DECLARATION

I, **NOR HAIMEE ZAKARIA**, being the officer primarily responsible for the financial management of Bank Kerjasama Rakyat Malaysia Berhad, do solemnly and sincerely declare that the financial statements are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 14 March 2019.



NOR HAIMEE ZAKARIA

Before me:



DIRECTORS' REPORT

The Directors of Bank Kerjasama Rakyat Malaysia Berhad ("the Bank") have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are those of a co-operative that carries out banking activities based on Shariah principles through accepting deposits and providing financial services for retail and commercial needs.

The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

There have been no significant changes in the nature of these principal activities of the Bank and of its subsidiaries during the year.

RESULTS OF OPERATIONS

	Group RM'000	Bank RM'000
Profit before taxation and zakat	1,859,179	1,875,002
Taxation	(76,025)	(70,609)
Zakat	(25,533)	(24,592)
Profit after taxation and zakat	1,757,621	1,779,801
Statutory appropriations	(522,278)	(522,278)
Profit for the year after statutory appropriations	1,235,343	1,257,523
Other comprehensive income	48,468	48,468
Total comprehensive income for the year	1,283,811	1,305,991
Total comprehensive income for the year attributable to: Equity holders of the Bank	1,283,811	1,305,991

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

RESERVES AND PROVISION

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

DIRECTORS' REPORT

DIVIDENDS

During the financial year ended 31 December 2018, the Bank paid a cash dividend of 16% amounting to RM470 million in regards to the previous financial year ended 31 December 2017.

In respect of the current financial year, the Board of Directors has proposed a cash dividend up to 14% amounting to RM420 million. The proposed dividend will be recognised in the subsequent financial year upon approval by the relevant authorities outside the Bank.

OTHER STATUTORY INFORMATION

In the opinion of the Directors, the financial statements set out on pages 000 to 000 have been drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as of 31 December 2018 and of the results of their operations and cash flows for the year ended on that date.

The Directors are satisfied that before the statements of financial position and the statements of profit or loss and other comprehensive income of the Group and of the Bank were made out, reasonable steps have been taken on the following matters:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment provisions and allowance for doubtful debts and had satisfied themselves that all known bad financing and bad debts had been written off and that adequate impairment provisions and allowance for impaired financing had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, within the knowledge of the Directors, they are not aware of any circumstances that would cause the following:

- (i) the amount written off for bad financing and bad debts or the amount of the impairment provisions and allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; or
- (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading; or
- (iii) the amount reported in the financial statements of the Group and of the Bank misleading; and
- (iv) any adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

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

- (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liability of any other person; and
- (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTINUED)

No contingent or other liability which has not been discharged has been undertaken by the Group and the Bank, except as disclosed in Note 41 to the financial statements. No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

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

The Directors do solemnly and sincerely declare that there were no other matters, within their knowledge, that are not disclosed in accordance with Section 59, Co-operative Societies Act 1993.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.



DATUK NORIPAH KAMSO



DATO' ZULKIFLEE ABBAS ABDUL HAMID

Kuala Lumpur

Date: 14 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Cash and short-term funds	6	1,163,630	2,476,623	1,161,454	2,469,937
Deposits and placements with financial institutions	7	-	101,384	-	100,992
Financial investments at fair value through profit or loss	8	742,297	-	742,297	-
Financial investments available-for-sale	9	-	20,252,909	-	20,252,428
Financial investments at fair value through other comprehensive income	10	22,329,782	-	22,329,773	-
Financial investments held-to-maturity	11	-	10,437,053	-	10,437,053
Financial investments at amortised cost	12	10,155,789	-	10,155,789	-
Financing and advances	13	69,003,855	69,189,090	69,003,855	69,189,090
Trade receivables	14	2,459	1,795	-	-
Other assets	15	1,132,604	1,019,205	1,097,380	987,691
Inventories	16	8,018	9,291	-	-
Investment in subsidiaries	17	-	-	100,744	65,976
Property and equipment	18	713,862	708,374	621,876	649,790
Intangible assets	19	265,294	13,185	252,109	-
Investment properties	20	1,214,812	1,116,302	1,005,948	871,845
Prepaid lease payments	21	60,708	62,234	60,708	62,234
Tax recoverable		5,780	51,111	3,267	47,806
Deferred tax assets	22	86,333	13,446	86,000	13,000
TOTAL ASSETS		106,885,223	105,452,002	106,621,200	105,147,842

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (CONTINUED)

		Group		Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
LIABILITIES					
Deposits from customers	23	82,735,900	83,235,496	82,735,900	83,235,496
Deposits and placements from banks and financial institutions	24	824,000	-	824,000	-
Trade payables		2,840	2,681	-	-
Recourse obligations on financing sold to Cagamas	25	710,335	748,334	710,335	748,334
Debt securities issued	26	3,143,366	3,443,770	3,143,366	3,443,770
Other liabilities	27	1,590,976	1,379,579	1,711,453	1,490,291
Provision for taxation		18	574	-	-
Deferred tax liabilities	22	4,064	4,371	-	-
Financing from other financial institutions	28	-	8,844	-	-
TOTAL LIABILITIES		89,011,499	88,823,649	89,125,054	88,917,891
SHAREHOLDERS' FUND					
Share capital	29	2,986,030	2,986,030	2,986,030	2,986,030
Share redemption fund		19,104	36,440	19,104	36,440
Reserves	30	14,868,590	13,605,883	14,491,012	13,207,481
TOTAL SHAREHOLDERS' FUND		17,873,724	16,628,353	17,496,146	16,229,951
TOTAL LIABILITIES AND SHAREHOLDERS' FUND		106,885,223	105,452,002	106,621,200	105,147,842
COMMITMENTS AND CONTINGENCIES	41	2,796,414	2,723,371	2,796,414	2,723,371

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income	31	6,492,687	6,336,268	6,439,937	6,290,020
Expenditure	32	(3,382,670)	(3,245,264)	(3,328,724)	(3,200,025)
Net income		3,110,017	3,091,004	3,111,213	3,089,995
Allowances for impairment	33	(455,124)	(522,979)	(455,124)	(522,979)
Other operating income	34	414,637	687,166	445,026	658,053
Operating expenses	35	(1,210,351)	(1,210,039)	(1,226,113)	(1,226,815)
Profit before taxation and zakat		1,859,179	2,045,152	1,875,002	1,998,254
Taxation	36	(76,025)	(92,545)	(70,609)	(83,573)
Zakat	37	(25,533)	(42,980)	(24,592)	(41,739)
Profit after taxation and zakat		1,757,621	1,909,627	1,779,801	1,872,942
Statutory appropriations	38				
Transfer to statutory reserve: 25% (2017: 25%)		(451,098)	(478,670)	(451,098)	(478,670)
Contribution to the Co-operative					
Education Trust Fund: 2% (2017: 2%)		(37,500)	(39,965)	(37,500)	(39,965)
Contribution to the Co-operative					
Development Provident Fund: 1% (2017: 1%)		(18,750)	(19,983)	(18,750)	(19,983)
Contribution to Bank Rakyat Foundation		(14,930)	(14,930)	(14,930)	(14,930)
		(522,278)	(553,548)	(522,278)	(553,548)
Profit for the year		1,235,343	1,356,079	1,257,523	1,319,394

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		Group		Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Net gain on revaluation of financial investments available-for-sale	30(iii)	-	20,076	-	20,076
Net gain on revaluation of financial investments at fair value through other comprehensive income	30(iv)	48,468	-	48,468	-
		48,468	20,076	48,468	20,076
Total comprehensive income for the year		1,283,811	1,376,155	1,305,991	1,339,470
Earnings per share (RM)					
Basic	39	0.59	0.64	-	-

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

<———— Non-distributable ————> Distributable

Group	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2017	2,986,030	52,070	5,468,605	6,726,074	15,232,779
Profit after taxation and zakat	-	-	-	1,909,627	1,909,627
Transfer to statutory reserve	-	-	-	(478,670)	(478,670)
Contribution to the Co-operative Education Trust Fund	-	-	-	(39,965)	(39,965)
Contribution to the Co-operative Development Provident Fund	-	-	-	(19,983)	(19,983)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,356,079	1,356,079
Other comprehensive income	-	-	20,076	-	20,076
Total comprehensive income for the year	-	-	20,076	1,356,079	1,376,155
Transfer from retained profits	-	-	478,670	-	478,670
Issuance to new member	16,626	-	-	-	16,626
Share withdrawal	(32,256)	-	-	-	(32,256)
Transfer to share capital	15,630	(15,630)	-	-	-
Dividends (Note 40)	-	-	-	(443,774)	(443,774)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	153	153
At 31 December 2017	2,986,030	36,440	5,967,351	7,638,532	16,628,353
	Note 29		Note 30	Note 30	

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Group	<———— Non-distributable ————>			Distributable	
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2018					
As previously stated	2,986,030	36,440	5,967,351	7,638,532	16,628,353
Effect of adopting MFRS 9	-	-	68,779	(71,471)	(2,692)
Restated balance as at 1 January 2018	2,986,030	36,440	6,036,130	7,567,061	16,625,661
Profit after taxation and zakat	-	-	-	1,757,621	1,757,621
Transfer to statutory reserve	-	-	-	(451,098)	(451,098)
Contribution to the Co-operative Education Trust Fund	-	-	-	(37,500)	(37,500)
Contribution to the Co-operative Development Provident Fund	-	-	-	(18,750)	(18,750)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,235,343	1,235,343
Other comprehensive income	-	-	48,468	-	48,468
Total comprehensive income for the year	-	-	48,468	1,235,343	1,283,811
Transfer from retained profits	-	-	451,098	-	451,098
Issuance to new member	14,168	-	-	-	14,168
Share withdrawal	(31,504)	-	-	-	(31,504)
Transfer to share capital	17,336	(17,336)	-	-	-
Dividends (Note 40)	-	-	-	(469,774)	(469,774)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	264	264
At 31 December 2018	2,986,030	19,104	6,535,696	8,332,894	17,873,724
	Note 29		Note 30	Note 30	

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

<———— Non-distributable ————> Distributable

Bank	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2017	2,986,030	52,070	5,469,346	6,363,616	14,871,062
Profit after taxation and zakat	-	-	-	1,872,942	1,872,942
Transfer to statutory reserve	-	-	-	(478,670)	(478,670)
Contribution to the Co-operative Education Trust Fund	-	-	-	(39,965)	(39,965)
Contribution to the Co-operative Development Provident Fund	-	-	-	(19,983)	(19,983)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,319,394	1,319,394
Other comprehensive income	-	-	20,076	-	20,076
Total comprehensive income for the year	-	-	20,076	1,319,394	1,339,470
Transfer from retained profits	-	-	478,670	-	478,670
Issuance to new member	16,626	-	-	-	16,626
Share withdrawal	(32,256)	-	-	-	(32,256)
Transfer to share capital	15,630	(15,630)	-	-	-
Dividends (Note 40)	-	-	-	(443,774)	(443,774)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	153	153
At 31 December 2017	2,986,030	36,440	5,968,092	7,239,389	16,229,951
	Note 29		Note 30	Note 30	

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Bank	<———— Non-distributable ————>			Distributable	
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2018					
As previously stated	2,986,030	36,440	5,968,092	7,239,389	16,229,951
Effect of adopting MFRS 9	-	-	68,779	(72,827)	(4,048)
Restated balance as at 1 January 2018	2,986,030	36,440	6,036,871	7,166,562	16,225,903
Profit after taxation and zakat	-	-	-	1,779,801	1,779,801
Transfer to statutory reserve	-	-	-	(451,098)	(451,098)
Contribution to the Co-operative Education Trust Fund	-	-	-	(37,500)	(37,500)
Contribution to the Co-operative Development Provident Fund	-	-	-	(18,750)	(18,750)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,257,523	1,257,523
Other comprehensive income	-	-	48,468	-	48,468
Total comprehensive income for the year	-	-	48,468	1,257,523	1,305,991
Transfer from retained profits	-	-	451,098	-	451,098
Issuance to new member	14,168	-	-	-	14,168
Share withdrawal	(31,504)	-	-	-	(31,504)
Transfer to share capital	17,336	(17,336)	-	-	-
Dividends (Note 40)	-	-	-	(469,774)	(469,774)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	264	264
At 31 December 2018	2,986,030	19,104	6,536,437	7,954,575	17,496,146
	Note 29		Note 30	Note 30	

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit for the year	1,235,343	1,356,079	1,257,523	1,319,394
Adjustment for:				
Transfer to statutory reserve	451,098	478,670	451,098	478,670
Contribution to the Co-operative Education Trust Fund	37,500	39,965	37,500	39,965
Contribution to the Co-operative Development Provident Fund	18,750	19,983	18,750	19,983
Contribution to Bank Rakyat Foundation	14,930	14,930	14,930	14,930
Taxation	76,025	92,545	70,609	83,573
Zakat	25,533	42,980	24,592	41,739
Profit expense on debt securities issued	156,649	139,171	156,649	139,171
Allowance for impairment on financing and advances	455,382	519,948	455,382	519,948
Allowance for impairment on financial investments available-for-sale	-	3,031	-	3,031
Allowance for impairment on financial investments at fair value through other comprehensive income	475	-	475	-
Allowance for impairment on financial investments at amortised cost	(733)	-	(733)	-
Depreciation of property and equipment	63,839	98,055	60,308	95,141
Amortisation of prepaid lease payment	1,526	1,526	1,526	1,526
Amortisation of intangible assets	22,929	-	22,929	-
Property and equipment written off	6	9,523	6	9,523
Gain on disposal of property and equipment	(244)	(16,750)	(1)	(16,686)
Loss on financing written off	15,188	17,196	15,188	17,196
Allowance for doubtful debts	398	173	971	19
Gain on revaluation of investment properties	(103,259)	(128,605)	(104,841)	(99,784)
Allowance for doubtful debts no longer required	(224)	(57)	-	-
Allowance for impairment loss on financial investments held-to-maturity no longer required	-	(649)	-	(649)
Net gain on disposal of financial investments at fair value through profit or loss	(9,123)	-	(9,123)	-
Net gain on disposal of financial investments available-for-sale	-	(46,483)	-	(46,483)
Net gain on disposal of financial investments at fair value through other comprehensive income	(213)	-	(213)	-
Net gain on disposal of financial investments held-for-trading	-	(598)	-	(598)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (CONTINUED)				
Adjustment for: (continued)				
Net loss on revaluation of financial investments at fair value through profit or loss	167,745	-	167,745	-
Profit expense on financing sold with recourse to Cagamas	34,313	42,661	34,313	42,661
Dividend from financial investments available-for-sale	-	(18,123)	-	(18,123)
Dividend from financial investments at fair value through profit or loss	(12,596)	-	(12,596)	-
Dividend from subsidiary	-	-	(34,768)	-
Operating profit before working capital changes	2,651,237	2,665,171	2,628,219	2,644,147
Decrease/(Increase) in assets:				
Deposits and placements with financial institutions	101,384	102,766	100,992	102,034
Financing and advances	(297,268)	(1,919,527)	(297,268)	(1,919,527)
Trade receivables	(470)	3,752	-	-
Other assets	(114,102)	(381,028)	(112,351)	(389,598)
Inventories	1,273	(4,364)	-	-
(Decrease)/Increase in liabilities:				
Deposits from customers	(499,596)	5,332,174	(499,596)	5,332,174
Deposits and placements from banks and financial institutions	824,000	(900,000)	824,000	(900,000)
Trade payables	159	(1,607)	-	-
Recourse obligations on financing sold to Cagamas	(72,312)	(357,114)	(72,312)	(357,114)
Other liabilities	121,516	(50,013)	130,895	(100,419)
Cash generated from operations	2,715,821	4,490,210	2,702,579	4,411,697
Income tax paid	(111,522)	(12,511)	(106,148)	(6,667)
Zakat paid	(39,464)	(31,907)	(38,137)	(29,621)
Net cash from operating activities	2,564,835	4,445,792	2,558,294	4,375,409

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Purchases of financial investments held-for-trading	-	(780,000)	-	(780,000)
Proceeds from disposal of financial investments held-for-trading	-	780,598	-	780,598
Purchases of financial investments at fair value through profit or loss	(2,376,463)	-	(2,376,463)	-
Net proceed from disposal of financial investments at fair value through profit or loss	2,049,873	-	2,049,401	-
Purchases of financial investments available-for-sale	-	(9,014,723)	-	(9,014,723)
Proceeds from disposal of financial investments available-for-sale	-	3,860,749	-	3,860,677
Purchases of financial investments at fair value through other comprehensive income	(4,981,000)	-	(4,981,000)	-
Net proceed from disposal of financial investments at fair value through other comprehensive income	2,394,659	-	2,394,659	-
Purchases of financial investments held-to-maturity	-	(2,736,000)	-	(2,736,000)
Proceeds from disposal of financial investments held-to-maturity	-	3,655,062	-	3,655,062
Purchases of financial investments at amortised cost	(5,408,260)	-	(5,408,260)	-
Proceeds from disposal of financial investments at amortised cost	5,690,256	-	5,690,256	-
Purchase of investment properties	(46,321)	(156,143)	(43,722)	(83,840)
Purchase of property and equipment	(81,819)	(90,124)	(81,416)	(88,801)
Purchase of intangible assets	(211,562)	-	(211,562)	-
Proceeds from disposal of property and equipment	324	19,744	1	19,452
Dividend from financial investments available-for-sale	-	18,123	-	18,123
Dividend from financial investments at fair value through profit or loss	12,596	-	12,596	-
Dividend from subsidiary	-	-	34,768	-
Investment in subsidiaries	-	-	(34,768)	-
Net cash used in investing activities	(2,957,717)	(4,442,714)	(2,955,510)	(4,369,452)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Proceeds from issue of shares to members	14,168	16,626	14,168	16,626
Dividend paid	(469,774)	(443,774)	(469,774)	(443,774)
Fund received from government	1,392	15,800	1,392	15,800
Proceeds from debt securities issued	-	1,900,000	-	1,900,000
Payment of profit expenses on debt securities issued	(457,053)	(1,414,013)	(457,053)	(1,414,013)
Receipt of financing from other financial institutions	-	7,844	-	-
Payment of financing from other financial institutions	(8,844)	(21)	-	-
Net cash (used in)/generated from financing activities	(920,111)	82,462	(911,267)	74,639
Net (decrease)/increase in cash and cash equivalents	(1,312,993)	85,540	(1,308,483)	80,596
Cash and cash equivalents at beginning of the year	2,476,623	2,391,083	2,469,937	2,389,341
Cash and cash equivalents at end of the year	1,163,630	2,476,623	1,161,454	2,469,937
Cash and cash equivalents comprises:				
Cash and short-term funds (Note 6)	1,163,630	2,476,623	1,161,454	2,469,937
Deposits and placements with financial institutions (Note 7)	-	101,384	-	100,992
	1,163,630	2,578,007	1,161,454	2,570,929
Less:				
Cash and short-term funds and deposits and placements with original maturity of more than three months	-	101,384	-	100,992
	1,163,630	2,476,623	1,161,454	2,469,937

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

The Bank was established under the Co-operative Societies Act 1993 with the registered office address at 35th Floor, Menara 1, Menara Kembar Bank Rakyat, No. 33, Jalan Rakyat, 50470 Kuala Lumpur.

The principal activities of the Bank are those of a co-operative that carries out banking activities based on Shariah principles through accepting deposits and providing financial services for retail and commercial needs.

The principal activities of the subsidiaries are disclosed in Note 17.

There have been no significant changes in the nature of these principal activities of the Bank and its subsidiaries during the year.

The Bank has a total of 147 branches as of 31 December 2018 (2017: 147).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared in accordance with the provisions of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Cooperative Societies Act 1993 (Act 502), Development Financial Institutions Act 2002 (Act 618) and applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), Guidelines issued by Bank Negara Malaysia ("BNM") and in compliance with the principles of Shariah.

The financial statements of the subsidiaries of the Bank have been prepared in accordance with MFRS, IFRS and the provisions of the Companies Act, 2016 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM") and are rounded to the nearest thousand ("000"), unless otherwise stated.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Bank.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 9, Financial Instruments - Prepayment Features with Negative Compensation
- Amendments to MFRS 128, Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 119, Employee Benefits - Curtailment or Settlement
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, Business Combinations - Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
- The Conceptual Framework for Financial Reporting

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Bank except as mentioned below:

MFRS 16, Leases

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Group and the Bank are required to account for major part of their operating leases in the balance sheet by recognising the “right-of-use” assets and the lease liability, thus increasing the assets and liabilities of the Group and of the Bank.

- **Lessee**
At the commencement date of lease, a lessee will recognise a lease liability to make lease payments and an asset representing the “right to use” of the underlying asset during the lease term. Subsequently, the “right-of-use” asset is depreciated in accordance with the principle in MFRS 116, Property, Plant and Equipment and the lease liability is accreted over time with profit expense recognised in the profit or loss.
- **Lessor**
Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The financial effects arising from the adoption of this standard are still being assessed by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

IC Interpretation 23, Uncertainty over Income Tax Treatments

The Interpretation provides guidance on how to recognise and measure deferred and current income tax assets and liabilities in situations where there is uncertainty over whether the tax treatment applied by an entity will be accepted by the tax authority. If it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, the accounting for income taxes shall be determined consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made, by applying the most likely amount method or the expected value method.

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. Entities can choose to apply the Interpretation on full retrospective basis if possible without the use of hindsight, or retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements of the Group and of the Bank have been prepared on the historical cost basis, except for certain assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration involved in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for sharebased payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect the investee's return.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9, Financial Instruments ("MFRS 9"), and when applicable, the cost on initial recognition of an investment in an associate or joint venture.

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112, Income Taxes and MFRS 119, Employee Benefits respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2, Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held-for-sale in accordance with MFRS 5, Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another MFRS.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Business combinations (continued)

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group’s previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

3.4 Goodwill on consolidation

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 3.3 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments

Financial assets and financial liabilities are recognised when, and only when the Group and the Bank become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating profit income or expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.5.1 Financial assets

3.5.1.1 Date of recognition

All financial assets are initially recognised on the trade date, i.e. the date that the Group and the Bank become a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3.5.1.2 Initial recognition and subsequent measurement

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

From 1 January 2018, the Group and the Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics, measured at either:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through profit or loss ("FVTPL")

Before 1 January 2018, the Group and the Bank classified its financial assets as financing and advances (amortised cost), FVTPL, held-to-maturity (amortised cost) or available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Initial recognition and subsequent measurement (continued)

Included in Financial assets are the following:

(i) Financial assets at amortised cost

From 1 January 2018, the Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP") on the principal amount outstanding.

The details of these conditions are outlined below:

(a) Business model assessment

The Group and the Bank determine its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Group and the Bank's business model is not assessed on an instrument-by-instrument basis, but a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group and the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Initial recognition and subsequent measurement (continued)

(i) Financial assets at amortised cost (continued)

(b) The SPPP test

As a second step of its classification process the Group and the Bank assess the contractual terms of financial assets to identify whether they meet the SPPP test.

“Principal” for the purpose of this test is defined as their fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Group and the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

From 1 January 2018, the Group and the Bank measure financing and advances at amortised cost.

(ii) Fair value through other comprehensive income (“FVOCI”)

The Group and the Bank apply the new category under MFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial assets meet the SPPP test.

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under MFRS 139.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Initial recognition and subsequent measurement (continued)

(ii) Fair value through other comprehensive income ("FVOCI") (continued)

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Profit income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments are normally measured at FVTPL. However, for unquoted equity instruments, with an irrevocable option at inception, the Group and the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

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

Financial assets at FVTPL include financial assets held-for-trading ("HFT") and financial asset designated at FVTPL upon initial recognition. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held-for-trading.

From 1 January 2018, financial assets at FVTPL are those that are not held-for-trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9. Management designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Included in financial assets HFT are derivatives (including separated embedded derivatives), debt securities and equities.

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the income statements under the heading of 'other operating income'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Initial recognition and subsequent measurement (continued)

(iv) Financial investments available-for-sale (*Policy applicable before 1 January 2018*)

Financial investments available-for-sale are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in profit rates, exchange rates or equity prices or that are not classified as financing and receivables, financial investments held-to-maturity or financial investments at fair value through profit or loss.

Financial investments available-for-sale are initially recognised at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in other reserves, with the exception of impairment losses and profit calculated using the effective profit method which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in other reserves is reclassified to profit or loss.

Available-for-sale equity instruments that do not have a quoted market price in an active market whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividend from available-for-sale equity investments are recognised in profit or loss when the Group's and the Bank's right to receive the dividend is established.

(v) Financial investments held-to-maturity (*Policy applicable before 1 January 2018*)

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's and the Bank's management have the positive intent and ability to hold to maturity.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective profit method less any impairment.

Profit on financial investments held-to-maturity is included in profit or loss and reported as 'Income from financial investments'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the financial asset and recognised in profit or loss as 'Allowance for impairment on financial investments'.

(vi) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Initial recognition and subsequent measurement (continued)

(vi) Financing and receivables (continued)

Financing and receivables are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective profit method, less any impairment. Regular way recognition of financing and advances is recorded on settlement date, when all the conditions under financing contract have been fulfilled.

Profit on financing is recognised in profit or loss by applying the effective profit rate.

3.5.1.3 Impairment of financial assets (*Policy applicable from 1 January 2018*)

The MFRS 9 impairment requirements are based on an Expected Credit Loss (“ECL”) model that replaces the Incurred Loss model under MFRS 139. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable financing commitments and financial guarantee contracts; which include financing and advances, as well as financial instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15, Revenue from Contracts with Customers and lease receivables under MFRS 117, Leases.

The measurement of expected credit loss involves increased complexity and judgement that include:

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

The assessment of significant deterioration since initial recognition is the key to determine the point of switching between measuring an allowance based on 12-month ECL, or an allowance based on lifetime ECL. A number of both qualitative and quantitative assessments are used in determining whether there is a significant increase in credit risk as at reporting date when compared with the date of initial recognition.

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

3-Stage approach	Stage 1	Stage 2	Stage 3
	Performing	Under-performing	Non-performing
Description	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.3 Impairment of financial assets (*Policy applicable from 1 January 2018*) (continued)

(ii) ECL Measurement

There are three main components to measure ECL which are probability of default ("PD") model, a loss given default ("LGD") model, and the exposure at default model ("EAD").

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group and the Bank has continued to measure impairment on individual assessment basis for financial assets that are deemed to be individually significant. All other remaining financial assets are collectively assessed as per the Group's policy.

(iii) Expected life

Lifetime expected credit losses must be measured over the expected life. This is defined to be the maximum contractual life, including any expected prepayment, extension, call and similar options.

(iv) Financial investments at FVOCI

The ECLs of financial investments measured at FVOCI do not reduce the carrying amount of these financial assets, which remains at fair value. Rather, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

(v) Forward-looking information

Expected credit losses are the unbiased probability-weighted credit losses, determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward-looking information is based on the Group's and the Bank's Economic Research Division.

Where applicable, the Group and the Bank incorporate forward-looking adjustments in credit risk factors of PD and LGD used in ECL calculation, taking into account the impact of multiple probability-weighted future forecast economic scenarios.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.3 Impairment of financial assets (*Policy applicable from 1 January 2018*) (continued)

(v) Forward-looking information (continued)

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:

- Gross Domestic Product (“GDP”)
- House Price Indices (“HPI”)
- Consumer Price Indices (“CPI”)
- Overnight Pricing Rate (“OPR”)

The Group and Bank apply the following three alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

Base scenario: This scenario reflects the current macro-economic conditions that continue to prevail.

Best and Worst scenarios: These scenarios are set relative to the base scenario; reflecting the best and worst-case macro-economic conditions based on subject matter expert’s best judgement from current economic conditions.

(vi) Valuation for Stage 3 ECL

The Group and the Bank’s accounting policy for collateral assigned to it through its lending arrangements under MFRS 9 is the same as it was under MFRS 139.

3.5.1.4 Impairment of financial assets (*Policy applicable before 1 January 2018*)

(i) Financing and advances

Financing and advances (“financing”) of the Group and of the Bank are classified as impaired when they fulfill any of the following criteria:

- Principal or profits or both are past due for three (3) months or more;
- Where a financing is in arrears for less than three (3) months, the financing exhibits indications of credit weaknesses; or
- Where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until payments based on the revised and/or restructured terms have been observed continuously for certain period of months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.4 Impairment of financial assets (*Policy applicable before 1 January 2018*) (continued)

(i) Financing and advances (continued)

For determination of impairment on financing, the Group and the Bank assess at the end of each reporting period whether there is objective evidence that a financing or a group of financing is impaired. A financing or a group of financing is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have 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 financing or a group of financing that can be reliably estimated.

The Group and the Bank first assess individually whether objective evidence of impairment exists individually for financing which are individually significant, or collectively for financing which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is then included in a group of financing with similar credit risk characteristics and collectively assessed for impairment. Financing that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financing's original effective profit rate. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financing are grouped on the basis of similar credit risk characteristics. Impairment for this group is assessed based on the historical financing loss experience in terms of default rate and estimated recovery rate.

Future cash flows of the financing are evaluated depending on the availability of security for the financing. For unsecured financing, the fraction of exposure at default that will not be recovered following the default is taken in full.

For financing secured with collateral pledged to the Group and the Bank, the fraction of exposure at default would take into account value of the security discounted based on the expected period of recovery of the security using the effective profit rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.4 Impairment of financial assets (*Policy applicable before 1 January 2018*) (continued)

(i) Financing and advances (continued)

The likelihood that the financing would fall into default is computed based on average default rates for the latest number of years using historical data of outstanding balance that flow through to the following month. Similar rate of the likelihood of default is applied to the group of financing with similar credit risk characteristics.

In conjunction with the convergence of the FRSs in Malaysia with the IFRSs, BNM's guideline on Classification and Impairment Provisions for Loans/Financing was revised on 9 November 2011 to align the requirements on the determination of collective assessment allowance with that of the Malaysian Financial Reporting Standard 139: Financial Instruments: Recognition and Measurement ("MFRS 139"). Based on the revised guideline, the transitional arrangement on collective assessment is removed with effect from 1 January 2012. Thereafter, the Bank applies the basis for collective assessment impairment allowance by grouping of these financing with similar credit risk characteristics as explained above. On 4 February 2014, BNM issued letter requiring banking institutions to maintain, in aggregate, collective impairment provisions and regulatory reserves at minimum rate of 1.2% of total outstanding financing, net of individual impairment provisions. This move is to further strengthen buffers against potential credit losses.

When a financing is uncollectible, it is written off against the related allowance for financing impairment. Such financing are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to financing and advances to customers are classified in financing impairment charges.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) Financial investments available-for-sale

The Group and the Bank assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for financial investments available-for-sale, cumulative gain or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.4 Impairment of financial assets (*Policy applicable before 1 January 2018*) (continued)

(ii) Financial investments available-for-sale (continued)

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of other reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through 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.

(iii) Financial investments held-to-maturity

The Group and the Bank assess at the end of each reporting period whether objective evidence of impairment of financial investments held-to-maturity 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.

When 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.

If held-to-maturity investments have a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract. As a practical expedient, the Group and the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

3.5.1.5 Modification of financing

The Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of financing to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do this by considering, among others, the following factors:

- If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amount the customer is expected to be able to pay
- Whether any substantial new terms are introduced, such as profit share / equity-based return that substantially affects the risk profile of the financing
- Significant extension of the financing term when the customer is not in financial difficulty
- Significant change in profit rate

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.5 Modification of financing (continued)

The Group and Bank sometimes renegotiate or otherwise modify the contractual cash flows of customer financing. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and Bank do this by considering, among others, the insertion of collateral, other security, or credit enhancements that significantly affect the credit risk associated with the financing.

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognise a 'new' asset at fair value and recalculate a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for both impairment calculation purposes and in determining whether a significant increase in credit risk has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition. The Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the income statements. The new gross carrying amount is recalculated by discounting the modified cashflows at the original effective profit rate.

3.5.1.6 Reclassification of financial assets (*Policy applicable from 1 January 2018*)

From 1 January 2018 onwards, reclassification of financial assets is permissible when and only when there is change in business model for managing financial assets.

Subsequent to initial recognition, the Group and the Bank did not reclassify its financial assets in 2018.

3.5.1.7 Rescheduled and restructured financing

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.2 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or when the Group and the Bank transfer the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the financial asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated under the heading of other reserves is recognised in profit or loss.

3.5.3 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

3.5.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's and of the Bank's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's and of the Bank's own equity instruments.

3.5.5 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 using the effective profit method. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities at amortised cost include deposits from customers, deposits and placements from banks and financial institutions, trade and other payables, recourse obligations on financing sold to Cagamas, debt securities issued and other borrowed funds.

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.6 Derecognition of financial liabilities

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

3.5.7 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on Bursa Malaysia and broker quotes from Bond Pricing Agency.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. Under these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, and using inputs existing at the end of the reporting period.

The fair value for financing and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

3.6 Cash and cash equivalents

Cash and short term funds in the statement of financial position comprise of cash and bank balances with bank and other financial institutions and short-term deposits maturing within one month. For purpose of the statement of cash flows, cash and cash equivalents consist of cash and short term funds with original maturity of less than three months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases

Leases comprise operating lease. Lease of assets is classified as operating lease where a significant portion of the risks and rewards of ownership is retained by the lessor.

a) Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

b) Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.8 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the Group and the Bank, are classified as investment properties. Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between net disposal proceeds and the carrying amount of the assets), is included in profit or loss in the period which the property is derecognised.

3.9 Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the Group and the Bank are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Property and equipment (continued)

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Freehold land has unlimited useful life and therefore is not depreciated. Construction work-in-progress are not depreciated until the assets are ready for their intended use.

Depreciation of other property and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	50 years
Leasehold land and buildings	50 years
Renovation	5 - 50 years
Furniture, fittings and office equipment	5 years
Motor vehicles	5 years

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimates accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains and losses arising on disposals are determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.10 Intangibles Assets

In addition to goodwill, intangible asset also includes computer software and software-in-development.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank.

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses, except software-in-development which is not subject to amortisation until the development is completed and the asset is available for use.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with indefinite lives are not amortised but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Intangibles Assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives recognised in the income statements in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in income statements when the asset are derecognised.

Amortisation of intangible assets are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Computer software	5 years
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3.11 Prepaid lease payments

Leasehold land that has an indefinite economic life which title is not expected to pass to the Group by end of the lease period is classified as operating lease.

The upfront payments for right to use the leasehold land over a predetermined period are accounted for as prepaid lease payments and are stated at cost less amount amortised. The prepaid lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 7 to 863 years (2017: 8 to 864 years).

3.12 Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of past events, when it is probable that the Group and the Bank will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Inventories

Inventories are valued at the lower of cost (determined using the first-in, first out method) and net realisable value. The cost of inventories comprises the original cost of purchase plus the incidental cost incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion. In arriving at net realisable value, due allowance is made for damaged, obsolete or slow-moving inventories.

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the 'specific identification' method.

3.14 Profit income and expense

For all financial instruments measured at amortised cost and profit-bearing financial assets classified as fair value through profit or loss and fair value through other comprehensive income, income and expense are recognised under "Income" and "Expenditure" respectively using the effective profit method.

The effective profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating the profit income or expense over the relevant period. The effective profit rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

The calculation takes into account all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective profit rate, as well as premiums or discounts are also considered.

For impaired assets where the value of the financial assets has been written down as a result of an impairment loss, profit income continues to be recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

3.15 Fee and commission income

Financing arrangement fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of sales and service tax and discounts on completion of each stage of the assignment.

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

3.16 Dividend income

Dividends are recognised in profit or loss as 'dividend income' when the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Income tax

3.17.1 Current income tax

Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3.17.2 Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Bank expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of 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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their current tax assets and liabilities on a net basis.

3.18 Employee benefits

3.18.1 Defined contribution plan

For defined contribution plan, the Group and the Bank pay contributions to Employees Provident Fund ("EPF") on a mandatory basis. The Group and the Bank have no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Employee benefits (continued)

3.18.2 Short-term employee benefits

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

3.19 Impairment of non-financial assets

At the end of each reporting period, the Group and the Bank review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Bank estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.20 Zakat

In computing for zakat, the Group and the Bank have been applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and subjected to allowable adjustments.

It is an obligatory amount payable on the business on behalf of the shareholders and/or business entity depending on the ownership characteristics.

Zakat is distributed according to Shariah principle and being extended through Islamic Religious Council of the respective states and other rightful beneficiaries or asnaf.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's and the Bank's financial statements and financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of preparation of the financial statements.

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with MFRS are best estimates undertaken in accordance with the applicable standards.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's and the Bank's results and financial situation due to their materiality.

4.1 Impairment losses on financing and advances

The Group and the Bank review their financing and advances portfolio to determine whether impairment losses should be recognised in profit or loss.

Financing is considered as impaired when there is objective evidence of impairment as a result of loss event that has affected future estimated cash flows of the financing subsequent to its initial recognition.

Components of impairment allowance are as follows:

(i) Individual impairment

Where an account has exceeded certain number of arrears or when the account has fulfilled certain criteria that indicates credit weaknesses, the account is individually assessed for impairment.

Individual allowance is measured as the difference between carrying amount of the financing and present value of estimated future cash flows that are discounted at the effective profit rate.

Expectation on future cash flows is established by applying the best estimate formed on reliable and objective evidence. This process involves significant and reasonable judgement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Impairment losses on financing and advances (continued)

Components of impairment allowance are as follows: (continued)

(ii) Collective impairment

The Group and the Bank's ECL calculations under MFRS 9 are outputs of complex models with several underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Criteria for assessing if there has been a significant increase in credit risk, which includes qualitative assessment, to determine whether financial assets should be measured on lifetime ECL basis rather than 12-month ECL basis;
- The segmentation of financial assets, when their ECL is assessed on a collective basis;
- Development of ECL models, including various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios, and economic inputs, such as unemployment levels and overnight pricing rate, and their effect on PDs, EADs, and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Under MFRS 139, collective allowance takes into account probability of financing turning into default (or probability of default) and estimated loss on default (or loss given default) of any particular financing.

Probability of default is the resultant of cumulative trend of default for a specified period. It is reflective of business sectors for the financing and is refined to the extent of gravity in terms of defaults shown by the financing. Derivation of the rate for probability of default takes into account risk aspect of the business sector.

Loss given default is measured by considering value of collateral to the financing and estimated recovery period from the collateral.

4.2 Impairment of financial assets portfolio

The Group and the Bank review their financial investments at FVOCI and financial investments at amortised cost under MFRS 9 to recognise the ECL at each reporting date to reflect changes in credit risk of the financial investments not measured through FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

In carrying out the impairment review, the following management's judgements are required:

- (i) Determination whether the investment is impaired based on certain indicators such as, among others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Impairment of financial assets portfolio (continued)

(ii) Determination of ECL that reflect:

- (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) The time value of money; and
- (c) Reasonable and supportable information, that is available without undue cost or effort, as at the reporting date about past events, current conditions, and forecasts of future economic conditions.

Under MFRS 139, the Group and the the Bank review their financial investments AFS and financial investments HTM at each reporting date to assess if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment.

(i) Impairment for debt securities

A debt security is impaired if there is an indication that a loss event has occurred since initial recognition. This normally has a negative impact on the estimated future cash flows in relation to the payments of the security.

(ii) Impairment for equity securities

For equity instruments, impairment is not identified based on analysis of projected cash flows similar to debt instruments above. It arises due to establishment of the following events:

- (a) significant decline in fair value of the securities below original cost (30%); or
- (b) prolonged decline in fair value of the securities below original cost (9 months).

The above are considered objective evidence for provision of impairment on the equity securities.

4.3 Fair value estimation of financial assets at FVTPL and financial investments at FVOCI

When the fair value of financial assets recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques. Valuation techniques include the discounted cashflow methods, option pricing models, and other relevant valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 Deferred tax

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profit together with future tax planning strategies.

5. CHANGES IN ACCOUNTING POLICIES

On 1 January 2018, the Group and the Bank adopted the following amendments to MFRSs and annual improvements to MFRSs:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments
- MFRS 15, Revenue from Contracts with Customers
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2, Share-based Payment - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4, Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, Investment Property - Transfers of Investment Property

The adoption of the accounting standards, amendments or interpretations did not have any material financial impact on the financial statements of the Group and the Bank except as mentioned below:

5.1 MFRS 9 Financial Instruments

The Group and the Bank have adopted MFRS 9 to replace MFRS 139 Financial Instruments: Recognition and Measurement as issued by MASB in 2015 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group and the Bank did not early adopt any of MFRS 9 in previous periods.

The Group and the Bank does not expect to restate comparatives on initial application of MFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of MFRS 7.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.1 MFRS 9 New Requirements

Details of these new requirements as well as their impact on the Group's and the Bank's financial statements are described below.

5.1.1.1 Classification and measurement

There is no significant impact on its balance sheet or equity on applying the classification and measurement requirements of MFRS 9. The Group and the Bank expect to continue measuring at fair value all financial assets currently held at fair value. Quoted shares currently held as available-for-sale ("AFS") with gains and losses recorded in other comprehensive income ("OCI") will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss. The AFS reserve of RM52.13 million related to those securities in amount, which is currently presented as accumulated OCI, will be reclassified to retained profits. Debt securities are expected to be measured at fair value through profit or loss and OCI under MFRS 9 as the Group and the Bank expect not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

The unquoted shares are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group and the Bank will apply the option to present fair value changes in OCI, and, therefore, the application of MFRS 9 will not have a significant impact.

Financing as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and profit. The Group and the Bank analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

5.1.1.2 Impairment

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income and certain financing commitments as well as financial guarantee contracts. At initial recognition, allowance for impairment is required for expected credit losses ("ECL"). In the event of a significant increase in credit risk, allowance for impairment is required for ECL resulting from all possible default events over the expected life of the financial instrument. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also be considered the time value of money.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.2 Classification of MFRS 9 Financial Assets

5.1.2.1 Equity instruments

The adoption of MFRS 9 resulted in the following changes to the Group's and the Bank's accounting policies. From 1 January 2018, the Group and the Bank have applied MFRS 9 and classifies its financial assets in the following measurement categories:

Investments in equity instruments are always measured at fair value. Equity instruments that are held for trading are classified at Fair Value through Profit and Loss ("FVTPL"). For non-trading equities, management has an option to make an irrevocable election to present changes in Fair Value through Other Comprehensive Income ("FVOCI") rather than profit or loss. This option is only applicable upon initial recognition and it is on an instrument-by-instrument basis. Any realised gains or losses on equity instruments that are measured at FVOCI are not recycled through the profit or loss account, i.e. it is merely a transfer from FVOCI reserve to retained profits during the financial period.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's and of the Bank's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's and of the Bank's own equity instruments.

5.1.2.2 Debt instruments

Classification for investments in debt instruments is driven by the entity's business model for managing financial assets and the financial assets' contractual cash flow characteristics (i.e. the solely payment of principal and profit ("SPPP") test. MFRS 9 mandates three classification categories for debt instruments, i.e.

(i) Amortised cost

A financial asset is measured at amortised cost if the asset is held to collect its contractual cash flow and the asset's contractual cash flows represent SPPP.

(ii) FVOCI

A financial asset is measured at FVOCI if the business model is both collecting contractual cash flows and selling financial assets, and the asset's contractual cash flows represent SPPP. Fair value movements of FVOCI assets are taken through OCI, except for the recognition of impairment gains or losses, revenue and foreign exchange gains and losses which are recognised in profit or loss. Realised gains or losses on FVOCI debts assets are recycled through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.2 Classification of MFRS 9 Financial Assets (continued)

5.1.2.2 Debt instruments (continued)

(iii) FVTPL

FVTPL is the residual category if they do not meet the criteria of amortised cost or FVOCI. Financial assets included within the FVTPL category are subsequently measured at fair value with all changes taken through profit or loss, i.e. transfer from FVOCI reserve to profit or loss during the financial period.

As a result, the financial instruments available-for-sale (“AFS”) and held-to-maturity (“HTM”) categories were removed.

5.1.3 MFRS 9 New classification requirements

5.1.3.1 Financing and advances but which fail the SPPP test

The Group and the Bank holds a portfolio of musharakah financing that failed to meet the SPPP requirement for amortised cost classification under MFRS 9.

These instruments contain provisions that the cash flow financing payment may be affected based on the customer’s performance. This clause breaches the criterion that profit payment should only be consideration for credit risk and time value of money on the principal. As a result, this asset which amounted to RM41.37 million, were classified as FVTPL from the date of initial application.

5.1.3.2 Financial investments within the liquidity and trading portfolio

After assessing the business model for financial investments within the Group’s and the Bank’s liquidity portfolio, which are mostly held to collect the contractual cash flow and held to collect the contractual cash flow and sell, the Group and the Bank has identified certain financial investments which are managed separately for trading purposes. Consequently, the Group and the Bank assessed that the appropriate business model for this group of financial investments is hold to sell. These financial investments which amounted to RM573.85 million and which were previously classified as available-for-sale, were reclassified to FVTPL from the date of initial application. The remainder of the Group’s and the Bank’s liquidity portfolio were classified as fair value through other comprehensive income.

5.1.3.3 Investment in Unit Trust Funds

The Group and the Bank holds an investment in unit trust funds amounting to RM1.71 million which did not meet the SPPP criteria. These were accounted as debt securities where including callable option with the equity conversion feature representing an embedded derivative. Under MFRS 9, these instruments failed the SPPP test. Hence, the instruments now measured at FVTPL in their entirety.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.3 MFRS 9 New classification requirements (continued)

5.1.3.4 Investment in quoted shares

The Group and the Bank holds an investment of RM572.14 million in quoted shares. These were accounted as investment in equity securities and measured at FVTPL.

5.1.3.5 Designation of equity instruments at FVOCI

The Group and the Bank have elected to irrevocably designate investment in the non-trading equity securities of Payments Network Malaysia Sdn Bhd (also known as “PayNet”; formerly known as Malaysian Electronic Payment System or “MEPS”) and Raeed Holdings Sdn Bhd, amounting to RM17.40 million and RM0.75 million respectively as FVOCI; as permitted under MFRS 9.

These securities were previously classified as available-for-sale. The changes in fair value of those securities will no longer be reclassified to profit loss when they are disposed of.

At 1 January 2018, the Group and the Bank designated certain investments shown in the following table as equity securities as at FVOCI. In 2017, these investments were classified as available-for-sale and measured at cost. The FVOCI designation was made because the investments are expected to be held for the long-term for strategic purposes.

	Fair value at 31 December 2018 RM'000	Dividend income recognised 2018 RM'000
Investment in:		
Payments Network Malaysia Sdn Bhd (also known as “PayNet”)	37,795	-
Raeed Holdings Sdn Bhd	-	-
	37,795	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.4 MFRS 9 Impairment

MFRS 9 introduces expected credit losses (“ECL”) model on impairment that replaces the incurred loss model used in MFRS 139. The ECL model requires impairment to be recognised on initial recognition including expected future credit losses whilst the incurred loss impairment model only requires recognition of credit losses incurred as at reporting date. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain financing commitments as well as financial guarantee contracts, which includes financing and advances and investment securities.

MFRS 9 does not distinguish between individual assessment and collective assessment for purposes of ECL computation. For financing and advances, the Group and the Bank first assess individually whether objective evidence of impairment exists for financings which are individually significant. If it is determined that objective evidence of impairment exists, i.e.: credit impaired, for an individually assessed financing, a lifetime ECL will be recognised for impairment loss which has been incurred. Collectively, the individual assessment allowance and collective assessment allowance form the total allowance for impairment on financing and advances.

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

(i) Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL - non-credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

(iii) Stage 3: Lifetime ECL - credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognised.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted, and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

Impact as a result of MFRS 9 adoption

The total ECL allowances computed under MFRS 9 is higher than the total allowance for impairment on financing and advances under MFRS 139 as a more forward-looking approach is adopted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information

(i) Reconciliation of statement of financial position

Group	31 December 2017 RM'000	Reclassification / Remeasurement RM'000	Expected Credit Loss RM'000	1 January 2018 RM'000
Assets				
Cash and short-term funds	2,476,623	-	-	2,476,623
Deposits and placements with financial institutions	101,384	-	-	101,384
Financial investments FVTPL	-	574,339	-	574,339
Financial investments available-for-sale	20,252,909	(20,252,909)	-	-
Financial investments FVOCI	-	19,695,224	-	19,695,224
Financial investments held-to-maturity	10,437,053	(10,437,053)	-	-
Financial investments at amortised cost	-	10,437,053	-	10,437,053
Financing and advances	69,189,090	-	(11,933)	69,177,157
Trade receivables	1,795	-	(335)	1,460
Other assets	1,019,205	-	-	1,019,205
Inventories	9,291	-	-	9,291
Property and equipment	708,374	-	-	708,374
Intangible assets	13,185	-	-	13,185
Investment properties	1,116,302	-	-	1,116,302
Prepaid lease payments	62,234	-	-	62,234
Tax recoverable	51,111	12,510	(128,588)	(64,967)
Deferred tax assets	13,446	9,000	100,000	122,446
Total assets	105,452,002	38,164	(40,856)	105,449,310

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(i) Reconciliation of statement of financial position (continued)

Group	31 December 2017 RM'000	Reclassification / Remeasurement RM'000	Expected Credit Loss RM'000	1 January 2018 RM'000
Liabilities				
Deposits from customers	83,235,496	-	-	83,235,496
Trade payables	2,681	-	-	2,681
Recourse obligations on financing sold to Cagamas	748,334	-	-	748,334
Debt securities issued	3,443,770	-	-	3,443,770
Other liabilities	1,379,579	-	-	1,379,579
Provision for taxation	574	-	-	574
Deferred tax liabilities	4,371	-	-	4,371
Financing from other financial institutions	8,844	-	-	8,844
Total liabilities	88,823,649	-	-	88,823,649
Shareholders' fund				
Share capital	2,986,030	-	-	2,986,030
Share redemption fund	36,440	-	-	36,440
Reserves	13,605,883	38,164	(40,856)	13,603,191
Total shareholders' fund	16,628,353	38,164	(40,856)	16,625,661
Total liabilities and shareholders' fund	105,452,002	38,164	(40,856)	105,449,310

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(i) Reconciliation of statement of financial position (continued)

Bank	31 December 2017 RM'000	Reclassification / Remeasurement RM'000	Expected Credit Loss RM'000	1 January 2018 RM'000
Assets				
Cash and short-term funds	2,469,937	-	-	2,469,937
Deposits and placements with financial institutions	100,992	-	-	100,992
Financial investments FVTPL	-	573,858	-	573,858
Financial investments available-for-sale	20,252,428	(20,252,428)	-	-
Financial investments FVOCI	-	19,695,224	-	19,695,224
Financial investments held- to-maturity	10,437,053	(10,437,053)	-	-
Financial investments at amortised cost	-	10,437,053	-	10,437,053
Financing and advances	69,189,090	-	(11,933)	69,177,157
Other assets	987,691	-	(1,691)	986,000
Investment in subsidiaries	65,976	-	-	65,976
Property and equipment	649,790	-	-	649,790
Investment properties	871,845	-	-	871,845
Prepaid lease payments	62,234	-	-	62,234
Tax recoverable	47,806	12,510	(128,588)	(68,272)
Deferred tax assets	13,000	9,000	100,000	122,000
Total assets	105,147,842	38,164	(42,212)	105,143,794

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(i) Reconciliation of statement of financial position (continued)

Bank	31 December 2017 RM'000	Reclassification / Remeasurement RM'000	Expected Credit Loss RM'000	1 January 2018 RM'000
Liabilities				
Deposits from customers	83,235,496	-	-	83,235,496
Recourse obligations on financing sold to Cagamas	748,334	-	-	748,334
Debt securities issued	3,443,770	-	-	3,443,770
Other liabilities	1,490,291	-	-	1,490,291
Total liabilities	88,917,891	-	-	88,917,891
Shareholders' fund				
Share capital	2,986,030	-	-	2,986,030
Share redemption fund	36,440	-	-	36,440
Reserves	13,207,481	38,164	(42,212)	13,203,433
Total shareholders' fund	16,229,951	38,164	(42,212)	16,225,903
Total liabilities and shareholders' fund	105,147,842	38,164	(42,212)	105,143,794

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(ii) Classification and measurement of financial instruments on the date of initial application of MFRS 9

Group	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Under MFRS 139 RM'000	Remeasurement, Reclassification & Expected Credit Loss RM'000	Under MFRS 9 RM'000
Cash and short-term funds	Amortised cost	Amortised cost	2,476,623	-	2,476,623
Deposits and placements with financial institutions	Amortised cost	Amortised cost	101,384	-	101,384
Financial investments available-for-sale	AFS (Equity)	FVTPL	574,339	-	574,339
Financial investments available-for-sale	AFS (Equity)	FVOCI	7,583	16,654	24,237
Financial investments available-for-sale	AFS (Debt)	FVOCI	19,670,987	-	19,670,987
Financial investments held-to-maturity	Amortised cost	Amortised cost	10,437,053	-	10,437,053
Financing and advances	Amortised cost	Amortised cost	69,148,360	(11,933)	69,136,427
Financing and advances (which failed SPPP test)	Amortised cost	FVTPL	40,730	-	40,730

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(ii) Classification and measurement of financial instruments on the date of initial application of MFRS 9 (continued)

Bank	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Under MFRS 139 RM'000	Remeasurement, Reclassification & Expected Credit Loss RM'000	Under MFRS 9 RM'000
Cash and short-term funds	Amortised cost	Amortised cost	2,469,937	-	2,469,937
Deposits and placements with financial institutions	Amortised cost	Amortised cost	100,992	-	100,992
Financial investments available-for-sale	AFS (Equity)	FVTPL	573,858	-	573,858
Financial investments available-for-sale	AFS (Equity)	FVOCI	7,583	16,654	24,237
Financial investments available-for-sale	AFS (Debt)	FVOCI	19,670,987	-	19,670,987
Financial investments held-to-maturity	Amortised cost	Amortised cost	10,437,053	-	10,437,053
Financing and advances	Amortised cost	Amortised cost	69,148,360	(11,933)	69,136,427
Financing and advances (which failed SPPP test)	Amortised cost	FVTPL	40,730	-	40,730

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(iii) Reconciliation of financial instruments from MFRS 139 to MFRS 9

	Group RM'000	Bank RM'000
Cash and short-term funds		
Closing balance under MFRS 139 as at 31 December 2017/ Opening balance under MFRS 9 as at 1 January 2018	2,476,623	2,469,937
Deposits and placements with financial institutions		
Closing balance under MFRS 139 as at 31 December 2017/ Opening balance under MFRS 9 as at 1 January 2018	101,384	100,992
Financial investments available-for-sale		
Closing balance under MFRS 139 as at 31 December 2017	20,252,909	20,252,428
Reclassification to financial investments at FVOCI (Equity)	(7,583)	(7,583)
Reclassification to financial investments at FVOCI (Debt)	(19,670,987)	(19,670,987)
Reclassification to financial investments at FVTPL	(574,339)	(573,858)
Opening balance under MFRS 9 as at 1 January 2018	-	-
Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 31 December 2017	10,437,053	10,437,053
Reclassification to financial investments at amortised cost	(10,437,053)	(10,437,053)
Opening balance under MFRS 9 as at 1 January 2018	-	-
Financing and advances (including financing that failed SPPP test)		
Closing balance under MFRS 139 as at 31 December 2017	69,189,090	69,189,090
Recognition of expected credit loss	(11,933)	(11,933)
Opening balance under MFRS 9 as at 1 January 2018	69,177,157	69,177,157

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(iii) Reconciliation of financial instruments from MFRS 139 to MFRS 9 (continued)

	Group RM'000	Bank RM'000
Financial investments at FVTPL		
Closing balance under MFRS 139 as at 31 December 2017	-	-
Reclassification from financial investments available-for-sale	574,339	573,858
Opening balance under MFRS 9 as at 1 January 2018	574,339	573,858
Financial investments at FVOCI (Equity)		
Closing balance under MFRS 139 as at 31 December 2017	-	-
Reclassification from financial investments available-for-sale	7,583	7,583
Unrealised gain on financial investment	16,654	16,654
Opening balance under MFRS 9 as at 1 January 2018	24,237	24,237
Financial investments at FVOCI (Debt)		
Closing balance under MFRS 139 as at 31 December 2017	-	-
Reclassification from financial investments available-for-sale	19,670,987	19,670,987
Opening balance under MFRS 9 as at 1 January 2018	19,670,987	19,670,987
Total financial investments measured at fair value through other comprehensive income	19,695,224	19,695,224
Financial investments at amortised cost		
Closing balance under MFRS 139 as at 31 December 2017	-	-
Reclassification from financial investments held-to-maturity	10,437,053	10,437,053
Opening balance under MFRS 9 as at 1 January 2018	10,437,053	10,437,053

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(iii) Reconciliation of financial instruments from MFRS 139 to MFRS 9 (continued)

	Group RM'000	Bank RM'000
Deferred tax assets		
Closing balance under MFRS 139 as at 31 December 2017	13,446	13,000
Tax impact on unrealised loss on financial investment at FVOCI	(4,000)	(4,000)
Tax impact on recognition of expected credit loss	100,000	100,000
Tax impact on unrealised loss on financial investment available-for-sale reclassified to financial investments at FVTPL	13,000	13,000
Opening balance under MFRS 9 as at 1 January 2018	122,446	122,000
Trade receivables		
Closing balance under MFRS 139 as at 31 December 2017	1,795	-
Recognition of expected credit loss	(335)	-
Opening balance under MFRS 9 as at 1 January 2018	1,460	-
Other assets		
Closing balance under MFRS 139 as at 31 December 2017	1,019,205	987,691
Recognition of expected credit loss	-	(1,691)
Opening balance under MFRS 9 as at 1 January 2018	1,019,205	986,000
Inventories		
Closing balance under MFRS 139 as at 31 December 2017/ Opening balance under MFRS 9 as at 1 January 2018	9,291	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(iii) Reconciliation of financial instruments from MFRS 139 to MFRS 9 (continued)

	Group RM'000	Bank RM'000
Tax recoverable		
Closing balance under MFRS 139 as at 31 December 2017	51,111	47,806
Tax impact on unrealised loss on financial investment at FVOCI	(1)	(1)
Tax impact on recognition of expected credit loss	(128,588)	(128,588)
Tax impact on unrealised loss on financial investment available-for-sale reclassified to financial investments at FVTPL	12,511	12,511
Opening balance under MFRS 9 as at 1 January 2018	(64,967)	(68,272)
Other liabilities		
Closing balance under MFRS 139 as at 31 December 2017/ Opening balance under MFRS 9 as at 1 January 2018	1,379,579	1,490,291

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(iv) Reconciliation of equity balances from MFRS 139 to MFRS 9

	Group RM'000	Bank RM'000
Retained profits		
Closing balance under MFRS 139 as at 31 December 2017	7,638,532	7,239,389
Unrealised loss on financial investments available-for-sale reclassified to financial investments at FVTPL	(52,130)	(52,130)
Unrealised loss transfer to fair value reserve	5	5
Recognition of additional allowance under ECL	(12,268)	(13,624)
Tax impact on unrealised loss on financial investment at FVOCI	(4,001)	(4,001)
Tax impact on recognition of expected credit loss	(28,588)	(28,588)
Tax impact on unrealised loss on financial investment available-for-sale reclassified to financial investments at FVTPL	25,511	25,511
Opening balance under MFRS 9 as at 1 January 2018	7,567,061	7,166,562
Regulatory reserve		
Closing balance under MFRS 139 as at 31 December 2017/ Opening balance under MFRS 9 as at 1 January 2018	329,672	329,672
Fair value reserves		
Closing balance under MFRS 139 as at 31 December 2017	(8,420)	(8,420)
Unrealised loss on financial investments available-for-sale reclassified to financial investments at FVTPL	52,130	52,130
Unrealised loss transfer from retained profits	(5)	(5)
Unrealised gain on financial investments at FVOCI	16,654	16,654
Opening balance under MFRS 9 as at 1 January 2018	60,359	60,359

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(v) Reconciliation of impairment allowances balance

	Loss allowance MFRS 139 RM'000	Remeasurement RM'000	Loss allowance under MFRS 9 RM'000
Group			
Financing and advances	1,439,768	11,933	1,451,701
Trade receivables	1,916	335	2,251
	1,441,684	12,268	1,453,952
Bank			
Financing and advances	1,439,768	11,933	1,451,701
Other assets - Amount due from subsidiaries	1,510	1,691	3,201
	1,441,278	13,624	1,454,902

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

5.1 MFRS 9 Financial Instruments (continued)

5.1.5 Financial impact arising from adoption of MFRS 9 Financial Instruments and restatement of comparative information (continued)

(vi) Impact of capital adequacy ratio

	31 December 2017 RM'000	Impact of adopting MFRS 9 RM'000	1 January 2018 RM'000
Tier I capital	15,872,259	(72,827)	15,799,432
Tier II capital	1,201,672	2,905	1,204,577
Total capital	17,007,955	(69,922)	16,938,033
Risk-weighted assets	76,382,645	(113,048)	76,269,597
Before proposed dividend			
Core capital ratio	20.78%	(0.06%)	20.72%
Risk-weighted capital adequacy ratio	22.27%	(0.06%)	22.21%
After proposed dividend			
Core capital ratio	20.11%	(0.06%)	20.05%
Risk-weighted capital adequacy ratio	21.60%	(0.06%)	21.54%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and balances with banks and other financial institutions	833,602	1,056,304	831,426	1,049,618
Money at call and deposit placements maturing within one month	330,028	1,420,319	330,028	1,420,319
	1,163,630	2,476,623	1,161,454	2,469,937

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and short-term funds	1,163,630	2,476,623	1,161,454	2,469,937

7. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Licensed banks	-	101,384	-	100,992

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank	
	2018 RM'000	2017 RM'000
Debt instruments at fair value through profit or loss:		
Government investment issues	203,600	-
Islamic redeemable convertible preference shares	202,096	-
	405,696	-
Equity securities at fair value through profit or loss:		
Quoted shares	335,182	-
Unit trust shares	1,419	-
	336,601	-
Total financial investments at fair value through profit or loss	742,297	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value				
Islamic debt securities	-	3,798,824	-	3,798,824
Government investment issues	-	9,178,953	-	9,178,953
Government sukuk	-	4,922,276	-	4,922,276
Khazanah sukuk	-	208,347	-	208,347
Cagamas sukuk	-	1,562,587	-	1,562,587
Quoted shares	-	572,144	-	572,144
Unit trust shares	-	1,714	-	1,714
At cost, net of impairment loss				
Unquoted shares	-	8,064	-	7,583
Net carrying amount	-	20,252,909	-	20,252,428

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Debt instruments at fair value through other comprehensive income:				
Islamic debt securities	4,766,558	-	4,766,558	-
Government investment issues	9,218,783	-	9,218,783	-
Government sukuk	5,637,781	-	5,637,781	-
Khazanah sukuk	217,208	-	217,208	-
Cagamas sukuk	2,451,645	-	2,451,645	-
	22,291,975	-	22,291,975	-
Equity securities at fair value through other comprehensive income:				
Unquoted shares	37,807	-	37,798	-
	37,807	-	37,798	-
Total financial investments at fair value through other comprehensive income	22,329,782	-	22,329,773	-

Movement of accumulated impairment losses for debt instruments at fair value through other comprehensive income is as follows:

	12 month ECL Stage 1 RM'000
At 1 January 2018	-
Changes in credit risk (Note 33(ii))	475
At 31 December 2018	475

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group and Bank	
	2018 RM'000	2017 RM'000
At amortised cost		
Islamic debt securities	-	642,412
Government investment issues	-	6,352,971
Government sukuk	-	2,248,815
Khazanah sukuk	-	341,911
Cagamas sukuk	-	475,271
Negotiable Islamic debt certificates	-	398,630
	-	10,460,010
Less: Accumulated impairment losses		
Islamic debt securities	-	(22,957)
Net carrying amount	-	10,437,053

Movement of accumulated impairment losses is as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
As of 1 January	-	23,606
Charge to profit or loss, net (Note 34(ii))	-	(649)
As of 31 December	-	22,957

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTINUED)

The maturity structure of the instruments is as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Maturity within one year	-	2,464,394
More than one year to five years	-	6,514,401
More than five years	-	1,481,215
	-	10,460,010

12. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	2018 RM'000	2017 RM'000
At amortised cost		
Islamic debt securities	701,498	-
Government investment issues	5,912,370	-
Government sukuk	2,312,408	-
Khazanah sukuk	340,579	-
Cagamas sukuk	698,173	-
Negotiable Islamic debt certificates	148,698	-
Islamic commercial papers	64,287	-
	10,178,013	-
Less: Accumulated impairment losses Islamic debt securities	(22,224)	-
	10,155,789	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12. FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movement of accumulated impairment losses is as follows:

	12 month ECL Stage 1 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At 1 January 2018	-	22,957	22,957
Changes in credit risk (Note 33(ii))	55	(788)	(733)
At 31 December 2018	55	22,169	22,224

The maturity structure of the instruments is as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Maturity within one year	2,658,104	-
More than one year to five years	5,527,070	-
More than five years	1,992,839	-
	10,178,013	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. FINANCING AND ADVANCES

(i) Financing and advances analysed by type and concept

Group and Bank 2018	Bai' `Inah RM'000	Bai' Bithaman Ajil RM'000	Ar-Rahn RM'000	Qard RM'000	Murabahah RM'000	Ijarah Thumma Al-Bai' RM'000	Musharakah RM'000	Tawarruq RM'000	Total RM'000
At amortised cost									
Term financing									
- Personal financing	23,873,401	-	-	-	-	-	-	31,003,712	54,877,113
- House financing	-	1,192,687	-	-	359,162	-	-	4,370,474	5,922,323
- Hire-purchase receivables	-	-	-	-	-	1,573,656	-	895	1,574,551
- Syndicated financing	-	-	-	-	356,259	-	-	-	356,259
- Bridging financing	-	-	-	-	232,863	-	-	-	232,863
- Other term financing	78,869	5,707	-	24	3,169,491	15	-	1,219,133	4,473,239
Pawn broking	-	-	1,728,090	-	-	-	-	-	1,728,090
Revolving credit	-	-	-	-	367,287	-	-	-	367,287
Credit card	-	-	-	-	-	-	-	444,036	444,036
Staff financing	-	425,103	-	-	-	-	-	-	425,103
	23,952,270	1,623,497	1,728,090	24	4,485,062	1,573,671	-	37,038,250	70,400,864

Allowance for impairment on financing and advances:

Collective assessment allowance - 12 months expected credit loss (ECL)	(428,090)
Collective assessment allowance - lifetime ECL	(591,287)
Individual assessment allowance - lifetime ECL	(377,632)

Net financing and advances 69,003,855

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Group and Bank 2017	Bai`Inah RM'000	Bai` Bithaman Ajil RM'000	Ar-Rahn RM'000	Qard RM'000	Murabahah RM'000	Ijarah Thumma Al-Bai` RM'000	Musharakah RM'000	Tawarruq RM'000	Total RM'000
At amortised cost									
Term financing									
- Personal financing	26,929,050	-	-	-	-	-	-	29,063,183	55,992,233
- House financing	-	1,362,782	-	-	347,463	-	-	3,539,510	5,249,755
- Hire-purchase receivables	-	-	-	-	-	1,470,205	-	1,072	1,471,277
- Syndicated financing	-	-	-	-	243,420	-	41,369	-	284,789
- Bridging financing	-	-	-	-	223,957	-	-	-	223,957
- Other term financing	96,812	11,846	-	27	3,152,988	-	-	1,278,541	4,540,214
Pawn broking	-	-	1,665,450	-	-	-	-	-	1,665,450
Revolving credit	14	-	-	-	357,020	-	-	-	357,034
Credit card	-	-	-	-	-	-	-	456,451	456,451
Staff financing	-	116,461	-	-	-	-	-	271,237	387,698
	27,025,876	1,491,089	1,665,450	27	4,324,848	1,470,205	41,369	34,609,994	70,628,858

Allowance for impairment on financing and advances:

Individual assessment impairment	(448,749)
Collective assessment impairment	(991,019)

Net financing and advances 69,189,090

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. FINANCING AND ADVANCES (CONTINUED)

(ii) Financing and advances analysed by geographical distribution

	Group and Bank	
	2018 RM'000	2017 RM'000
Central Region	28,249,446	28,590,050
Southern Region	10,264,927	10,238,346
Eastern Region	10,838,776	10,889,266
Northern Region	8,170,372	8,223,197
East Malaysia Region	12,877,343	12,687,999
	70,400,864	70,628,858

(iii) Financing and advances analysed by economic sector

	Group and Bank	
	2018 RM'000	2017 RM'000
Purchase of securities	186,904	48,491
Purchase of non-residential property	45,169	152,817
Consumption credit	65,951,587	66,246,482
Agriculture	100,667	231,671
Manufacturing	120,681	173,473
Electricity, gas and water	182	100,549
Construction	906,823	853,112
Wholesale and retail trade	167,938	149,243
Transportation and communication	80,817	168,367
Financial, takaful and business services	2,560,520	2,400,420
Community, social and personal services	279,576	104,233
	70,400,864	70,628,858

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. FINANCING AND ADVANCES (CONTINUED)

(iv) Financing and advances analysed by remaining contractual maturity

	Group and Bank	
	2018 RM'000	2017 RM'000
Maturity within one year	2,893,708	3,029,477
More than one year to three years	1,595,693	1,562,900
More than three years to five years	3,564,192	3,057,046
More than five years	62,347,271	62,979,435
	70,400,864	70,628,858

(v) Financing and advances analysed by customer type

	Group and Bank	
	2018 RM'000	2017 RM'000
Individuals	66,148,042	66,342,851
Business enterprises	1,928,258	2,252,027
Non-bank financial institutions - Co-operatives	2,224,996	1,963,303
Foreign entities	1,489	1,254
Other entities	98,079	69,423
	70,400,864	70,628,858

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. FINANCING AND ADVANCES (CONTINUED)

(vi) Financing and advances analysed by profit rate sensitivity

	Group and Bank	
	2018 RM'000	2017 RM'000
Fixed rate		
Personal financing	26,808,792	30,669,840
House financing	969,214	1,099,440
Others	5,689,323	5,568,230
Floating rate		
Personal financing	28,068,321	25,322,392
House financing	4,953,109	3,802,852
Others	3,912,105	4,166,104
	70,400,864	70,628,858

(vii) Impaired financing and advances analysed by geographical distribution

	Group and Bank	
	2018 RM'000	2017 RM'000
Central Region	1,216,919	1,361,350
Southern Region	67,541	58,812
Eastern Region	68,085	57,338
Northern Region	51,818	44,182
East Malaysia Region	86,387	53,343
	1,490,750	1,575,025

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. FINANCING AND ADVANCES (CONTINUED)

(viii) Impaired financing and advances analysed by economic sector

	Group and Bank	
	2018 RM'000	2017 RM'000
Purchase of securities	65	87
Purchase of non-residential property	111,397	104,485
Consumption credit	568,030	488,318
Agriculture	-	99,549
Manufacturing	83,723	79,670
Construction	361,126	429,631
Wholesale and retail trade	-	15
Transportation and communication	11,149	-
Financial, takaful and business services	354,982	372,846
Community, social and personal services	278	424
	1,490,750	1,575,025

(ix) Movements in impaired financing and advances are as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
As of 1 January	1,575,025	1,378,626
Classified as impaired during the year	1,360,789	1,394,525
Amount written back in respect of recoveries	(972,603)	(763,569)
Amount written off during the year	(472,461)	(434,557)
	(84,275)	196,399
As of 31 December	1,490,750	1,575,025
Gross impaired financing and advances as a percentage of gross financing and advances	2.12%	2.23%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for individual assessment impairment losses on financing and advances are as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Individual assessment impairment		
As of 1 January		
As previously stated	448,749	455,390
Effect of adopting MFRS 9	12,238	-
Restated balance as of 1 January	460,987	455,390
(Write back)/charge to profit or loss, net (Note 33(i))	(71,668)	10,330
Amount written off during the year	(11,687)	(16,971)
As of 31 December	377,632	448,749

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. FINANCING AND ADVANCES (CONTINUED)

(xi) Movements in allowance for collective assessment impairment on financing and advances are as follows:

	12 month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
Collective assessment impairment				
As of 1 January 2018				
As previously stated				991,019
Effect of adopting MFRS 9				(305)
Restated balance as of 1 January 2018	398,815	176,090	415,809	990,714
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	7,838	(17,125)	(33,194)	(42,481)
- Transfer to lifetime ECL not credit impaired (Stage 2)	(13,510)	65,054	(46,938)	4,606
- Transfer to lifetime ECL credit impaired (Stage 3)	(4,611)	(11,209)	643,360	627,540
New financial assets originated	131,353	4,771	8,651	144,775
Changes in credit risk	(51,150)	(86,619)	30,910	(106,859)
Financial assets derecognised	(40,645)	(12,201)	(85,298)	(138,144)
Amount written off	-	-	(460,774)	(460,774)
At 31 December 2018	428,090	118,761	472,526	1,019,377

Overall, the total allowance for impairment in financing and advances increased by RM28.7 million due to the following

- a) 12 month ECL (Stage 1) - increase by RM29.3 million mainly due to:
 - financing and advances that were newly originated;
 - partially offset by improvement in credit quality.
- b) Lifetime ECL (Stage 2) - decrease by RM57.3 million mainly due to:
 - financing and advances that improved in credit quality.
- c) Lifetime ECL (Stage 3) - increase by RM56.7 million mainly due to:
 - financing and advances that migrated into stage 3 due to deterioration in credit quality;
 - partially offset by amount written off.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. FINANCING AND ADVANCES (CONTINUED)

- (xi) Movements in allowance for collective assessment impairment on financing and advances are as follows:
(continued)

	Group and Bank RM'000	
Collective assessment impairment		
As of 1 January 2017		917,676
Allowance made during the year (Note 33(i))		1,800,444
Amount written back in respect of recoveries (Note 33(ii))		(1,313,068)
		487,376
Amount written off during the year		(414,033)
As of 31 December 2017		991,019
	Group and Bank	
	2018	2017
Collective impairment (inclusive of regulatory reserve) as a percentage of gross financing and advances after deduction of individual assessment impairment	1.93%	1.88%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14. TRADE RECEIVABLES

	Group	
	2018 RM'000	2017 RM'000
At amortised cost		
Trade receivables	4,134	3,711
Less: Allowance for expected credit loss	(1,675)	(1,916)
	2,459	1,795

Trade receivables are classified as amortised cost and are therefore measured at amortised cost. The credit period granted for sale of goods is 30 days (2017: 30 days). No profit is charged on trade receivables. In 2018, RM1,675,000 was recognised as provision for expected credit loss on trade receivables.

The table below is an analysis of trade receivables at the end of the reporting period:

	Group	
	2018 RM'000	2017 RM'000
Neither past due nor impaired		
1 day to less than 1 month	982	93
Past due but not impaired		
1 month to less than 2 months	832	-
2 months to less than 3 months	83	1,240
3 months to less than 4 months	253	168
4 months and above	759	294
	1,927	1,702
Past due and impaired	1,225	1,916
	4,134	3,711

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14. TRADE RECEIVABLES (CONTINUED)

Movements in the allowance for expected credit loss are as follows:

	Group	
	2018 RM'000	2017 RM'000
As of 1 January		
As previously stated	1,916	1,819
Effect of adopting MFRS 9	335	-
Restated balance as of 1 January	2,251	1,819
Impairment losses recognised during the year (Note 35(ii))	30	154
Amount recovered during the year (Note 34(ii))	(224)	(57)
Amount written off during the year	(382)	-
As of 31 December	1,675	1,916

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

15. OTHER ASSETS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount due from subsidiaries (i)	-	-	18,492	19,668
Other receivables, deposits and prepayments (ii)	1,132,604	1,019,205	1,078,888	968,023
	1,132,604	1,019,205	1,097,380	987,691

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

15. OTHER ASSETS (CONTINUED)

(i) Amount due from subsidiaries

The amount due from subsidiaries is non-trade in nature, not subject to financing charges and has no fixed terms of payment.

	Bank	
	2018 RM'000	2017 RM'000
Outstanding balances	22,657	21,178
Less: Allowance for doubtful debts	(4,165)	(1,510)
	18,492	19,668

Movements in the allowance for doubtful debts are as follows:

	Bank	
	2018 RM'000	2017 RM'000
As of 1 January		
As previously stated	1,510	1,510
Effect of adopting MFRS 9	1,691	-
Restated balance as of 1 January 2018	3,201	1,510
Impairment losses recognised during the year (Note 35(ii))	964	-
As of 31 December	4,165	1,510

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

15. OTHER ASSETS (CONTINUED)

(ii) Other receivables, deposits and prepayments

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables	725,311	734,974	721,511	737,689
Allowance for doubtful debts *	(15,730)	(15,369)	(15,258)	(15,258)
	709,581	719,605	706,253	722,431
Refundable deposits	54,991	53,908	10,004	10,134
Prepayments	168,032	45,692	162,631	35,458
Contribution to Central Liquidity Monetary Fund **	200,000	200,000	200,000	200,000
	1,132,604	1,019,205	1,078,888	968,023

* Movements in the allowance for doubtful debts are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
As of 1 January	15,369	16,109	15,258	15,998
Impairment losses recognised during the year (Note 35(ii))	368	19	7	19
Amount written off during the year	(7)	(759)	(7)	(759)
As of 31 December	15,730	15,369	15,258	15,258

** This contribution is required under sub-section 42(i) of Malaysia Co-operative Societies Commission Act 2007 (Act 665) either at a rate of 3% on the qualifying liability or RM200 million, whichever is lower, commencing in the financial period beginning on or after 1 January 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16. INVENTORIES

Inventories consist of the following:

	Group	
	2018 RM'000	2017 RM'000
Trading inventories, at cost	8,018	9,291

17. INVESTMENT IN SUBSIDIARIES

	Bank	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	100,744	65,976

During the year, Rakyat Asset Management Sdn Bhd, Rakyat Niaga Sdn Bhd, Rakyat Facility Sdn Bhd and Rakyat Hartanah Sdn Bhd ordinary shares were transferred from Rakyat Holdings Sdn Bhd to the Bank by dividend-in-specie amounting to RM34,769,000. Subsequent to that, the investment in subsidiaries recorded at cost amounting to RM100,744,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

17. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries, all incorporated in Malaysia, are as follows:

Name	Proportion of ownership interest and voting power held by the Group		Principal activities
	2018 %	2017 %	
Directly owned			
Rakyat Holdings Sdn Bhd *	100	100	Investment and property management
Rakyat Management Services Sdn Bhd *	100	100	Management of Ar-Rahnu business and franchise
Rakyat Nominees Sdn Bhd *	100	100	Dormant
Rakyat Hartanah Sdn Bhd *	100	-	Property development and project management
Rakyat Asset Management Sdn Bhd*	100	-	Management services and co-operative administrator
Rakyat Facility Management Sdn Bhd*	100	-	Building management and maintenance
Rakyat Niaga Sdn Bhd *	100	-	Trading and supply of goods
Indirectly owned through Rakyat Holdings Sdn Bhd			
Rakyat Hartanah Sdn Bhd *	-	100	Property development and project management
Rakyat Asset Management Sdn Bhd *	-	100	Management services and co-operative administrator
Rakyat Facility Management Sdn Bhd *	-	100	Building management and maintenance
Rakyat Niaga Sdn Bhd *	-	100	Trading and supply of goods
Rakyat Travel Sdn Bhd *	100	100	Transportation and travelling services

* The financial statements of these subsidiaries were not audited by the Auditor General of Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

17. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of Incorporation and Operation	Number of directly owned subsidiaries		Number of indirectly owned subsidiaries	
		2018	2017	2018	2017
Investment and property management	Malaysia	1	1	-	-
Property development and project management	Malaysia	1	-	-	1
Management of Ar-Rahnu business and franchise	Malaysia	1	1	-	-
Management services and co-operative administrator	Malaysia	1	-	-	1
Building management and maintenance	Malaysia	1	-	-	1
Trading and supply of goods	Malaysia	1	-	-	1
Transportation and travelling services	Malaysia	-	-	1	1
Dormant	Malaysia	1	1	-	-
		7	3	1	5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18. PROPERTY AND EQUIPMENT

Group 2018	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	40,529	380,826	113,239	928	36,504	275,431	666,897	9,624	1,523,978
Additions	480	3,811	-	-	63,473	3,014	11,037	4	81,819
Disposals	-	-	-	-	-	(146)	(56)	(1,202)	(1,404)
Write-offs	-	-	-	-	-	(1,345)	(3,572)	-	(4,917)
Transfer to investment properties (Note 20)	-	(15,085)	-	-	-	-	-	-	(15,085)
Transfer from investment properties (Note 20)	-	64,797	-	-	-	-	-	-	64,797
Transfer to intangible assets (Note 19)	-	-	-	-	-	-	(260,714)	-	(260,714)
At 31 December	41,009	434,349	113,239	928	99,977	276,954	413,592	8,426	1,388,474
Accumulated depreciation									
At 1 January	-	34,496	21,017	538	-	230,416	522,446	6,691	815,604
Charge for the year	-	8,936	2,130	171	-	17,553	34,223	826	63,839
Disposals	-	-	-	-	-	(106)	(52)	(1,166)	(1,324)
Write-offs	-	-	-	-	-	(1,345)	(3,566)	-	(4,911)
Transfer to investment properties (Note 20)	-	(1,358)	-	-	-	-	-	-	(1,358)
Transfer to intangible assets (Note 19)	-	-	-	-	-	-	(197,238)	-	(197,238)
At 31 December	-	42,074	23,147	709	-	246,518	355,813	6,351	674,612
Net book value									
At 31 December	41,009	392,275	90,092	219	99,977	30,436	57,779	2,075	713,862

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18. PROPERTY AND EQUIPMENT (CONTINUED)

Group 2017	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	40,661	370,796	107,539	928	116	280,683	620,040	9,885	1,430,648
Additions	-	-	-	-	36,515	4,353	48,667	589	90,124
Disposals	-	(3,648)	-	-	-	-	(227)	(925)	(4,800)
Write-offs	-	-	-	-	-	(9,657)	(1,583)	-	(11,240)
Reclassifications	-	-	-	-	(127)	52	-	75	-
Transfer to investment properties (Note 20)	(132)	(822)	-	-	-	-	-	-	(954)
Transfer from investment properties (Note 20)	-	14,500	5,700	-	-	-	-	-	20,200
At 31 December	40,529	380,826	113,239	928	36,504	275,431	666,897	9,624	1,523,978
Accumulated depreciation									
At 1 January	-	27,847	18,901	353	-	205,827	462,054	6,273	721,255
Charge for the year	-	7,714	2,116	185	-	24,730	62,195	1,115	98,055
Disposals	-	(882)	-	-	-	-	(227)	(697)	(1,806)
Write-offs	-	-	-	-	-	(141)	(1,576)	-	(1,717)
Transfer to investment properties (Note 20)	-	(183)	-	-	-	-	-	-	(183)
At 31 December	-	34,496	21,017	538	-	230,416	522,446	6,691	815,604
Net book value									
At 31 December	40,529	346,330	92,222	390	36,504	45,015	144,451	2,933	708,374

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2018	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	39,141	360,721	78,863	928	36,504	272,480	662,376	2,865	1,453,878
Additions	480	3,811	-	-	63,473	2,973	10,679	-	81,416
Disposals	-	-	-	-	-	-	(31)	-	(31)
Write-offs	-	-	-	-	-	(1,345)	(3,572)	-	(4,917)
Transfer to investment properties (Note 20)	-	(15,085)	-	-	-	-	-	-	(15,085)
Transfer from investment properties (Note 20)	-	28,187	-	-	-	-	-	-	28,187
Transfer to intangible assets (Note 19)	-	-	-	-	-	-	(260,714)	-	(260,714)
At 31 December	39,621	377,634	78,863	928	99,977	274,108	408,738	2,865	1,282,734
Accumulated depreciation									
At 1 January	-	33,562	18,924	538	-	229,198	519,866	2,000	804,088
Charge for the year	-	7,649	1,355	171	-	17,264	33,642	227	60,308
Disposals	-	-	-	-	-	-	(31)	-	(31)
Write-offs	-	-	-	-	-	(1,345)	(3,566)	-	(4,911)
Transfer to investment properties (Note 20)	-	(1,358)	-	-	-	-	-	-	(1,358)
Transfer to intangible assets (Note 19)	-	-	-	-	-	-	(197,238)	-	(197,238)
At 31 December	-	39,853	20,279	709	-	245,117	352,673	2,227	660,858
Net book value									
At 31 December	39,621	337,781	58,584	219	99,977	28,991	56,065	638	621,876

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2017	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	39,141	364,369	78,863	928	116	278,096	615,857	2,790	1,380,160
Additions	-	-	-	-	36,515	3,989	48,297	-	88,801
Disposals	-	(3,648)	-	-	-	-	(195)	-	(3,843)
Write-offs	-	-	-	-	-	(9,657)	(1,583)	-	(11,240)
Reclassifications	-	-	-	-	(127)	52	-	75	-
At 31 December	39,141	360,721	78,863	928	36,504	272,480	662,376	2,865	1,453,878
Accumulated depreciation									
At 1 January	-	27,285	17,583	353	-	204,897	460,020	1,603	711,741
Charge for the year	-	7,159	1,341	185	-	24,442	61,617	397	95,141
Disposals	-	(882)	-	-	-	-	(195)	-	(1,077)
Write-offs	-	-	-	-	-	(141)	(1,576)	-	(1,717)
At 31 December	-	33,562	18,924	538	-	229,198	519,866	2,000	804,088
Net book value									
At 31 December	39,141	327,159	59,939	390	36,504	43,282	142,510	865	649,790

Land titles of certain freehold land of the Bank with carrying amount of RM3,164,088 (2017: RM3,244,502) have not yet been issued by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19. INTANGIBLE ASSETS

	Goodwill RM'000	Computer software RM'000	Software in development RM'000	Total RM'000
Group				
2018				
At cost				
At 1 January	13,185	-	-	13,185
Transfer from property and equipment (Note 18)	-	260,714	-	260,714
Additions	-	21,706	189,856	211,562
Write-offs	-	(10)	-	(10)
At 31 December	13,185	282,410	189,856	485,451
Accumulated amortisation				
At 1 January	-	-	-	-
Transfer from property and equipment (Note 18)	-	197,238	-	197,238
Charge for the year	-	22,929	-	22,929
Write-offs	-	(10)	-	(10)
At 31 December	-	220,157	-	220,157
Net book value				
At 31 December	13,185	62,253	189,856	265,294
2017				
At cost / Net book value				
At 1 January / 31 December	13,185	-	-	13,185

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19. INTANGIBLE ASSETS (CONTINUED)

	Computer software RM'000	Software in development RM'000	Total RM'000
Bank			
2018			
At cost			
At 1 January	-	-	-
Transfer from property and equipment (Note 18)	260,714	-	260,714
Additions	21,706	189,856	211,562
Write-offs	(10)	-	(10)
At 31 December	282,410	189,856	472,266
Accumulated amortisation			
At 1 January	-	-	-
Transfer from property and equipment (Note 18)	197,238	-	197,238
Charge for the year	22,929	-	22,929
Write-offs	(10)	-	(10)
At 31 December	220,157	-	220,157
Net book value			
At 31 December	62,253	189,856	252,109

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

20. INVESTMENT PROPERTIES

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value				
As of 1 January	1,116,302	850,983	871,845	688,221
Additions	46,321	156,143	43,722	83,840
Gain on revaluation (Note 34(ii))	103,259	128,605	104,841	99,784
Transfer from property and equipment (Note 18)	13,727	771	13,727	-
Transfer to property and equipment (Note 18)	(64,797)	(20,200)	(28,187)	-
As of 31 December	1,214,812	1,116,302	1,005,948	871,845

Investment properties include the following:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Freehold land	145,132	144,072	145,100	144,050
Buildings	752,816	689,703	558,308	459,075
Long-term leasehold land	316,864	282,527	302,540	268,720
	1,214,812	1,116,302	1,005,948	871,845

Investment properties of the Group and of the Bank are stated at fair value and are situated in Malaysia.

The fair values of the Group's and of the Bank's investment properties as at 31 December 2018 and 31 December 2017 have been arrived at on the basis of a valuation carried out by independent valuers who have appropriate qualification and recent experience in the valuation of properties in the relevant locations. The fair value was arrived by using a variety of approaches such as comparison and investment method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

20. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's and the Bank's investment properties and information about the fair value hierarchy are as follows:

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
As at 31 December 2018	1,214,812	1,214,812	-	-	1,214,812
As at 31 December 2017	1,116,302	1,116,302	-	-	1,116,302
Bank					
As at 31 December 2018	1,005,948	1,005,948	-	-	1,005,948
As at 31 December 2017	871,845	871,845	-	-	871,845

Reconciliation of fair value:

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land RM'000	Total RM'000
Group				
As at 1 January 2017	3,460	605,528	241,995	850,983
Additions	79,826	71,972	4,345	156,143
Remeasurement recognised in profit or loss	60,654	26,064	41,887	128,605
Transfer from property and equipment	132	639	-	771
Transfer to property and equipment	-	(14,500)	(5,700)	(20,200)
As at 31 December 2017 / 1 January 2018	144,072	689,703	282,527	1,116,302
Additions	-	42,282	4,039	46,321
Remeasurement recognised in profit or loss	1,060	71,901	30,298	103,259
Transfer from property and equipment	-	13,727	-	13,727
Transfer to property and equipment	-	(64,797)	-	(64,797)
As at 31 December 2018	145,132	752,816	316,864	1,214,812

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

20. INVESTMENT PROPERTIES (CONTINUED)

Reconciliation of fair value: (continued)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land RM'000	Total RM'000
Bank				
As at 1 January 2017	3,570	459,841	224,810	688,221
Additions	79,826	-	4,014	83,840
Remeasurement recognised in profit or loss	60,654	(766)	39,896	99,784
As at 31 December 2017 / 1 January 2018	144,050	459,075	268,720	871,845
Additions	-	39,780	3,942	43,722
Remeasurement recognised in profit or loss	1,050	73,913	29,878	104,841
Transfer from property and equipment	-	13,727	-	13,727
Transfer to property and equipment	-	(28,187)	-	(28,187)
As at 31 December 2018	145,100	558,308	302,540	1,005,948

Land titles for certain freehold land and leasehold land of the Group and the Bank with fair value amounting to RM41,150,000 (2017: RM950,000) and RM41,150,000 (2017: RM950,000) have not been issued to the Group and the Bank by the relevant authorities.

The investment properties held by the Group and the Bank are let under operating leases to third parties, from which rental income of RM28,252,000 (2017: RM26,405,000) and RM26,447,000 (2017: RM25,360,000) has been earned during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

21. PREPAID LEASE PAYMENTS

	Group and Bank	
	2018 RM'000	2017 RM'000
Cost		
As of 1 January / 31 December	76,680	76,680
Accumulated amortisation		
As of 1 January	14,446	12,920
Charge for the year (Note 35(ii))	1,526	1,526
As of 31 December	15,972	14,446
	60,708	62,234
	Group and Bank	
	2018 RM'000	2017 RM'000
Prepaid lease payments include:		
Long-term leasehold land	53,158	54,499
Short-term leasehold land	7,550	7,735
	60,708	62,234

The remaining period of the leasehold land of the Group and of the Bank ranges from 7 to 863 years (2017: 8 to 864 years).

The land titles of certain leasehold land of the Group and of the Bank amounting to RM8,005,970 (2017: RM10,115,423) have not yet been issued to the Bank by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
As of 1 January				
As previously stated	9,075	9,622	13,000	10,000
Effect of adopting MFRS 9	109,000	-	109,000	-
Restated balance as of 1 January	118,075	9,622	122,000	10,000
Recognised in profit or loss (net) (Note 36)				
- Relating to origination and reversal of temporary differences	(36,046)	1,698	(36,000)	3,000
- Over/(under) provision of net deferred tax liabilities	240	(2,245)	-	-
As of 31 December	82,269	9,075	86,000	13,000

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities in respect of each entity and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets, net	86,333	13,446	86,000	13,000
Deferred tax liabilities, net	(4,064)	(4,371)	-	-
	82,269	9,075	86,000	13,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	191,910	81,076	191,000	80,000
Deferred tax liabilities	(109,641)	(72,001)	(105,000)	(67,000)
	82,269	9,075	86,000	13,000

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

Group	Financing loss and allowances RM'000	Provision of liabilities RM'000	Other temporary differences* RM'000	Total RM'000
Deferred tax assets				
As of 1 January 2017	36,000	41,014	4,302	81,316
Recognised in profit or loss (Note 36)				
- relating to origination and reversal of temporary differences	(4,000)	3,860	(100)	(240)
As of 31 December 2017, as previously stated	32,000	44,874	4,202	81,076
effect of adopting MFRS 9	100,000	-	-	100,000
Restated balance as of 1 January 2018	132,000	44,874	4,202	181,076
Recognised in profit or loss (Note 36)				
- relating to origination and reversal of temporary differences	(11,000)	21,877	(43)	10,834
As of 31 December 2018	121,000	66,751	4,159	191,910

* Mainly consist of temporary differences in respect of allowance for doubtful debt

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	FVOCI reserve and impairment losses on financial investments RM'000	Other temporary differences^ RM'000	Total RM'000
Deferred tax liabilities			
As of 1 January 2017	-	71,694	71,694
Recognised in profit or loss (Note 36)			
- relating to origination and reversal of temporary differences	-	2,552	2,552
- underprovision	-	(2,245)	(2,245)
As of 31 December 2017,			
As previously stated	-	72,201	72,201
Effect of adopting MFRS 9	(9,000)	-	(9,000)
Restated balance as of 1 January 2018	(9,000)	72,001	63,001
Recognised in profit or loss (Note 36)			
- Relating to origination and reversal of temporary differences	35,000	11,400	46,400
- Overprovision	-	240	240
As of 31 December 2018	26,000	83,641	109,641

^ Mainly consist of temporary differences in respect of property and equipment and investment in properties

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	Financing loss and allowances RM'000	Provision of liabilities RM'000	Other temporary differences*	Total RM'000
Deferred tax assets				
As of 1 January 2017	36,000	41,000	4,000	81,000
Recognised in profit or loss (Note 36)				
- Relating to origination and reversal of temporary differences	(4,000)	3,000	-	(1,000)
As of 31 December 2017,				
As previously stated	32,000	44,000	4,000	80,000
Effect of adopting MFRS 9	100,000	-	-	100,000
Restated balance as of 1 January 2018	132,000	44,000	4,000	180,000
Recognised in profit or loss (Note 36)				
- Relating to origination and reversal of temporary differences	(11,000)	22,000	-	11,000
As of 31 December 2018	121,000	66,000	4,000	191,000

* Mainly consist of temporary differences in respect of allowance for doubtful debt

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	FVOCI reserve and impairment losses on financial investments RM'000	Other temporary differences^ RM'000	Total RM'000
Deferred tax liabilities			
As of 1 January 2017	-	71,000	71,000
Recognised in profit or loss (Note 36)			
- Relating to origination and reversal of temporary differences	-	(4,000)	(4,000)
As of 31 December 2017,			
As previously stated	-	67,000	67,000
Effect of adopting MFRS 9	(9,000)	-	(9,000)
Restated balance as of 1 January 2018	(9,000)	67,000	58,000
Recognised in profit or loss (Note 36)			
- Relating to origination and reversal of temporary differences	35,000	12,000	47,000
As of 31 December 2018	26,000	79,000	105,000

^ Mainly consist of temporary differences in respect of property and equipment and investment in properties

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

23. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2018 RM'000	2017 RM'000
Savings deposits		
Qard	5,733,537	5,006,012
Term deposits		
Tawarruq	68,929,351	69,749,467
General investment deposits		
Mudarabah	12	17
Negotiable Islamic debt certificates	8,073,000	8,480,000
	82,735,900	83,235,496

Deposits from customers are sourced from the following type of customers:

	Group and Bank	
	2018 RM'000	2017 RM'000
Government	35,013,502	34,471,917
Business enterprises	31,067,164	33,453,286
Co-operatives	1,947,233	1,808,285
Individuals	12,627,150	11,014,365
Others	2,080,851	2,487,643
	82,735,900	83,235,496

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

23. DEPOSITS FROM CUSTOMERS (CONTINUED)

Maturity structure of deposits from customers is as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Maturity within six months	67,062,381	70,579,539
More than six months to one year	11,142,683	9,114,398
More than one year to five years	4,530,836	3,541,559
	82,735,900	83,235,496

24. DEPOSITS AND PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	Group and Bank	
	2018 RM'000	2017 RM'000
Licensed Islamic banks	824,000	-

25. RECOURSE OBLIGATIONS ON FINANCING SOLD TO CAGAMAS

This represents proceeds received from financing sold directly to Cagamas Berhad with recourse to the Bank. Types of financing involved are personal financing and house financing. Under these agreements, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to replace any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad.

Recourse obligations on financing sold to Cagamas are stated at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

26. DEBT SECURITIES ISSUED

		Group and Bank	
	Note	2018 RM'000	2017 RM'000
Issued under the RM9.0 billion Senior IMTN Programme:			
Second tranche:			
RM300 million IMTN due in 2018	(i)(a)	-	300,414
Fourth tranche:			
RM425 million IMTN due in 2019	(i)(b)	430,099	430,057
Fifth tranche:			
RM150 million IMTN due in 2019	(i)(c)	150,579	150,576
Sixth tranche:			
RM350 million IMTN due in 2021	(i)(c)	351,361	351,367
Seventh tranche:			
RM350 million IMTN due in 2020	(i)(d)	351,374	351,356
Eighth tranche:			
RM850 million IMTN due in 2022	(i)(d)	853,338	853,350
Ninth tranche:			
RM270 million IMTN due in 2020	(i)(e)	272,462	272,434
Tenth tranche:			
RM430 million IMTN due in 2022	(i)(e)	433,843	433,952
Issued under the RM5.0 billion Tier II Subordinated Programme:			
First tranche:			
RM300 million Tier II due in 2026	(ii)(a)	300,310	300,264
		3,143,366	3,443,770

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

26. DEBT SECURITIES ISSUED (CONTINUED)

- (i) On 25 October 2013, the Bank established a RM9.0 billion Senior IMTNs Programme to issue Sukuk Musharakah via Imtiaz Sukuk (II) Berhad with a programme tenure of 10 years.
 - (a) On 20 December 2013, the Bank issued the second tranches of the Senior IMTNs of RM300 million. The second tranche has a tenure of 5 years with profit distribution rate at 4.45% and was fully redeemed on 20 December 2018.
 - (b) On 24 March 2014, the Bank issued the fourth tranches of RM425 million of the Senior IMTNs. The fourth tranche has a tenure of 5 years with profit distribution rate at 4.60% maturing on 22 March 2019. The profit is payable semi-annually each year commencing 24 September 2014.
 - (c) On 24 November 2014, the Bank issued the fifth and sixth tranches of RM150 million and RM350 million. The fifth tranche bears a profit distribution rate at 4.50% and matures on 22 November 2019. The sixth tranche bears a profit distribution rate at 4.65% maturing on 24 November 2021. The profit is payable semi-annually each year commencing 25 May 2015.
 - (d) On 29 May 2017, the Bank issued the seventh and eighth tranches of RM350 million and RM850 million. The seventh tranche bears a profit distribution rate at 4.46% and matures on 29 May 2020. The eighth tranche bears a profit distribution rate at 4.58% maturing on 27 May 2022. The profit is payable semi-annually each year commencing 29 November 2017.
 - (e) On 17 October 2017, the Bank issued the ninth and tenth tranches of RM270 million and RM430 million. The ninth tranche bears a profit distribution rate at 4.45% and matures on 16 October 2020. The tenth tranche bears a profit distribution rate at 4.57% maturing on 17 October 2022. The profit is payable semi-annually each year commencing 17 April 2018.

The Sukuk Musharakah constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu without discrimination, preference or priority among themselves and at least pari passu with all other unsecured and unsubordinated obligations of the Issuer, subject to the provisions of the Transaction Documents and those preferred by law.

- (ii) On 19 April 2016, the Bank established a Subordinated Sukuk Programme to issue a Basel III compliant Tier II Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value. The issuance was made via a SPV, Mumtaz Rakyat Sukuk Berhad. The Subordinated Sukuk Programme has a tenure of up to 20 years from the date of the first issuance and shall be issued with a maturity for at least 5 years and up to 20 years.
 - (a) On 20 June 2016, the Bank issued the first tranche of RM300 million in nominal value of Tier II Subordinated Sukuk for a tenure of 10 years on a 10 non-callable 5 basis with profit distribution rate at 4.95% and maturity date at 19 June 2026. The profit is payable semi-annually each year commencing 20 December 2016.

The Subordinated Sukuk Murabahah will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking pari passu without any preference among themselves and at least pari passu with all other present and future unsecured and subordinated obligations of the Issuer, except those preferred by law and the Transaction Documents.

The proceeds from the issuances were utilised by the Bank for Shariah-compliant working capital and general corporate purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

27. OTHER LIABILITIES

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount due to subsidiaries (i)	-	-	129,703	124,267
Sundry creditors	265,305	149,763	272,765	152,257
Income payable	676,657	605,548	676,657	605,548
Other liabilities and accruals	417,904	366,293	402,265	351,677
Government fund	190,511	203,445	190,511	203,445
Zakat payable	40,599	54,530	39,552	53,097
	1,590,976	1,379,579	1,711,453	1,490,291

(i) Amount due to subsidiaries

	Bank	
	2018 RM'000	2017 RM'000
Term deposits	107,717	100,759
Savings deposits	21,986	23,508
	129,703	124,267

The amount due to subsidiaries of RM129,703,000 (2017: RM124,267,000) represents deposits placed with the Bank. The average profit rate paid/payable to subsidiaries is 3.87% (2017: 3.59%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

28. FINANCING FROM OTHER FINANCIAL INSTITUTIONS

	Group	
	2018 RM'000	2017 RM'000
Secured		
Term financing	-	8,844

One of the subsidiaries has a Tawarruq Business Financing-i of RM9,154,000 from a local licensed bank, which has been fully redeemed as of 31 May 2018. The facilities bear profit at 4.65% - 4.85% per annum and secured by way of fixed charge over the investment properties of the subsidiary.

29. SHARE CAPITAL

	Group and Bank	
	2018 RM'000	2017 RM'000
Authorised		
3,000,000,000 ordinary shares of RM1 each	3,000,000	3,000,000
Issued and fully paid - Ordinary shares of RM1 each		
As of 1 January	2,986,030	2,986,030
Net issuance during the year	14,168	16,626
Share withdrawal	(31,504)	(32,256)
Transfer from share redemption fund *	17,336	15,630
As of 31 December	2,986,030	2,986,030

Membership as of 31 December is as follows:

	Group and Bank	
	2018	2017
Individual	852,618	872,199
Co-operative	2,237	2,178
	854,855	874,377

* The share redemption fund is maintained under Paragraph 19(i) of Undang-undang Kecil Bank Kerjasama Rakyat Malaysia Berhad for redemption of shares by members.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30. RESERVES

Group	Non-distributable					Distributable		
	Capital reserve	Statutory reserve	AFS reserve	Fair value reserve of financial investments at FVOCI	Regulatory reserve	Total other reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018								
As previously stated	14,617	5,631,482	(8,420)	-	329,672	5,967,351	7,638,532	13,605,883
Effect of adopting MFRS 9	-	-	8,420	60,359	-	68,779	(71,471)	(2,692)
Restated balance as at 1 January 2018	14,617	5,631,482	-	60,359	329,672	6,036,130	7,567,061	13,603,191
Profit after taxation and zakat	-	-	-	-	-	-	1,757,621	1,757,621
Transfer from retained profits	-	451,098	-	-	-	451,098	(451,098)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(37,500)	(37,500)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(18,750)	(18,750)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(14,666)	(14,666)
Unrealised net gain on revaluation of financial investments at fair value through other comprehensive income	-	-	-	48,468	-	48,468	-	48,468
Dividends (Note 40)	-	-	-	-	-	-	(469,774)	(469,774)
At 31 December 2018	14,617	6,082,580	-	108,827	329,672	6,535,696	8,332,894	14,868,590

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30. RESERVES (CONTINUED)

Group	Non-distributable				Distributable		Total
	Capital reserve RM'000	Statutory reserve RM'000	AFS reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Retained profits RM'000	
At 1 January 2017	14,617	5,152,812	(28,496)	329,672	5,468,605	6,726,074	12,194,679
Profit after taxation and zakat	-	-	-	-	-	1,909,627	1,909,627
Transfer from retained profits	-	478,670	-	-	478,670	(478,670)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	(39,965)	(39,965)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	(19,983)	(19,983)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	(14,777)	(14,777)
Unrealised net gain on revaluation of financial investments available-for-sale	-	-	20,076	-	20,076	-	20,076
Dividends (Note 40)	-	-	-	-	-	(443,774)	(443,774)
At 31 December 2017	14,617	5,631,482	(8,420)	329,672	5,967,351	7,638,532	13,605,883

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30. RESERVES (CONTINUED)

Bank	Non-distributable					Distributable		
	Capital reserve	Statutory reserve	AFS reserve	Fair value reserve of financial investments at FVOCI	Regulatory reserve	Total other reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018								
As previously stated	15,358	5,631,482	(8,420)	-	329,672	5,968,092	7,239,389	13,207,481
Effect of adopting MFRS 9	-	-	8,420	60,359	-	68,779	(72,827)	(4,048)
Restated balance as at 1 January 2018	15,358	5,631,482	-	60,359	329,672	6,036,871	7,166,562	13,203,433
Profit after taxation and zakat	-	-	-	-	-	-	1,779,801	1,779,801
Transfer from retained profits	-	451,098	-	-	-	451,098	(451,098)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(37,500)	(37,500)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(18,750)	(18,750)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(14,666)	(14,666)
Unrealised net gain on revaluation of financial investments at fair value through other comprehensive income	-	-	-	48,468	-	48,468	-	48,468
Dividends (Note 40)	-	-	-	-	-	-	(469,774)	(469,774)
At 31 December 2018	15,358	6,082,580	-	108,827	329,672	6,536,437	7,954,575	14,491,012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30. RESERVES (CONTINUED)

Bank	Non-distributable				Distributable		Total RM'000
	Capital reserve RM'000	Statutory reserve RM'000	AFS reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Retained profits RM'000	
At 1 January 2017	15,358	5,152,812	(28,496)	329,672	5,469,346	6,363,616	11,832,962
Profit after taxation and zakat	-	-	-	-	-	1,872,942	1,872,942
Transfer from retained profits	-	478,670	-	-	478,670	(478,670)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	(39,965)	(39,965)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	(19,983)	(19,983)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	(14,777)	(14,777)
Unrealised net gain on revaluation of financial investments available-for-sale	-	-	20,076	-	20,076	-	20,076
Dividends (Note 40)	-	-	-	-	-	(443,774)	(443,774)
Pada 31 Disember 2017	15,358	5,631,482	(8,420)	329,672	5,968,092	7,239,389	13,207,481

(i) Statutory reserve

The statutory reserve is maintained in compliance with Development Financial Institutions Act 2002 (Act 618) and is not distributable as dividend.

(ii) Capital reserve

This is a reserve required to be maintained under Co-operative Societies Act 1993 and consists of capital gain from disposal of land or building, or both, under non-current assets.

(iii) Available-for-sale reserve

This reserve relates to unrealised fair value gains and losses on financial investments available-for-sale.

(iv) Fair value reserve of financial investments at FVOCI

This reserve relates to unrealised fair value gains and losses on financial investments at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30. RESERVES (CONTINUED)

(v) Regulatory reserve

The regulatory reserve is maintained as an additional credit risk buffer to ensure the robustness of the financing impairment assessment methodology.

(vi) Retained profits

Included in retained profits is an amount of RM1,340,000,000 (2017: RM1,340,000,000) earmarked to improve the Rate of Return Risk (ROR) exposure as part of asset and liability management strategies.

31. INCOME

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income derived from investment of depositors' fund (i)	5,099,910	5,013,745	5,099,910	5,013,745
Income derived from investment of shareholders' fund (ii)	1,340,027	1,276,275	1,340,027	1,276,275
Income generated by subsidiary companies (iii)	52,750	46,248	-	-
	6,492,687	6,336,268	6,439,937	6,290,020

(i) Income derived from investment of depositors' fund

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income from financing and advances *	4,055,593	4,070,683	4,055,593	4,070,683
Income from deposits and placements with banks and financial institutions	14,640	39,108	14,640	39,108
Income from financial investments	1,029,677	903,954	1,029,677	903,954
	5,099,910	5,013,745	5,099,910	5,013,745

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31. INCOME (CONTINUED)

(ii) Income derived from investment of shareholders' fund

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income from financing and advances *	1,065,628	1,036,214	1,065,628	1,036,214
Income from deposits and placements with banks and financial institutions	3,846	9,955	3,846	9,955
Income from financial investments	270,553	230,106	270,553	230,106
	1,340,027	1,276,275	1,340,027	1,276,275

* Included in income from financing and advances for the current year is profit accrued on impaired financing of RM83,031,216 (2017: RM89,055,191).

(iii) Income generated by subsidiaries

	Group	
	2018 RM'000	2017 RM'000
Agency income	4,668	5,696
Pawning income	37,339	28,176
Rental income	3,272	2,572
Management fee	7,149	8,700
Sale of goods	42	673
Other charges	280	431
	52,750	46,248

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32. EXPENDITURE

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income attributable to depositors (i)	3,134,023	3,013,154	3,137,762	3,018,193
Profit expense on financing sold with recourse to Cagamas	34,313	42,661	34,313	42,661
Profit expense on debt securities issued	156,649	139,171	156,649	139,171
Cost of sales	57,685	50,278	-	-
	3,382,670	3,245,264	3,328,724	3,200,025

(i) Income attributable to depositors

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits from customers				
Non-Mudarabah	3,121,405	3,004,245	3,125,144	3,009,284
Deposits and placements from banks and other financial institutions				
Non-Mudarabah	12,618	8,909	12,618	8,909
	3,134,023	3,013,154	3,137,762	3,018,193

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

33. ALLOWANCES FOR IMPAIRMENT

	Group and Bank	
	2018 RM'000	2017 RM'000
Allowance for impairment on financing and advances (i)	455,382	519,948
Allowance for impairment on financial investments (ii)	(258)	3,031
	455,124	522,979

(i) Allowance for impairment on financing and advances

	Group and Bank	
	2018 RM'000	2017 RM'000
Individual impairment (Note 13(x))	(71,668)	10,330
Individual impairment on rescheduled financing *	37,613	22,242
Collective impairment (Note 13(xi))	489,437	487,376
	455,382	519,948

* This refers to individual impairment on rescheduled accounts during the year that was adjusted against balance of financing and advances.

(ii) Allowance for impairment on financial investments

	Group and Bank	
	2018 RM'000	2017 RM'000
Financial investments available-for-sale	-	3,031
Financial investments at fair value through other comprehensive income (Note 10)	475	-
Financial investments at amortised cost (Note 12)	(733)	-
	(258)	3,031

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

34. OTHER OPERATING INCOME

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fees and commission (i)	82,222	70,255	82,222	70,255
Other income (ii)	332,415	616,911	362,804	587,798
	414,637	687,166	445,026	658,053

(i) Fees and commission

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Takaful commission	26,298	19,693	26,298	19,693
ATM service fees	16,277	18,054	16,277	18,054
Wasiat commission	1,945	1,071	1,945	1,071
Other commission	23,136	17,210	23,136	17,210
Processing fees	2,007	797	2,007	797
MEPS fees	10,001	9,794	10,001	9,794
Guarantee fees	-	485	-	485
Other fees	2,558	3,151	2,558	3,151
	82,222	70,255	82,222	70,255

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

34. OTHER OPERATING INCOME (CONTINUED)

(ii) Other income

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other income from financial instruments				
Dividend from financial investments available-for-sale	-	18,123	-	18,123
Dividend from financial investments at fair value through profit or loss	12,596	-	12,596	-
Net gain on disposal of financial investments held-for-trading	-	598	-	598
Net gain on disposal of financial investments at fair value through profit or loss	9,123	-	9,123	-
Net gain on disposal of financial investments at fair value through other comprehensive income	213	-	213	-
Net gain on disposal of financial investments available-for-sale	-	46,483	-	46,483
Net loss on revaluation of financial investments at fair value through profit or loss	(167,745)	-	(167,745)	-
Others				
Rental income	24,980	23,833	26,447	25,373
Compensation for late payment	5,058	3,469	5,058	3,469
Charges from credit card services	12,027	13,631	12,027	13,631
Other service charges	11,681	13,378	11,681	13,378
Recoveries from financing written off	261,112	293,123	261,112	293,123
Recoveries from financial investments written-off	-	453	-	453
Allowance for doubtful debts no longer required				
Trade receivables (Note 14)	224	57	-	-
Allowance for impairment loss on financial investments held-to-maturity no longer required (Note 11)	-	649	-	649
Gain on disposal of property and equipment	244	16,750	1	16,686
Other income	59,643	57,759	52,682	56,048
Gain on revaluation of investment properties (Note 20)	103,259	128,605	104,841	99,784
Dividend from subsidiary	-	-	34,768	-
	332,415	616,911	362,804	587,798

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35. OPERATING EXPENSES

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Personnel expenses (i)	708,048	609,573	691,078	592,028
Other overheads and expenditure (ii)	502,303	600,466	535,035	634,787
	1,210,351	1,210,039	1,226,113	1,226,815

(i) Personnel expenses

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and wages	351,006	322,779	339,498	311,831
Allowances, compensation and bonuses	212,631	148,746	209,620	144,634
Defined contribution plan - EPF	85,351	83,570	83,809	81,935
Social security contributions - SOCSO	4,573	4,039	4,339	3,831
Other staff related costs	54,487	50,439	53,812	49,797
	708,048	609,573	691,078	592,028

Total number of staff (excluding the Board of Directors) for the Group is 5,399 (2017: 5,180) and for the Bank is 5,236 (2017: 5,008).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Establishment				
Rental	20,301	24,095	27,431	31,661
Depreciation of property and equipment (Note 18)	63,839	98,055	60,308	95,141
Amortisation of prepaid lease payments (Note 21)	1,526	1,526	1,526	1,526
Amortisation of intangible assets (Note 19)	22,929	-	22,929	-
Repair and maintenance	80,459	95,762	80,210	95,570
Takaful	6,172	5,644	6,030	5,493
	195,226	225,082	198,434	229,391
Promotion				
Advertisement and publicity	28,704	43,406	28,182	42,770
General expenses				
Legal and professional fees	11,818	11,529	11,076	9,588
Auditors' remuneration	3,413	1,126	3,099	900
Communication expenses	28,823	31,131	28,569	30,876
Utilities expenses	18,311	30,111	18,163	29,958
Printing and stationery	21,655	39,818	21,329	39,493
Postage and courier	10,046	15,214	10,010	15,139
Security expenses	28,351	28,661	28,312	28,611
Service charges	25,732	25,472	52,858	56,518
Loss on financing written off	15,188	17,196	15,188	17,196
Property and equipment written off	6	9,523	6	9,523
Commission expenses	64,854	62,852	64,854	62,852
Travelling and transportation	11,220	12,322	16,461	17,594
Others	38,956	47,023	38,494	44,378
	278,373	331,978	308,419	362,626
	502,303	600,466	535,035	634,787

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

The above expenditure includes the following statutory disclosures:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impairment losses on:				
Trade receivables (Note 14)	30	154	-	-
Amount due from subsidiaries (Note 15(i))	-	-	964	-
Other receivables, deposits and prepayments (Note 15(ii))	368	19	7	19
Auditors' remuneration:				
Current year:				
Statutory audit fees	2,115	1,118	1,800	892
Other services	1,299	15	1,299	8
Overprovision in prior year	(1)	(6)	-	-
Amortisation of prepaid lease payment (Note 21)	1,526	1,526	1,526	1,526
Depreciation of property and equipment (Note 18)	63,839	98,055	60,308	95,141
Amortisation of intangible assets (Note 19)	22,929	-	22,929	-
Property and equipment written off	6	9,523	6	9,523
Finance cost on financing from other financial institutions	204	314	-	-
Rental of premises	13,276	16,540	20,536	24,188
Rental of equipment	7,025	7,555	6,895	7,473

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Included in general expenses are the following Directors' remuneration:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive Director				
Salary and other remuneration	1,200	893	1,200	893
Bonuses	3,232	269	3,232	269
EPF contributions	842	221	842	221
Other emoluments	73	43	73	43
	5,347	1,426	5,347	1,426
Non-Executive Directors				
Fees	1,811	2,886	1,452	2,252
Other emoluments	17	42	17	42
	1,828	2,928	1,469	2,294
	7,175	4,354	6,816	3,720

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Directors is as follows:

2018	Remuneration received from Bank			Remuneration received from Subsidiary Companies			Group	
	Salary and bonus RM'000	Fees RM'000	Other emolu-ments RM'000	Total RM'000	Fees RM'000	Other emolu-ments RM'000	Total RM'000	Total RM'000
Executive Director								
Dato' Zulkiflee Abbas Abdul Hamid	5,274	-	73	5,347	-	-	-	5,347
Non-Executive Directors								
Datuk Noripah Kamso	-	14	-	14	-	-	-	14
Dato' Sri Jamil Salleh	-	165	-	165	140	-	140	305
Dato' Sri Alias Haji Ahmad	-	155	-	155	65	-	65	220
Dato' Siti Zauyah Md. Desa	-	168	-	168	93	-	93	261
Wan Zamri Wan Zain	-	203	-	203	-	-	-	203
Hj. Abd Rani Lebai Jaafar	-	199	-	199	-	-	-	199
Hjh. Armi Zainudin	-	152	-	152	-	-	-	152
Datuk Wan Suraya Wan Mohd Radzi	-	7	-	7	-	-	-	7
	-	1,063	-	1,063	298	-	298	1,361
Former Non-Executive Directors								
Tan Sri Hj. Shukry Mohd Salleh	-	245	7	252	-	-	-	252
Datin Dr. Nik Sarina Lugman Hashim	-	71	-	71	34	-	34	105
Razalee Amin	-	21	-	21	14	-	14	35
Datuk Hj. Abdul Rahman Kasim	-	52	10	62	13	-	13	75
	-	389	17	406	61	-	61	467
	-	1,452	17	1,469	359	-	359	1,828
	5,274	1,452	90	6,816	359	-	359	7,175

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Directors is as follows: (continued)

2017	Remuneration received from Bank				Remuneration received from Subsidiary Companies			Group
	Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000	Total RM'000
Executive Director								
Dato' Zulkiflee Abbas Abdul Hamid	1,383	-	43	1,426	-	-	-	1,426
Non-Executive Directors								
Tan Sri Shukry Mohd Salleh	-	319	7	326	-	-	-	326
Dato' Sri Jamil Salleh	-	198	-	198	110	-	110	308
Dato' Siti Zauyah Md. Desa	-	209	5	214	83	-	83	297
Dato' Sri Alias Hj. Ahmad	-	154	-	154	97	-	97	251
Datuk Hj. Abdul Rahman Kasim	-	269	-	269	38	-	38	307
Razalee Amin	-	426	-	426	115	-	115	541
Datin Dr. Nik Sarina Lugman Hashim	-	254	-	254	70	-	70	324
Wan Zamri Wan Zain	-	52	-	52	-	-	-	52
	-	1,881	12	1,893	513	-	513	2,406
Former Non-Executive Directors								
General Tan Sri Dato' Sri Abdul Aziz Hj. Zainal (R)	-	14	-	14	-	-	-	14
Dato' Hj. Abdullah Hj. Abas	-	10	10	20	35	-	35	55
Dato' Hj. Ismail Nordin	-	139	10	149	37	-	37	186
Datuk Hj. Mohd Idris Hj. Mohd Isa	-	208	10	218	49	-	49	267
	-	371	30	401	121	-	121	522
	-	2,252	42	2,294	634	-	634	2,928
	1,383	2,252	85	3,720	634	-	634	4,354

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. TAXATION

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian income tax				
Current year	29,550	67,725	23,684	61,783
Underprovision in prior years	10,669	24,273	10,925	24,790
	40,219	91,998	34,609	86,573
Deferred tax (Note 22)				
Current year	36,046	(1,698)	36,000	(3,000)
(Over)/Underprovision in prior years	(240)	2,245	-	-
	35,806	547	36,000	(3,000)
Total	76,025	92,545	70,609	83,573

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation and zakat	1,859,179	2,045,152	1,875,002	1,998,254
Tax expense at statutory tax rate of 24% (2017: 24%)	446,203	490,837	449,961	479,541
Non-taxable income	(120,361)	(129,192)	(129,279)	(123,754)
Non-deductible expenses	167,186	102,724	166,434	101,338
Tax exempt under Section 65(A) of the Income Tax Act 1967	(416,953)	(398,342)	(416,953)	(398,342)
Tax implication on adoption of MFRS 9	(10,479)	-	(10,479)	-
Under/(Over)provision in prior years:				
Current tax	10,669	24,273	10,925	24,790
Deferred tax	(240)	2,245	-	-
	76,025	92,545	70,609	83,573

37. ZAKAT

In computing for zakat, the Group and the Bank have been applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and subjected to allowable adjustments.

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Provision for current year	27,943	44,322	27,000	43,081
Overprovision in prior years	(2,410)	(1,342)	(2,408)	(1,342)
	25,533	42,980	24,592	41,739

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

38. STATUTORY APPROPRIATIONS

Maintenance of statutory reserve fund is required under the Development Financial Institutions Act 2002 (Act 618), whereas contributions to Co-operative Education Trust Fund and Co-operative Development Provident Fund are made in compliance with the Co-operative Societies Act 1993 (Act 502).

Contribution to Bank Rakyat Foundation is made under paragraph 65(ii) of Undang-Undang Kecil Bank Kerjasama Rakyat Malaysia Berhad, which states that net profit for the year can be utilised towards a fund meant for welfare and benefits of members.

39. EARNINGS PER SHARE

Basic earnings per ordinary share have been calculated based on the Group's profit after taxation and zakat of RM1,757,621,000 (2017: RM1,909,627,000) divided by the weighted average number of ordinary shares of 2,960,691,000 (2017: 2,974,490,000) of RM1 each in issue during the financial year.

40. DIVIDENDS

	Group and Bank	
	2018	2017
	RM'000	RM'000
Cash dividend of 16% for the year ended 31 December 2017 (2016: 15%)	469,774	443,774

During the financial year ended 31 December 2018, the Bank paid a cash dividend of 16% amounting to RM470 million in regards to the previous financial year ended 31 December 2017.

In respect of the current financial year, the Board of Directors has proposed a cash dividend up to 14% amounting to RM420 million. The proposed dividend will be recognised in the subsequent financial year upon approval by the relevant authorities outside the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

41. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	Group and Bank	
	2018 RM'000	2017 RM'000
Contingent liabilities		
Bank guarantee given in respect of banking facilities granted to customers	479,730	523,783
Claims for damages from litigation taken against the Bank	131,885	113,302
Commitments		
Undrawn financing	2,184,799	2,086,286
	2,796,414	2,723,371

A summary of the status of material litigations against the Bank is as follows:

The Bank had terminated financing facility and filed a claim against a customer and its corporate guarantors to recover the outstanding financing of approximately RM24 million. The main contractor, the customer and its corporate guarantors had also filed claims against the Bank respectively. The High Court on 24 January 2018 had dismissed the main contractor's claim against the Bank and other defendants. However, the counter claim by the Bank against the customer and its corporate guarantors was dismissed by the Court. Meanwhile, the customer's counter claim against the Bank was allowed but no sum has been determined by the Court and is subject to further assessment. The corporate guarantors' counter claim against the Bank was allowed but it was a non monetary claim. The Bank has filed an appeal to the Court of Appeal on 19 February 2018 and the hearing is fixed on 1 July 2019. The Bank's solicitor is of the view that based on the evidence at trial and the main legal arguments for the appeal, the Bank has a fair chance in the said appeal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

42. CAPITAL COMMITMENTS

Capital expenditure approved but not provided for in the financial statements are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Capital expenditure				
Approved and contracted for	665,529	328,758	338,279	-

43. OPERATING LEASES

The Bank leases a number of premises under operating leases. None of the leases include contingent rentals. Total future minimum lease payments under these non-cancellable operating leases are as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Within one year	375	690
Between one and two years	210	211
Between two to three years	175	-
	760	901

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

44. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both.

The related parties of the Group and of the Bank are:

44.1 Subsidiaries

Details of the subsidiaries are shown in Note 17.

44.2 Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel of the Group and of the Bank includes Executive Director and Non-Executive Directors of the Bank and certain members of senior management of the Bank and heads of major subsidiaries of the Group.

Remuneration of Directors and other members of key management are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits				
Fees	1,811	2,886	1,452	2,252
Salary	4,728	4,036	4,124	3,381
Allowances	514	468	514	468
EPF contribution	1,914	1,091	1,776	911
Bonuses	4,891	1,722	4,739	1,252
Other emoluments	188	198	90	85
	14,046	10,401	12,695	8,349

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

44. RELATED PARTY TRANSACTIONS (continued)

44.2 Key Management Personnel (continued)

Included in the total compensation for key management personnel are the following items:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' remuneration				
From the Bank	6,816	3,720	6,816	3,720
From subsidiaries	359	634	-	-
	7,175	4,354	6,816	3,720

44.3 Transactions with subsidiaries

All related party transactions within the Bank Rakyat group are conducted on normal commercial terms which are not more favourable than those generally available to the public.

	Bank	
	2018 RM'000	2017 RM'000
Income earned		
Rental income	(1,482)	(1,554)
Expenditure incurred		
Profit expenses	3,738	5,038
Management fee expenses	26,444	29,984
Rental expenses	6,145	6,173
Purchase of goods and services	2,078	1,543
Travelling and transportation	5,616	5,569
	42,539	46,753

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45. FINANCING FACILITIES WITH CONNECTED PARTIES

	Group and Bank	
	2018 RM'000	2017 RM'000
Outstanding exposures with connected parties	2,347,292	640,290
% of outstanding exposures to connected parties as a proportion of total exposure	2.25%	0.62%
% of outstanding exposures financing exposures with connected parties which is non-performing or in default	0.00%	0.04%

The above disclosure on Financing Facilities with Connected Parties is presented in accordance with para 14.1 as per BNM's policy on Financing Facilities with Connected Parties, which became effective on 13 July 2016.

46. FINANCIAL RISK MANAGEMENT

46.1 Overview

The Bank's business activities involve the use of financial instruments that expose the Bank to a variety of financial risks with the following as the primary risks:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk
- (iv) Operational risk

46.2 Risk management framework

Risk Management Framework articulates the objectives, guiding principles and governance structure for risk management processes in the Bank. This enables the identification, assessment and measurement control and continuous monitoring of all material risks on a group-and bank-wide basis, supported by robust management information system that facilitates timely and reliable reporting of risks and the integration of information across the Bank.

Risk Management within the Bank is guided by the following principles:

- Alignment of risk taking activities with the Bank's risk appetite;
- Risk aware decision making with clear understanding of risks and their impacts on profitability and sustainability;
- Accountability through ownership of risks, controls, and profitability inherent in the Bank's business and support functions; and
- Integration of risk management, compliance and ethical business practices into the culture of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk management framework (continued)

The Bank's Risk Appetite Statement is as follows:

"The Bank's business strategy and risk-taking activities should always be within the capacity of the Bank. This is achieved by strengthening the following six dimensions - Risk Governance; Capital Adequacy and Shareholders' Value; Reputation as Islamic Bank; Asset Quality; Liquidity; and Operational Resilience."

46.2.1 Risk governance

The Bank manages its risks in accordance with the "Three Lines of Defence Model", which places accountability and ownership to the source of risk, whilst ensuring sufficient level of independent oversight.

The "Three Lines of Defence" consists of the following components:

(i) First Line of Defence - Informed Decision Making by Business Units

The Business Units are responsible to identify, manage and report their own risks. At this stage risk awareness is instilled starting at risk taking units so that Risk Management is incorporated into every aspect of work conducted.

(ii) Second Line of Defence - Oversight by Risk Management and Compliance

Risk Management and Compliance supports business units, as well as review and report key risks to the Management and Board of Directors. In doing so, Risk Management and Compliance provides support to Management and Board of Directors in fulfilling their oversight functions.

(iii) Third Line of Defence - Independent Assurance by Internal Audit

Internal Audit conducts quality assurance review, to ensure that the risktaking activities are in line with established standards. Internal Audit provides recommendations for improvement where necessary. Its functions complement the support extended to the Management and Board Audit Committee in the risk oversight functions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk management framework (continued)

46.2.1 Risk governance (continued)

Roles and responsibilities of the oversight Committee:

Roles and responsibilities of the Board Risk Committee (“BRC”):

- (a) The BRC shall be responsible to review and recommend risk management strategies, policies, appetite and tolerance for Board’s approval.
- (b) The BRC with the recommendation of Management Risk Committee periodically reviews the Risk Management Framework.
- (c) The BRC shall be responsible to assess the adequacy of risk management policies, processes and infrastructure to manage various types of risks is comprehensive and recommend to the Board for approval.
- (d) Review management’s periodic reports on risk exposure, risk portfolio composition and risk management activities.

Roles and responsibilities of Management Risk Committee:

- (a) Assess whether the Bank’s corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities.
- (b) Establish, review and implement Board approved risk management framework and policies.
- (c) Communicate approved policies to employees and monitor as well as enforce compliance with these policies.
- (d) Periodically review Risk Management Framework and recommend to Management Risk Committee for escalation to BRC and Board.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk management framework (continued)

46.2.1 Risk governance (continued)

Roles and responsibilities of the oversight Committee: (continued)

Roles and responsibilities of Operational Risk Management Committee:

- (a) Review and recommend operational risk management strategies, policies, guidelines and procedures.
- (b) Review and assess adequacy of operational risk management framework, policies, guidelines and procedures in identifying, assessing, controlling and monitoring of operational risk and the extent to which these are operating effectively.
- (c) Ensure that infrastructure, resources and systems are in place to effectively manage operational risks.
- (d) Review operational risk profiles and periodic reports, including progress and follow-up actions.
- (e) Monitor the identified operational risks, key risk indicators and loss incidents in the business and functional units' operations.

Roles and responsibilities of Financing Review Committee:

- (a) Direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Bank's financing book.
- (b) Conduct post-mortem on impaired financing and to learn weaknesses in existing credit policies and processes.
- (c) Ensure the procedures and resources are effective to identify and manage irregular and problem credits, minimize credit loss and maximize recoveries.
- (d) Review and recommend any enhancement of credit related policies, process and procedures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk

Credit risk is the risk of suffering financial or non-financial loss should any of the customers, clients or market counterparties fail to fulfill their contractual obligations through the Bank's financing, hedging, trading and investing activities.

The Bank's retail and corporate credit exposures are governed by credit policies and stringent underwriting criteria. The Bank's credit processes are in line with industry best practices which emphasises on individual accountability with clear lines of responsibility where credit administration, early monitoring and recovery are independent from Business Units.

46.3.1 Management of credit risk

The Bank's credit risk management includes establishment of comprehensive credit risk policies, guidelines and procedures that document financing standards, credit risk rating, acceptable collateral and valuation, and compliance with regulatory and statutory requirements. The policies are periodically reviewed to ensure their continuous relevance.

Risk Management is responsible to formulate and review the credit risk policies, guidelines and procedures as well as credit portfolio monitoring. Risk Management also conducts independent credit assessment to evaluate quality of credit proposals by Business Units for corporate customers.

Risk Management also prepares reports to be presented to Board and Senior Management. The reports contain information on identified credit risk factors. With this information, Board and Senior Management are able to effectively identify adverse credit risk trends, take corrective actions and formulate business strategies accordingly.

46.3.2 Financing to retail customers

Financing granted to retail customers is individually underwritten by assessing historical payment track record and payment capacity of the customer. This process is governed by Retail Credit Risk Policy, Product Policies and assessed using credit scorecard. Both Retail Credit Risk Policy and credit scorecard are developed by Risk Management while Product Policies are developed by Product Division within Retail Banking and are independently reviewed by Risk Management.

The credit approving authority and credit approving officers have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the financing application.

Risk Management is also responsible to assess new/variation of financing product or program to ensure that the product/program offered to customers is beneficial to both customers and Bank whilst mitigating the inherent risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.3 Financing to corporate customers

Granting of credit to corporate customers is individually underwritten as guided by the Bank's risk appetite and policies. In its oversight role, Risk Management conducts independent assessment on all credit proposals to corporate customers prior to approval.

46.3.4 Purchase of investment securities

Credit qualities of financial instruments are assessed based on ratings from external credit ratings agencies.

Portfolio review and monitoring is frequently conducted in ensuring the exposures are effectively managed and concentration risk is observed at all times.

46.3.5 Impaired financing and investment securities

Individually impaired financing and investment securities are financing and advances and investment securities (other than those carried at fair value through profit or loss) for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and profits due according to the contractual terms of the financing/investment security agreement(s).

46.3.6 Neither past due nor impaired financing and investment securities

These are financing and investment securities from which contractual payment of profit or principal have not defaulted and therefore are not impaired since there is no objective evidence of impairment.

46.3.7 Past due but not impaired financing and investment securities

Past due but not impaired financing and investment securities, other than those carried at fair value through profit or loss, are those for which contractual profits or principal payments are past due, more than 1 day but less than three (3) months

46.3.8 Financing with renegotiated terms

Financing with renegotiated terms are financing that have been restructured due to deterioration in the customer's financial position. Once the financing is restructured it remains in this category independent of satisfactory performance after restructuring.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.9 Allowances for impairment

The Bank establishes an allowance for impairment loss on assets carried at amortised cost and fair value through other comprehensive income, which represents an estimation of expected losses in the financing and investment security portfolio.

The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective financing loss allowance established for groups of homogenous assets. Both components of allowance incorporates historical, current, and forecasted information in estimating the expected losses.

Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

46.3.10 Write-off policy

The Bank writes-off a financing or an investment security, and any related allowances for impairment losses, when the Bank determines that the financing or investment security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the customer's/issuer's financial position such that the customer/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

46.3.11 Collateral on financing and advances

In mitigating credit risk on financing and advances granted to customers, collaterals are obtained as follows:

- (i) House financing - charges over residential properties.
- (ii) Commercial property financing - charges over the properties being financed.
- (iii) Vehicle financing - ownership claims over the vehicles being financed.
- (iv) Other financing and advances - charges over business assets such as premises, trade receivables or deposits.

46.3.12 Credit grading for investment securities

Credit qualities of financial instruments are assessed based on ratings from external credit ratings agencies.

At the end of the reporting period, instruments rated with "Grade D" are those that have defaulted beyond their maturity period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.13 Maximum exposure to credit risk

The following table presents the Bank's credit exposure of on-balance sheet and off-balance sheet financial instruments.

For on-balance sheet assets, the exposure to credit risk equals the carrying amount.

For credit commitments, maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets				
Cash and short-term funds	1,163,630	2,476,623	1,161,454	2,469,937
Deposits and placements with financial institutions	-	101,384	-	100,992
Financial investments at fair value through profit or loss	742,297	-	742,297	-
Financial investments available-for-sale	-	20,252,909	-	20,252,428
Financial investments at fair value through other comprehensive income	22,329,782	-	22,329,773	-
Financial investments held-to-maturity	-	10,437,053	-	10,437,053
Financial investments at amortised cost	10,155,789	-	10,155,789	-
Financing and advances	69,003,855	69,189,090	69,003,855	69,189,090
Trade receivables	2,459	1,795	-	-
Other receivables	709,581	719,605	724,745	742,099
	104,107,393	103,178,459	104,117,913	103,191,599
Commitments				
Undrawn financing	2,184,799	2,086,286	2,184,799	2,086,286
Total maximum exposure to credit risk	106,292,192	105,264,745	106,302,712	105,277,885

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.14 Credit risk exposure on financing and advances

	Group and Bank	
	2018 RM'000	2017 RM'000
At amortised cost		
Neither past due nor impaired		
0 month	64,956,424	65,326,881
Past due but not impaired		
1 month	2,670,707	2,531,801
2 months	881,237	842,044
3 months	401,746	353,107
	3,953,690	3,726,952
Past due and impaired		
Less than 4 months	224,230	326,456
4 months to 6 months	279,687	554,426
7 months to 9 months	233,644	167,875
More than 9 months	753,189	526,268
	1,490,750	1,575,025
Gross financing and advances	70,400,864	70,628,858
Less: Individual assessment impairment	-	(448,749)
Collective assessment impairment	-	(991,019)
Collective assessment allowance - 12 months ECL	(428,090)	-
Collective assessment allowance - lifetime ECL	(591,287)	-
Individual assessment allowance - lifetime ECL	(377,632)	-
Net financing and advances	69,003,855	69,189,090

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities

Group 2018	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other comprehensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AAA	-	3,017,743	379,347	3,397,090
Grade AA+	-	80,075	111,540	191,615
Grade AA	-	215,063	20,207	235,270
Grade AA-	-	151,408	-	151,408
Grade AA1	-	686,346	131,767	818,113
Grade AA2	-	350,765	-	350,765
Grade AA3	-	265,158	36,413	301,571
	-	4,766,558	679,274	5,445,832
Cagamas sukuk				
Grade AAA	-	2,451,645	698,173	3,149,818
Negotiable Islamic debt certificates				
Grade AA3	-	-	148,698	148,698
	-	7,218,203	1,526,145	8,744,348

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities (continued)

Group (continued) 2018	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other comprehensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Unrated securities				
Government investment issues	203,600	9,218,783	5,912,370	15,334,753
Government sukuk	-	5,637,781	2,312,408	7,950,189
Khazanah sukuk	-	217,208	340,579	557,787
Islamic commercial paper	-	-	64,287	64,287
Islamic redeemable convertible preference shares	202,096	-	-	202,096
	405,696	15,073,772	8,629,644	24,109,112
Shares				
Quoted and unit trust shares	336,601	-	-	336,601
Unquoted shares	-	37,807	-	37,807
	336,601	37,807	-	374,408
	742,297	22,329,782	10,155,789	33,227,868

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities (continued)

Bank 2018	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other comprehensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AAA	-	3,017,743	379,347	3,397,090
Grade AA+	-	80,075	111,540	191,615
Grade AA	-	215,063	20,207	235,270
Grade AA-	-	151,408	-	151,408
Grade AA1	-	686,346	131,767	818,113
Grade AA2	-	350,765	-	350,765
Grade AA3	-	265,158	36,413	301,571
	-	4,766,558	679,274	5,445,832
Cagamas sukuk				
Grade AAA	-	2,451,645	698,173	3,149,818
Negotiable Islamic debt certificates	-			
Grade AA3	-	-	148,698	148,698
	-	7,218,203	1,526,145	8,744,348

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities (continued)

Bank (continued) 2018	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other comprehensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Unrated securities				
Government investment issues	203,600	9,218,783	5,912,370	15,334,753
Government sukuk	-	5,637,781	2,312,408	7,950,189
Khazanah sukuk	-	217,208	340,579	557,787
Islamic commercial paper	-	-	64,287	64,287
Islamic redeemable convertible preference shares	202,096	-	-	202,096
	405,696	15,073,772	8,629,644	24,109,112
Shares				
Quoted and unit trust shares	336,601	-	-	336,601
Unquoted shares	-	37,798	-	37,798
	336,601	37,798	-	374,399
	742,297	22,329,773	10,155,789	33,227,859

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities (continued)

Group 2017	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AAA	2,745,496	379,719	3,125,215
Grade AA+	79,754	111,498	191,252
Grade AA	91,985	40,503	132,488
Grade AA-	44,632	-	44,632
Grade AA1	601,996	50,831	652,827
Grade AA2	173,019	-	173,019
Grade AA3	61,942	36,904	98,846
	3,798,824	619,455	4,418,279
Cagamas sukuk			
Grade AAA	1,562,587	475,271	2,037,858
Negotiable Islamic debt certificates			
Grade AA1	-	398,630	398,630
	5,361,411	1,493,356	6,854,767
Unrated securities			
Government investment issues	9,178,953	6,352,971	15,531,924
Government sukuk	4,922,276	2,248,815	7,171,091
Khazanah sukuk	208,347	341,911	550,258
	14,309,576	8,943,697	23,253,273
Shares			
Quoted and unit trust shares	573,858	-	573,858
Unquoted shares	8,064	-	8,064
	581,922	-	581,922
	20,252,909	10,437,053	30,689,962

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities (continued)

Bank 2017	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AAA	2,745,496	379,719	3,125,215
Grade AA+	79,754	111,498	191,252
Grade AA	91,985	40,503	137,488
Grade AA-	44,632	-	44,632
Grade AA1	601,996	50,831	652,827
Grade AA2	173,019	-	173,019
Grade AA3	61,942	36,904	98,846
	3,798,824	619,455	4,418,279
Cagamas sukuk			
Grade AAA	1,562,587	475,271	2,037,858
Negotiable Islamic debt certificates			
Grade AA1	-	398,630	398,630
	5,361,411	1,493,356	6,854,767
Unrated securities			
Government investment issues	9,178,953	6,352,971	15,531,924
Government sukuk	4,922,276	2,248,815	7,171,091
Khazanah sukuk	208,347	341,911	550,258
	14,309,576	8,943,697	23,253,273
Shares			
Quoted and unit trust shares	573,858	-	573,858
Unquoted shares	7,583	-	7,583
	581,441	-	581,441
	20,252,428	10,437,053	30,689,481

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.16 Maximum exposure to credit risk

The following analysis represents the Group's maximum exposure to credit risk of on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers.

	2018 RM'000	2017 RM'000
Group		
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	1,163,630	2,476,623
Deposits and placements with financial institutions	-	101,384
Financial investments portfolio *	32,876,158	30,130,996
Financing and advances	60,007,394	60,620,837
Trade receivables	2,459	1,795
Other assets	1,132,604	1 019,205
Credit exposure for off-balance sheet financial assets:		
Undrawn financing	2,184,799	2 086,286
Total maximum credit risk exposure	97,367,044	96,437,126

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.16 Maximum exposure to credit risk (continued)

	2018 RM'000	2017 RM'000
Bank		
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	1,161,454	2,469,937
Deposits and placements with financial institutions	-	100,992
Financial investments portfolio *	32,876,158	30,130,996
Financing and advances	60,007,394	60,620,837
Other assets	1,097,380	987,691
Credit exposure for off-balance sheet financial assets:		
Undrawn financing	2,184,799	2,086,286
Total maximum credit risk exposure	97,327,185	96,396,739

* Financial investment portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised costs, excluding equity investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk

Liquidity risk arises from mismatches in the timing of cash flows due to the inability to meet maturing or regulatory obligations and customers' demands for funds when required, which may adversely affect daily operations, Bank's reputation and incur unacceptable losses.

46.4.1 Management of liquidity risk

The management of liquidity risk is subject to Bank Negara Malaysia's Liquidity Framework and Liquidity Coverage Ratio requirements as well as the Bank's liquidity risk management framework.

The Bank adopts various liquidity risk measurement tools in managing the cash flows for daily movement as well as medium and long-term positions to ensure sufficient funding sources to meet obligations.

It is important for the Bank to maintain diversification strategy of funding sources and providers to ensure stability of funding structure and adequate standby facilities while managing excessive concentration towards key depositors. The Bank maintains sufficient high-quality liquid assets to withstand against any unforeseen liquidity stress.

In addition, a liquidity stress testing is conducted based on sensitivity analysis for various stress scenarios covering the Bank's specific and market-wide crisis scenario. The stress scenarios would provide valuable assessment on the impact from adverse liquidity environment and the Bank's vulnerable portfolios.

The Bank has established liquidity contingency funding plan which entails the early warning indicators as well as strategies and actions to be taken by the liquidity crisis management team arising from different liquidity crisis scenarios.

The Bank's liquidity risk management framework, policies and procedures are reviewed periodically which are endorsed by Asset and Liability Committee (ALCO) and approved by the Board. ALCO meets on a monthly basis and is responsible to monitor the liquidity risk position against the Bank's risk appetite and approved limits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.2 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers.

For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade securities for which there is an active and liquid market.

Details of the reported Bank ratio of net liquid assets to deposits from customers at the end of the reporting period and during the year were as follows:

	Bank	
	2018	2017
At 31 December	33.99%	33.90%
Average for the year	34.42%	33.44%
Maximum for the year	34.94%	34.19%
Minimum for the year	33.79%	32.20%

46.4.3 Liquidity risk of assets and liabilities

The main thrust of liquidity management is the projection of up to one year of the maturity profile of the Bank's assets, liabilities and off-balance sheet commitments from a given position.

The focus is on the ability of the Bank to match its short-term liquidity requirement arising from maturing obligations with maturing assets, followed by a medium-term assessment of liquidity up to one year.

The primary basis for determining the appropriate time bands is the contractual maturity, which is when the cash flows crystallise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities

Group 2018	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	1,163,630	-	-	-	-	-	-	1,163,630
Investment securities	-	45,873	848,642	799,888	3,249,344	27,707,617	576,504	33,227,868
Financing and advances	344,572	1,074,604	2,378,022	3,637,380	5,374,957	57,591,329	(1,397,009)	69,003,855
Trade receivables	-	-	-	-	-	-	2,459	2,459
Other assets	-	-	-	-	-	-	3,487,411	3,487,411
	1,508,202	1,120,477	3,226,664	4,437,268	8,624,301	85,298,946	2,669,365	106,885,223
Liabilities								
Deposits from customers	14,014,969	17,805,016	19,981,985	14,602,308	11,651,628	4,679,994	-	82,735,900
Deposits and placements from banks and financial institutions	424,000	400,000	-	-	-	-	-	824,000
Recourse obligations on financing sold to Cagamas	-	3,230	6,514	9,909	329,808	360,874	-	710,335
Debt securities issued	-	-	430,099	13,267	150,000	2,550,000	-	3,143,366
Trade payables	-	-	-	-	-	-	2,840	2,840
Other liabilities	-	-	-	-	-	-	1,595,058	1,595,058
	14,438,969	18,208,246	20,418,598	14,625,484	12,131,436	7,590,868	1,597,898	89,011,499
Shareholders' fund	-	-	-	-	-	-	17,873,724	17,873,724
Net maturity mismatch	(12,930,767)	(17,087,769)	(17,191,934)	(10,188,216)	(3,507,135)	77,708,078	(16,802,257)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group 2018	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	479,730	-	-	-	-	-	-	479,730
Claims for damages from litigation taken against the Bank	-	-	-	-	-	131,885	-	131,885
Undrawn financing	2,184,799	-	-	-	-	-	-	2,184,799
	2,664,529	-	-	-	-	131,885	-	2,796,414

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group 2017	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	2,476,623	101,384	-	-	-	-	-	2,578,007
Investment securities	-	140,629	641,134	683,740	3,147,348	25,495,190	581,921	30,689,962
Financing and advances	259,373	1,061,387	2,329,132	3,588,031	5,290,907	58,100,028	(1,439,768)	69,189,090
Trade receivables	-	-	-	-	-	-	1,795	1,795
Other assets	-	-	-	-	-	-	2,993,148	2,993,148
	2,735,996	1,303,400	2,970,266	4,271,771	8,438,255	83,595,218	2,137,096	105,452,002
Liabilities								
Deposits from customers	12,309,801	23,089,018	21,965,758	13,195,966	9,093,538	3,581,415	-	83,235,496
Recourse obligations on financing sold to Cagamas	-	3,329	6,621	10,069	20,641	707,674	-	748,334
Debt securities issued	-	-	5,057	13,713	300,000	3,125,000	-	3,443,770
Trade payables	-	-	-	-	-	-	2,681	2,681
Financing from other financial institutions	-	20	40	60	121	8,603	-	8,844
Other liabilities	-	-	-	-	-	-	1,384,524	1,384,524
	12,309,801	23,092,367	21,977,476	13,219,808	9,414,300	7,422,692	1,387,205	88,823,649
Shareholders' fund	-	-	-	-	-	-	16,628,353	16,628,353
Net maturity mismatch	(9,573,805)	(21,788,967)	(19,007,210)	(8,948,037)	(976,045)	76,172,526	(15,878,462)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group 2017	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	523,783	-	-	-	-	-	-	523,783
Claims for damages from litigation taken against the Bank	-	-	-	-	-	113,302	-	113,302
Undrawn financing	2,086,286	-	-	-	-	-	-	2,086,286
	2,610,069	-	-	-	-	113,302	-	2,723,371

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2018	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	1,161,454	-	-	-	-	-	-	1,161,454
Investment securities	-	45,873	848,642	799,888	3,249,344	27,707,617	576,495	33,227,859
Financing and advances	344,572	1,074,604	2,378,022	3,637,380	5,374,957	57,591,329	(1,397,009)	69,003,855
Other assets	-	-	-	-	-	-	3,228,032	3,228,032
	1,506,026	1,120,477	3,226,664	4,437,268	8,624,301	85,298,946	2,407,518	106,621,200
Liabilities								
Deposits from customers	14,014,969	17,805,016	19,981,985	14,602,308	11,651,628	4,679,994	-	82,735,900
Deposits and placements from banks and financial institutions	424,000	400,000	-	-	-	-	-	824,000
Recourse obligations on financing sold to Cagamas	-	3,230	6,514	9,909	329,808	360,874	-	710,335
Debt securities issued	-	-	430,099	13,267	150,000	2,550,000	-	3,143,366
Other liabilities	-	-	-	-	-	-	1,711,453	1,711,453
	14,438,969	18,208,246	20,418,598	14,625,484	12,131,436	7,590,868	1,711,453	89,125,054
Shareholders' fund	-	-	-	-	-	-	17,496,146	17,496,146
Net maturity mismatch	(12,932,943)	(17,087,769)	(17,191,934)	(10,188,216)	(3,507,135)	77,708,078	(16,800,081)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2018	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	479,730	-	-	-	-	-	-	479,730
Claims for damages from litigation taken against the Bank	-	-	-	-	-	131,885	-	131,885
Undrawn financing	2,184,799	-	-	-	-	-	-	2,184,799
	2,664,529	-	-	-	-	131,885	-	2,796,414

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2017	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	2,469,937	100,992	-	-	-	-	-	2,570,929
Investment securities	-	140,629	641,134	683,740	3,147,348	25,495,190	581,440	30,689,481
Financing and advances	259,373	1,061,387	2,329,132	3,588,031	5,290,907	58,100,028	(1,439,768)	69,189,090
Other assets	-	-	-	-	-	-	2,698,342	2,698,342
	2,729,310	1,303,008	2,970,266	4,271,771	8,438,255	83,595,218	1,840,014	105,147,842
Liabilities								
Deposits from customers	12,309,801	23,089,018	21,965,758	13,195,966	9,093,538	3,581,415	-	83,235,496
Recourse obligations on financing sold to Cagamas	-	3,329	6,621	10,069	20,641	707,674	-	748,334
Debt securities issued	-	-	5,057	13,713	300,000	3,125,000	-	3,443,770
Other liabilities	-	-	-	-	-	-	1,490,291	1,490,291
	12,309,801	23,092,347	21,977,436	13,219,748	9,414,179	7,414,089	1,490,291	88,917,891
Shareholders' fund	-	-	-	-	-	-	16,229,951	16,229,951
Net maturity mismatch	(9,580,491)	(21,789,339)	(19,007,170)	(8,947,977)	(975,924)	76,181,129	(15,880,228)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2017	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	523,783	-	-	-	-	-	-	523,783
Claims for damages from litigation taken against the Bank	-	-	-	-	-	113,302	-	113,302
Undrawn financing	2,086,286	-	-	-	-	-	-	2,086,286
	2,610,069	-	-	-	-	113,302	-	2,723,371

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities as at 31 December 2018 and 31 December 2017. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial positions as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and profit analysis. The Group and the Bank manage profit liquidity risk based on discounted expected cash flows.

Group 2018	Up to 1 week RM'000	More than 1 week - 1 month RM'000	More than 1 month - 3 months RM'000	More than 3 months - 6 months RM'000	More than 6 months - 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	14,088,750	18,012,655	20,275,770	14,808,832	11,907,537	6,404,154	-	85,497,698
Deposits and placements from banks and financial institutions	424,392	401,239	-	-	-	-	-	825,631
Recourse obligations on financing sold to Cagamas	-	6,009	12,035	18,095	340,167	410,322	-	786,628
Debt securities issued	-	-	434,588	61,532	212,431	2,855,071	-	3,563,622
Trade payables	-	-	-	-	-	-	2,840	2,840
Other liabilities	-	-	-	-	-	-	1,590,976	1,590,976
	14,513,142	18,419,903	20,722,393	14,888,459	12,460,135	9,669,547	1,593,816	92,267,395

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Group 2017	Up to 1 week RM'000	More than 1 week - 1 month RM'000	More than 1 month - 3 months RM'000	More than 3 months - 6 months RM'000	More than 6 months - 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	12,330,392	23,108,553	22,102,779	13,272,783	9,347,973	4,597,313	-	84,759,793
Recourse obligations on financing sold to Cagamas	-	-	6,256	12,528	18,832	37,815	787,409	862,840
Debt securities issued	-	-	9,748	68,315	378,991	3,563,621	-	4,020,675
Trade payables	-	-	-	-	-	-	2,681	2,681
Financing from other financial institutions	-	20	40	60	121	7,818	-	8,059
Other liabilities	-	-	-	-	-	-	1,384,524	1,384,524
	12,330,392	23,108,573	22,118,823	13,353,686	9,745,917	8,206,567	2,174,614	91,038,572

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank 2018	Up to 1 week RM'000	More than 1 week - 1 months RM'000	More than 1 months - 3 months RM'000	More than 3 months - 6 months RM'000	More than 6 months - 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	14,088,750	18,012,655	20,275,770	14,808,832	11,907,537	6,404,154	-	85,497,698
Deposits and placements from banks and financial institutions	424,392	401,239	-	-	-	-	-	825,631
Recourse obligations on financing sold to Cagamas	-	6,009	12,035	18,095	340,167	410,322	-	786,628
Debt securities issued	-	-	434,588	61,532	212,431	2,855,071	-	3,563,622
Other liabilities	-	-	-	-	-	-	1,711,453	1,711,453
	14,513,142	18,419,903	20,722,393	14,888,459	12,460,135	9,669,547	1,711,453	92,385,032

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank 2017	Up to 1 week RM'000	More than 1 week - 1 month RM'000	More than 1 month - 3 months RM'000	More than 3 months - 6 months RM'000	More than 6 months - 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	12,330,392	23,108,553	22,102,779	13,272,783	9,347,973	4,597,313	-	84,759,793
Recourse obligations on financing sold to Cagamas	-	-	6,256	12,528	18,832	37,815	787,409	862,840
Debt securities issued	-	-	9,748	68,315	378,991	3,563,621	-	4,020,675
Other liabilities	-	-	-	-	-	-	1,490,291	1,490,291
	12,330,392	23,108,553	22,118,783	13,353,626	9,745,796	8,198,749	2,277,700	91,133,599

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk

Market risk is defined as the risk of financial loss due to changes in equity prices, benchmark rates, credit spreads, foreign-exchange rates, commodity prices, and other indicators whose values are set in a public market. Changes in market rates can affect the Bank's net earnings and also the economic value of Bank's equity.

The function of Market Risk and Asset Liability Management ("ALM") is to manage and control market risk exposure in order to optimise return on risk while maintaining a market profile consistent with the Bank's strategic plan.

The Bank has established the market risk policy, strategy and processes which are periodically reviewed and updated to take into account changes in activities and market structure to ensure effective implementation of risk management policies.

46.5.1 Management of market risk

The Bank manages market risk by segregating exposure to market risk between trading and non-trading portfolios. Trading portfolios are held by treasury department which consist of financial assets that are managed on fair value basis.

The risk measurement techniques employed by the Bank to measure and quantify the market value changes and the level of market risk comprise of Value-at-Risk ("VaR"), Modified Duration and Present Value of One Basis Point ("PV01").

Exposure of the Bank to the foreign exchange rates is minimal since operation of foreign currency unit is limited to remittance services only.

46.5.2 Profit rate risk

Investment in debt securities and financing are exposed to risk of change in profit rates that would result in changes in cash flows. On the other hand, investment in equity securities and other short-term receivables and payables are not significantly exposed to profit rate risk.

Among other efforts in mitigating this risk is by diversifying investment mainly in fixed-income securities with different duration. The Bank has not engaged in hedging through derivative instruments during the year.

The sensitivity of the Bank's financial assets and liabilities to the profit rate risk is measured and monitored proactively using multiple measurement techniques such as Gap Analysis, Duration and Simulation Model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.2 Profit rate risk (continued)

The following shows the Bank's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and constant financial position.

Sensitivity of projected net profit income	Increase by 100 bp RM'000	Decrease by 100 bp RM'000	Increase by 50 bp RM'000	Decrease by 50 bp RM'000
Bank				
2018				
Year ended 31 December	(120,848)	110,824	(60,436)	60,459
Average for the year	(168,233)	143,780	(84,143)	78,781
Maximum for the year	(191,979)	103,231	(96,012)	58,491
Minimum for the year	(129,032)	169,414	(64,546)	92,114
2017				
Year ended 31 December	(787,199)	774,030	(393,614)	393,642
Average for the year	(266,197)	242,150	(132,595)	130,433
Maximum for the year	(787,199)	774,030	(393,614)	393,642
Minimum for the year	(190,016)	173,005	(95,096)	98,281

46.5.3 Exposure to profit rate

Among other controls to ensure that market risk exposures remain within tolerable levels include stress testing, new product approval procedures and listing of permissible instruments that can be traded.

Periodic stress testing and control assessment are conducted to address the plausible market events relating to the threat of market failure that could disrupt the Bank's profitability and capital adequacy in ensuring its resiliency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.4 Exposure to profit rate risk on profit-bearing financial instruments

Group 2018	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	Non- profit sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Assets								
Cash, deposits and placements with financial institutions	330,028	-	-	-	-	833,602	-	1,163,630
Financial investments at fair value through profit or loss	-	-	-	-	-	-	742,297	742,297
Financial investments at fair value through other comprehensive income	35,682	543,406	1,728,749	12,781,551	7,203,061	(475)	37,808	22,329,782
Financial investments at amortised cost	10,191	305,236	2,320,509	5,527,070	1,992,838	(55)	-	10,155,789
Financing and advances								
- Non-impaired	35,851,611	2,328	60,862	2,668,959	28,613,618	1,712,736	-	68,910,114
- Impaired, net of allowances	-	-	-	-	-	93,741	-	93,741
Other non-profit sensitive balances	-	-	-	-	-	3,489,870	-	3,489,870
	36,227,512	850,970	4,110,120	20,977,580	37,809,517	6,129,419	780,105	106,885,223

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued) 2018	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	Non- profit sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	26,682,915	21,536,091	26,144,588	6,529,835	1,842,471	-	-	82,735,900
Deposits and placements from banks and financial institutions	824,000	-	-	-	-	-	-	824,000
Recourse obligations on financing sold to Cagamas	-	-	329,296	381,039	-	-	-	710,335
Debt securities issued	-	430,099	150,579	2,262,378	300,310	-	-	3,143,366
Other non-profit sensitive balances	-	-	-	-	-	1,597,898	-	1,597,898
	27,506,915	21,966,190	26,624,463	9,173,252	2,142,781	1,597,898	-	89,011,499
Shareholders' fund	-	-	-	-	-	17,873,724	-	17,873,724
On-balance sheet profit sensitivity gap	8,720,597	(21,115,220)	(22,514,343)	11,804,328	35,666,736	(13,342,203)	780,105	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	8,720,597	(21,115,220)	(22,514,343)	11,804,328	35,666,736	(13,342,203)	780,105	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group 2017	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	Non- profit sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash, deposits and placements with financial institutions	678,199	1,420,319	50,586	-	-	428,903	-	2,578,007
Financial investments available-for-sale	5,092	253,859	1,851,139	10,520,876	4,063,406	-	3,558,537	20,252,909
Financial investments held-to-maturity	235,475	386,715	1,819,248	6,514,401	1,481,214	-	-	10,437,053
Financing and advances								
- Non-impaired	32,151,148	2,855	92,078	2,507,026	32,648,556	1,652,170	-	69,053,833
- Impaired, net of allowances	-	-	-	-	-	135,257	-	135,257
Other non- profit sensitive balances	-	-	-	-	-	2,994,943	-	2,994,943
	33,069,914	2,063,748	3,813,051	19,542,303	38,193,176	5,211,273	3,558,537	105,452,002

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued) 2017	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	Non- profit sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	31,240,812	20,616,838	24,482,259	5,758,587	1,137,000	-	-	83,235,496
Recourse obligations on financing sold to Cagamas	-	-	-	748,334	-	-	-	748,334
Debt securities issued	-	-	300,414	2,843,092	300,264	-	-	3,443,770
Other non-profit sensitive balances	-	-	-	-	-	1,396,049	-	1,396,049
	31,240,812	20,616,838	24,782,673	9,350,013	1,437,264	1,396,049	-	88,823,649
Shareholders' fund	-	-	-	-	-	16,628,353	-	16,628,353
On-balance sheet profit sensitivity gap	1,829,102	(18,553,090)	(20,969,622)	10,192,290	36,755,912	(12,813,219)	3,558,537	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	1,829,102	(18,553,090)	(20,969,622)	10,192,290	36,755,912	(12,813,129)	3,558,537	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank 2018	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	Non- profit sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash, deposits and placements with financial institutions	330,028	-	-	-	-	831,426	-	1,161,454
Financial investments at fair value through profit or loss	-	-	-	-	-	-	742,297	742,297
Financial investments at fair value through other comprehensive income	35,682	543,406	1,728,749	12,781,551	7,203,061	(475)	37,799	22,329,773
Financial investments at amortised cost	10,191	305,236	2,320,509	5,527,070	1,992,838	(55)	-	10,155,789
Financing and advances								
- Non-impaired	35,851,611	2,328	60,862	2,668,959	28,613,618	1,712,736	-	68,910,114
- Impaired, net of allowances	-	-	-	-	-	93,741	-	93,741
Other non- profit sensitive balances	-	-	-	-	-	3,228,032	-	3,228,032
	36,227,512	850,970	4,110,120	20,977,580	37,809,517	5,865,405	780,096	106,621,200

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank (continued) 2018	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	Non- profit sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	26,682,915	21,536,091	26,144,588	6,529,835	1,842,471	-	-	82,735,900
Deposits and placements from banks and financial institutions	824,000	-	-	-	-	-	-	824,000
Recourse obligations on financing sold to Cagamas	-	-	329,296	381,039	-	-	-	710,335
Debt securities issued	-	430,099	150,579	2,262,378	300,310	-	-	3,143,366
Other non-profit sensitive balances	-	-	-	-	-	1,711,453	-	1,711,453
	27,506,915	21,966,190	26,624,463	9,173,252	2,142,781	1,711,453	-	89,125,054
Shareholders' fund	-	-	-	-	-	17,496,146	-	17,496,146
On-balance sheet profit sensitivity gap	8,720,597	(21,115,220)	(22,514,343)	11,804,328	35,666,736	(13,342,194)	780,096	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	8,720,597	(21,115,220)	(22,514,343)	11,804,328	35,666,736	(13,342,194)	780,096	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank 2017	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	Non- profit sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash, deposits and placements with financial institutions	678,199	1,420,319	50,586	-	-	421,825	-	2,570,929
Financial investments available-for-sale	5,092	253,859	1,851,139	10,520,876	4,063,406	-	3,558,056	20,252,428
Financial investments held-to-maturity	235,475	386,715	1,819,248	6,514,401	1,481,214	-	-	10,437,053
Financing and advances								
- Non-impaired	32,151,148	2,855	92,078	2,507,026	32,648,556	1,652,170	-	69,053,833
- Impaired, net of allowances	-	-	-	-	-	135,257	-	135,257
Other non- profit sensitive balances	-	-	-	-	-	2,698,342	-	2,698,342
	33,069,914	2,063,748	3,813,051	19,542,303	38,193,176	4,907,594	3,558,056	105,147,842

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank (continued) 2017	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	Non- profit sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	31,240,812	20,616,838	24,482,259	5,758,587	1,137,000	-	-	83,235,496
Recourse obligations on financing sold to Cagamas	-	-	-	748,334	-	-	-	748,334
Debt securities issued	-	-	300,414	2,843,092	300,264	-	-	3,443,770
Other non-profit sensitive balances	-	-	-	-	-	1,490,291	-	1,490,291
	31,240,812	20,616,838	24,782,673	9,350,013	1,437,264	1,490,291	-	88,917,891
Shareholders' fund								
	-	-	-	-	-	16,229,951	-	16,229,951
On-balance sheet profit sensitivity gap	1,829,102	(18,553,090)	(20,969,622)	10,192,290	36,755,912	(12,812,648)	3,558,056	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	1,829,102	(18,553,090)	(20,969,622)	10,192,290	36,755,912	(12,812,648)	3,558,056	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.6 Operational risk

The Bank defines operational risk as the risk of loss or non-achievement of business objectives due to inadequate or failed internal processes, people and system, or from external events.

The Bank's Operational Risk Management ("ORM") Framework sets out the governance and oversight structure, roles and relationships of the three lines of defense mechanism as well as the high level principles and methodologies for operational risk identification, assessment, control and monitoring.

The framework recognises the relationships between operational risk and other risk types such as strategic, credit, market and reputation risks; and is cascaded to also govern the management of operational risk sub-types i.e. legal and compliance risk, Shariah non-compliance risk, Information Technology risk and outsourcing risk.

The Bank has no appetite for losses arising from inadequate internal controls, systems, and processes; which can be elaborated as zero appetite for:

- Failure to maintain a sound and proportionate system of internal controls to manage the expected operational risk losses and avoid the unexpected operational risk losses;
- Regulatory censures, fines or prosecution relating to the laws and regulations applicable to the Bank; and
- Failure to comply with Shariah rules and parameters as set out by the Shariah Committee ("SC") and/or the Shariah Advisory Council of Bank Negara Malaysia.

The Bank continuously monitors its operational risk exposure to ensure the level of exposure is within the acceptable tolerance. This is conducted by means of the established governance and oversight structure as well as through the day-to-day operational risk management processes.

ORM processes are undertaken through the implementation of tools such as Risk and Control Self-Assessment ("RCSA"), Key Risk Indicator ("KRI") and Loss Event Data ("LED") collection. RCSA is a tool used to identify and assess the risks in key business processes, evaluate the effectiveness of internal controls and provide the basis for determining risk responses/strategies in pursuing business objectives. KRI provides early warning signal of any increase in risk exposure and/or occurrence of control failures. To support operational risk analytics, the Bank collects LED based on BNM's Operational Risk Integrated Online Network ("ORION") requirements.

To improve its operational resilience, the Bank has revamped its Business Continuity Management ("BCM") framework and processes by streamlining the governance structure and response matrix based on severity of disruption; namely code Amber, Red and Black. Code Amber incidents are isolated disruption affecting only a particular business/activity which shall be managed by the respective business involved. The entire crisis management hierarchy headed by Managing Director/President shall be activated under Code Black, which is a full-on crisis that could potentially affect the going concern of the Bank. To ensure effectiveness of the business continuity plans and to be in line with regulatory requirements, regular exercises, disaster simulations and recovery drills are conducted throughout the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.7 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- (i) To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;
- (ii) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines under the New Liquidity Framework developed by Bank Negara Malaysia. The required information is filed with Bank Negara Malaysia on a monthly basis.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with Bank Negara Malaysia which takes into account the risk profile of the Bank. The regulatory capital requirements are strictly observed when managing economic capital.

The Bank's regulatory capital comprises two tiers:

- (i) Tier 1 capital: share capital, statutory reserve, capital reserve and retained profits; and
- (ii) Tier 2 capital: collective impairment allowances on non-impaired financing and regulatory reserve.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statement of financial position.

The Bank's policy is to maintain a strong capital base so as to ensure investors', creditors' and market confidence and to 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 the advantages and security afforded by a sound capital position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.7 Capital management (continued)

46.7.1 Capital adequacy ratio

The Bank is required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by Bank Negara Malaysia. The Bank was in compliance with all prescribed capital ratios throughout the period.

	Bank	
	2018	2017
Before proposed dividend		
Core capital ratio	21.87%	20.78%
Risk-weighted capital adequacy ratio	23.25%	22.27%
After proposed dividend		
Core capital ratio	21.33%	20.11%
Risk-weighted capital adequacy ratio	22.72%	21.60%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.7 Capital management (continued)

46.7.1 Capital adequacy ratio (continued)

The above ratios are derived by taking into account the core capital and capital base against the risk weighted assets of the Bank. Components of the capital are as follows:

	Bank	
	2018 RM'000	2017 RM'000
Tier I capital		
Paid-up share capital	2,986,030	2,986,030
Retained profits	7,954,575	7,239,389
Other reserves	6,097,938	5,646,840
Total Tier I capital (core)	17,038,543	15,872,259
Tier II capital		
Subordinated sukuk	300,000	300,000
Collective impairment *	546,851	572,000
Regulatory reserve	329,672	329,672
Total Tier II capital	1,176,523	1,201,672
Total capital	18,215,066	17,073,931
Less: Investment in subsidiaries	(100,744)	(65,976)
Total capital base	18,114,322	17,007,955

* This is a surplus amount allowable after taking into account the collective impairment allowance on impaired financing of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.7 Capital management (continued)

46.7.1 Capital adequacy ratio (continued)

Assets in various categories are risk-weighted as follows:

	Bank	
	2018	2017
	RM'000	RM'000
Total assets assigned 20% risk-weighted	725,709	791,560
Total assets assigned 50% risk-weighted	2,890,810	2,566,393
Total assets assigned 100% risk-weighted	72,926,532	71,675,391
Off-Balance Sheet claims assigned 100% risk-weighted	1,353,289	1,349,301
	77,896,340	76,382,645

47. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which the financial asset could be exchanged or a financial liability 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 at the end of the reporting period.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on appropriate methodologies and assumptions on risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of MFRS 132, Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.1 Valuation of financial instruments

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- (i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Group and the Bank determine fair values using valuation techniques.

There were no financial liabilities of the Group and the Bank at the end of the reporting period that were measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Valuation of financial instruments at fair value

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
2018					
Financial investments at fair value through profit or loss					
Government investment issues	203,600	203,600	-	203,600	-
Islamic redeemable convertible preference shares	202,096	202,096	-	202,096	-
Quoted shares	335,182	335,182	335,182	-	-
Unit trust shares	1,419	1,419	-	1,419	-
	742,297	742,297	335,182	407,115	-
Financial investments at fair value through other comprehensive income					
Islamic debt securities	4,766,558	4,766,558	-	4,766,558	-
Government investment issues	9,218,783	9,218,783	-	9,218,783	-
Government sukuk	5,637,781	5,637,781	-	5,637,781	-
Khazanah sukuk	217,208	217,208	-	217,208	-
Cagamas sukuk	2,451,645	2,451,645	-	2,451,645	-
Unquoted shares	37,807	37,807	-	-	37,807
	22,329,782	22,329,782	-	22,291,975	37,807

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Valuation of financial instruments at fair value (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
2017					
Financial investments available-for-sale					
Islamic debt securities	3,798,824	3,798,824	-	3,798,824	-
Government investment issues	9,178,953	9,178,953	-	9,178,953	-
Government sukuk	4,922,276	4,922,276	-	4,922,276	-
Khazanah sukuk	208,347	208,347	-	208,347	-
Cagamas sukuk	1,562,587	1,562,587	-	1,562,587	-
Quoted shares	572,144	572,144	572,144	-	-
Unit trust shares	1,714	1,714	-	1,714	-
Unquoted shares	8,064	8,064	-	-	8,064
	20,252,909	20,252,909	572,144	19,672,701	8,064

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Valuation of financial instruments at fair value (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2018					
Financial investments at fair value through profit or loss					
Government investment issues	203,600	203,600	-	203,600	-
Islamic redeemable convertible preference shares	202,096	202,096	-	202,096	-
Quoted shares	335,182	335,182	335,182	-	-
Unit trust shares	1,419	1,419	-	1,419	-
	742,297	742,297	335,182	407,115	-
Financial investments at fair value through other comprehensive income					
Islamic debt securities	4,766,558	4,766,558	-	4,766,558	-
Government investment issues	9,218,783	9,218,783	-	9,218,783	-
Government sukuk	5,637,781	5,637,781	-	5,637,781	-
Khazanah sukuk	217,208	217,208	-	217,208	-
Cagamas sukuk	2,451,645	2,451,645	-	2,451,645	-
Unquoted shares	37,798	37,798	-	-	37,798
	22,329,773	22,329,773	-	22,291,975	37,798

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Valuation of financial instruments at fair value (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2017					
Financial investments available-for-sale					
Islamic debt securities	3,798,824	3,798,824	-	3,798,824	-
Government investment issues	9,178,953	9,178,953	-	9,178,953	-
Government sukuk	4,922,276	4,922,276	-	4,922,276	-
Khazanah sukuk	208,347	208,347	-	208,347	-
Cagamas sukuk	1,562,587	1,562,587	-	1,562,587	-
Quoted shares	572,144	572,144	572,144	-	-
Unit trust shares	1,714	1,714	-	1,714	-
Unquoted shares	7,583	7,583	-	-	7,583
	20,252,428	20,252,428	572,144	19,672,701	7,583

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required)

Set out below is a comparison of the carrying amount and fair value of financial instruments that are not measured at fair value in the financial statements.

	Carrying amount 2018 RM'000	Fair value 2018 RM'000	Carrying amount 2017 RM'000	Fair value 2017 RM'000
Group				
Financial assets				
Cash and short-term funds	1,163,630	1,163,630	2,476,623	2,476,623
Deposits and placements with financial institutions	-	-	101,384	101,384
Financial investments held-to-maturity	-	-	10,437,053	10,349,190
Financial investments at amortised cost	10,155,789	10,072,444	-	-
Financing and advances	69,003,855	73,479,723	69,189,090	74,663,760
Trade receivables	2,459	2,459	1,795	1,795
Other receivables and deposits	964,572	964,572	973,513	973,513
Financial liabilities				
Deposits from customers	82,735,900	82,905,425	83,235,496	83,386,758
Deposits and placements from banks and financial institutions	824,000	824,000	-	-
Recourse obligations on financing sold to Cagamas	710,335	702,741	748,334	740,290
Debt securities issued	3,143,366	3,140,978	3,443,770	3,434,050
Financing from other financial institutions	-	-	8,844	8,844
Trade payables	2,840	2,840	2,681	2,681
Other liabilities	1,409,003	1,409,003	1,249,997	1,249,997

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount 2018 RM'000	Fair value 2018 RM'000	Carrying amount 2017 RM'000	Fair value 2017 RM'000
Bank				
Financial assets				
Cash and short-term funds	1,161,454	1,161,454	2,469,937	2,469,937
Deposits and placements with financial institutions	-	-	100,992	100,992
Financial investments held-to-maturity	-	-	10,437,053	10,349,190
Financial investments at amortised cost	10,155,789	10,072,444	-	-
Financing and advances	69,003,855	73,479,723	69,189,090	74,663,760
Other receivables and deposits	916,257	916,257	932,565	932,565
Financial liabilities				
Deposits from customers	82,735,900	82,905,425	83,235,496	83,386,758
Deposits and placements from banks and financial institutions	824,000	824,000	-	-
Recourse obligations on financing sold to Cagamas	710,335	702,741	748,334	740,290
Debt securities issued	3,143,366	3,140,978	3,443,770	3,434,050
Other liabilities	1,531,376	1,531,376	1,364,260	1,364,260

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
2018					
Financial assets					
Cash and short-term funds	1,163,630	1,163,630	-	-	1,163,630
Financial investments at amortised cost:					
Government sukuk	2,312,408	2,295,743	-	2,295,743	-
Government investment issues	5,912,370	5,856,014	-	5,856,014	-
Islamic debt securities	679,274	673,137	-	673,137	-
Khazanah sukuk	340,579	342,541	-	342,541	-
Cagamas sukuk	698,173	692,024	-	692,024	-
Negotiable Islamic debt certificates	148,698	148,698	-	-	148,698
Islamic commercial paper	64,287	64,287	-	64,287	-
Financing and advances	69,003,855	73,479,723	-	-	73,479,723
Trade receivables	2,459	2,459	-	-	2,459
Other receivables and deposits	964,572	964,572	-	-	964,572
	81,290,305	85,682,828	-	9,923,746	75,759,082

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)					
2018					
Financial liabilities					
Deposits from customers	82,735,900	82,905,425	-	-	82,905,425
Deposits and placements from banks and financial Institutions	824,000	824,000	-	-	824,000
Recourse obligations on financing sold to Cagamas	710,335	702,741	-	-	702,741
Debt securities issued	3,143,366	3,140,978	-	3,140,978	-
Trade payables	2,840	2,840	-	-	2,840
Other liabilities	1,409,003	1,409,003	-	-	1,409,003
	88,825,444	88,984,987	-	3,140,978	85,844,009

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
2017					
Financial assets					
Cash and short-term funds	2,476,623	2,476,623	-	-	2,476,623
Deposits and placements with financial institutions	101,384	101,384	-	-	101,384
Financial investments held-to-maturity:					
Government sukuk	2,248,815	2,223,513	-	2,223,513	-
Government investment issues	6,352,971	6,299,619	-	6,299,619	-
Islamic debt securities	619,455	611,976	-	611,976	-
Khazanah sukuk	341,911	344,269	-	344,269	-
Cagamas sukuk	475,271	471,183	-	471,183	-
Negotiable Islamic debt certificates	398,630	398,630	-	-	398,630
Financing and advances	69,189,090	74,663,760	-	-	74,663,760
Trade receivables	1,795	1,795	-	-	1,795
Other receivables and deposits	973,513	973,513	-	-	973,513
	83,179,458	88,566,265	-	9,950,560	78,615,705

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)					
2017					
Financial liabilities					
Deposits from customers	83,235,496	83,386,758	-	-	83,386,758
Recourse obligations on financing sold to Cagamas	748,334	740,290	-	-	740,290
Debt securities issued	3,443,770	3,434,050	-	3,434,050	-
Financing from other financial institutions	8,844	8,844	-	-	8,844
Trade payables	2,681	2,681	-	-	2,681
Other liabilities	1,249,997	1,249,997	-	-	1,249,997
	88,689,122	88,822,620	-	3,434,050	85,388,570

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2018					
Financial assets					
Cash and short-term funds	1,161,454	1,161,454	-	-	1,161,454
Financial investments at amortised cost:					
Government sukuk	2,312,408	2,295,743	-	2,295,743	-
Government investment issues	5,912,370	5,856,014	-	5,856,014	-
Islamic debt securities	679,274	673,137	-	673,137	-
Khazanah sukuk	340,579	342,541	-	342,541	-
Cagamas sukuk	698,173	692,024	-	692,024	-
Negotiable Islamic debt certificates	148,698	148,698	-	-	148,698
Islamic commercial paper	64,287	64,287	-	64,287	-
Financing and advances	69,003,855	73,479,723	-	-	73,479,723
Other receivables and deposits	916,257	916,257	-	-	916,257
	81,237,355	85,629,878	-	9,923,746	75,706,132

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank (continued)					
2018					
Financial liabilities					
Deposits from customers	82,735,900	82,905,425	-	-	82,905,425
Deposits and placements from banks and financial Institutions	824,000	824,000	-	-	824,000
Recourse obligations on financing sold to Cagamas	710,335	702,741	-	-	702,741
Debt securities issued	3,143,366	3,140,978	-	3,140,978	-
Other liabilities	1,531,376	1,531,376	-	-	1,531,376
	88,944,977	89,104,520	-	3,140,978	85,963,542

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2017					
Financial assets					
Cash and short-term funds	2,469,937	2,469,937	-	-	2,469,937
Deposits and placements with financial institutions	100,992	100,992	-	-	100,992
Financial investments held-to-maturity:					
Government sukuk	2,248,815	2,223,513	-	2,223,513	-
Government investment issues	6,352,971	6,299,619	-	6,299,619	-
Islamic debt securities	619,455	611,976	-	611,976	-
Khazanah sukuk	341,911	344,269	-	344,269	-
Cagamas sukuk	475,271	471,183	-	471,183	-
Negotiable Islamic debt certificates	398,630	398,630	-	-	398,630
Financing and advances	69,189,090	74,663,760	-	-	74,663,760
Other receivables and deposits	932,565	932,565	-	-	932,565
	83,129,637	88,516,444	-	9,950,560	78,565,884

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank (continued)					
2017					
Financial liabilities					
Deposits from customers	83,235,496	83,386,758	-	-	83,386,758
Recourse obligations on financing sold to Cagamas	748,334	740,290	-	-	740,290
Debt securities issued	3,443,770	3,434,050	-	3,434,050	-
Other liabilities	1,364,260	1,364,260	-	-	1,364,260
	88,791,860	88,925,358	-	3,434,050	85,491,308

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

47.3.1 Cash and short-term funds

The carrying amounts of cash and short-term funds approximate fair values due to the relatively short maturity of the financial instruments. This is similar to deposits and placements with financial institutions maturing within one month that have relatively short maturity period.

47.3.2 Deposits and placements with financial institutions

The fair values of deposits and placements with financial institutions are not materially sensitive to changes in market profit rate because of their limited term to maturity.

47.3.3 Financial investments at amortised cost

Financial investments at amortised are carried at amortised cost at the end of the reporting period. Fair values for these financial instruments are estimated based on broker quotes from Bond Pricing Agency.

47.3.4 Financing and advances

Financing and advances are carried at amortised cost at the end of the reporting period. Fair valuation of these financial instruments are estimated based on discounted payment to be received in the future using effective profit rate offered for similar financing at the reporting date.

47.3.5 Trade and other receivables

The carrying amounts of trade and other receivables reported in the statement of financial position approximate their fair values due to the relatively short-term maturity of these instruments.

47.3.6 Deposits from customers

The fair values of deposits payable on demand (demand and savings deposits), or deposits 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 effective profit rates for similar deposits from customers at the reporting date.

However, since all deposits received can be classified as Islamic deposits, their fair values are deemed to approximate their carrying amounts as profit rates are determined at the end of the maturity period based on the sharing of profits generated from investments of the deposits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

47.3.7 Deposits and placements from banks and financial institutions

The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.

47.3.8 Recourse obligations on financing sold to Cagamas

The fair values for recourse obligations sold to Cagamas that have remaining maturity of less than one year are estimated to approximate their carrying amounts. For remaining maturity of more than one year, they are estimated using discounted cash flows based on prevailing Cagamas rates at the reporting date.

47.3.9 Debt securities issued

Debt securities issued are measured at amortised cost at the end of the reporting period. The fair value of the securities are derived by referring to the present value of the expected amount due in the future by applying the effective profit rate for the debt securities at the reporting date.

47.3.10 Trade and other liabilities

The carrying amounts of trade and other liabilities reported in the statement of financial position approximate their fair values due to the relatively short-term maturity of these instruments.

CORPORATE OFFICE & BRANCHES

CORPORATE OFFICE

BANK RAKYAT

Menara 1
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur
Tel : 03-2612 9600
Website : www.bankrakyat.com.my
Tele-Rakyat : 1-300-80-5454
International Call : +603-5526 9000
i-Rakyat : www.irakyat.com.my
Instagram/Twitter/FB : /myBankRakyat

BRANCHES

REGION OFFICE (PERLIS/KEDAH/ PULAU PINANG)

No. 66, Level 2, Jalan Langgar
05460 Alor Setar, Kedah

ARAU

No. 6, 8 & 10, Jalan Pauh
Taman Pauh Utama
02600 Pekan Pauh, Perlis

KANGAR

No. 13, Jalan Hospital
01000 Kangar, Perlis

ALOR SETAR

66, Jalan Langgar
05460 Alor Setar, Kedah

BALING

Tingkat Bawah, Bangunan UMNO
Pekan Baru
09100 Baling, Kedah

GURUN

No. 19 C & 19 D, Jalan Sungai Petani
08300 Gurun, Kedah

JITRA

No. 247 & 248, Jalan PJ 2/2
Pekan Jitra 2
06000 Jitra, Kedah

KUALA NERANG

No. 32-33 Pekan Baru
Jalan Semeliang
06300 Kuala Nerang, Kedah

KULIM

No. 203 & 204, Jalan Lunas
Taman Seluang, Kelang Lama
09000 Kulim, Kedah

LANGKAWI

No. 140 & 142, Persiaran Bunga Raya
Langkawi Mall, Kuah
07000 Langkawi, Kedah

MERGONG

No. 7 & 8,
Tuanku Haminah Business Centre
Mergong
05150 Alor Setar, Kedah

PENDANG

Lot 9-11, Pendang Square
06700 Pendang, Kedah

SUNGAI PETANI

No. 28, Jalan Petani
08000 Sungai Petani, Kedah

BAYAN BARU

No. 49, 51 & 53, Block H
Persiaran Mahsuri 1/3
Sunway Avenue
11950 Bayan Baru, Pulau Pinang

BUKIT MERTAJAM

No. 22 & 24, Jalan Perda Selatan
Bandar Perda
14000 Bukit Mertajam, Pulau Pinang

GEORGETOWN

No. 137, Jalan Magazine
10300 Georgetown, Pulau Pinang

JAWI

No. 56 & 58, Jalan Jawi Jaya 1
Taman Jawi Jaya
Seberang Prai Selatan
14200 Sungai Jawi, Pulau Pinang

JELUTONG

No. 13 & 13A, Metro Avenue
Jelutong Express Way
11600 Pulau Pinang

KEPALA BATAS

No. 8, Jalan Dagangan 2
Pusat Bandar Bertam Perdana
13200 Kepala Batas, Pulau Pinang

SEBERANG JAYA

No. 1, Tingkat Bawah & 1, Jalan Todak 1
Pusat Bandar Seberang Jaya
13700 Prai, Pulau Pinang

REGION OFFICE (PERAK)

No. 47B, Jalan Meru Bestari A2
Medan Meru Bestari
30020 Ipoh, Perak

BAGAN SERAI

No. 132, Jalan Setia, Pusat Bandar
34300 Bagan Serai, Perak

GREENTOWN

No. 8 & 10, Jalan Greentown 5
Greentown Nova
30450 Ipoh, Perak

GRIK

No. 1, Jalan Indah 1
33600 Grik, Perak

KUALA KANGSAR

No. 1 & 2, Bangunan Bank Rakyat
Jalan Daeng Selili
33000 Kuala Kangsar, Perak

MANJUNG

No. 41, 43 & 45, Persiaran PM 3/2
Seri Manjung City Centre, Section III
32040 Seri Manjung, Perak

MEDAN GOPENG

No. 37 & 39, Medan Gopeng 1
Jalan Raja Dr Nazrin Shah
Peti Surat 494
30750 Ipoh, Perak

MERU RAYA

No. 42 & 44, Jalan Meru, Impian A1
Meru Impian Business Centre
Bandar Meru Raya
30010 Ipoh, Perak

SRI ISKANDAR

No. 24 & 26, Jalan Maju Satu
Taman Maju, Bandar Sri Iskandar
32610 Bandar Seri Iskandar, Perak

TAIPING

Lot 2478 & 2482, Jalan Berek
34000 Taiping, Perak

TANJUNG MALIM

Lot 27 & 29, Jalan Permai 1
Taman Ketoyong Permai 2
35900 Tanjung Malim, Perak

CORPORATE OFFICE & BRANCHES

TAPAH

No. 56 & 57, Jalan Besar
35000 Taph, Perak

TELUK INTAN

No. 187, Jalan Intan 5, Bandar Baru
36000 Teluk Intan, Perak

REGION OFFICE (SELANGOR)

No. 9 & 11, Level 3
Jalan Tuanku Ampuan Zabedah H/9H
Seksyen 9
40000 Shah Alam, Selangor

AMPANG

No. 2, Jalan Dagang1/1A
Taman Dagang
68000 Ampang, Selangor

BANDAR BARU BANGI

No. 37 & 39
Jalan Medan Pusat 2D, Seksyen 9
43650 Bandar Baru Bangi, Selangor

BANDAR BARU KLANG

No. 28 & 30, Jalan Tiara 2C
Bandar Baru Klang
41500 Klang, Selangor

BANTING

No. 239, Jalan Sultan Abdul Samad
42700 Banting, Selangor

CYBERJAYA

Unit F03 & F03A, Fasa 1
Glomac Cyberjaya, Persiaran APEC
63000 Cyberjaya, Selangor

KAJANG

No. 18 & 19, Jalan Jelok 3
Off Jalan Bukit Kajang
43000 Kajang, Selangor

KELANA JAYA

Ground Floor, Wisma Sekatarakyat
Glomac Business Centre
Jalan SS 5/1, Kelana Jaya
47301 Petaling Jaya, Selangor

KUALA SELANGOR

No. 2, Jalan Bendahara 1/1
Bandar Bendahara
45000 Kuala Selangor, Selangor

MELAWATI

No. 326, Jalan Bandar Melawati
Melawati Square, Pusat Bandar Melawati
68000 Ulu Klang, Selangor

PETALING JAYA

No. 1-1, Jalan 14/22
Wisma Federal Academy Ballet
46100 Petaling Jaya, Selangor

PJ STATE

No. 11 & 13
Jalan Yong Shook Lin, Seksyen 52
46200 Petaling Jaya, Selangor

PORT KLANG

No. 2 & 4, Harbour Point
Commercial Centre, Jalan Sungai Aur
42000 Port Klang, Selangor

PUCHONG

No. 28 & 30, Jalan Puteri 4/2
Bandar Puteri
47100 Puchong, Selangor

RAWANG

No. 73, Jalan Bandar Rawang 2
Pusat Bandar Rawang
48000 Rawang, Selangor

SEKSYEN 23, SHAH ALAM

No. 23 & 25, Jalan Pelabur B/23B
Seksyen 23
40300 Shah Alam, Selangor

SERDANG RAYA

No. C1-00-28, Seksyen 9, Jalan SR 1/9
Taman Serdang Raya
43300 Seri Kembangan, Selangor

SHAH ALAM

No. 9 & 11
Jalan Tuanku Ampuan Zabedah H/9H
Seksyen 9
40000 Shah Alam, Selangor

SUBANG PERDANA

No. 39, Jalan Dinar GU 3/G
Seksyen U3, Taman Subang Perdana
40150 Shah Alam, Selangor

SUNGAI BESAR

A12 & A13, Jalan Menter
45300 Sungai Besar, Selangor

SUNGAI BULOH

Lot 91 & 93, Pusat Commercial TSB
Jalan Nautika A U20/A
Seksyen U20, Sungai Buloh
40160 Shah Alam, Selangor

USJ, SUBANG JAYA

No. 22 & 24, Jalan USJ 9/5Q, UEP
47600 Subang Jaya, Selangor

REGION OFFICE (KUALA LUMPUR/PUTRAJAYA)

Tingkat 6, No. 140
Bangunan Bank Rakyat, Jalan Ipoh
51200 Kuala Lumpur

BANGSAR BARU

No. 60 & 62
Tingkat Bawah 1 & 2, Jalan Maarof
59100 Bangsar Baru, Kuala Lumpur

BANDARTUN RAZAK

G11, G12, 01-11 & 01-12
Wisma Zelan, Bandar Tun Razak
56000 Kuala Lumpur

DESA PANDAN

No. 33 & 35 Jalan 1/76
Desa Pandan
55100 Kuala Lumpur

DESA SRI HARTAMAS

Lot B-02 & B-03, Galeria Hartamas
Jalan 26/70A, Desa Seri Hartamas
50480 Kuala Lumpur

GLO DAMANSARA

Level G.01, G.01AL
Aras Bawah, GLO Damansara
Jalan Damansara
60000 Kuala Lumpur

JALAN IPOH, KL

No. 140, Bangunan Bank Rakyat
Jalan Ipoh
51200 Kuala Lumpur

JALAN PINANG, KL

19-1-1 Tingkat Bawah & 19-1-1A
Mezzanine Floor, UOA Centre
No. 19 Jalan Pinang
50450 Kuala Lumpur

JALANTANGSI, KL

Tingkat Bawah, Bangunan Bank Rakyat
Jalan Tangsi
50732 Kuala Lumpur

KEPONG

No. 11 & 15, Jalan Rimbunan Raya 1
Laman Rimbunan Raya 1
Laman Rimbunan
52100 Kepong, Kuala Lumpur

CORPORATE OFFICE & BRANCHES

PRESINT 15, PUTRAJAYA

No. 22 & 24, Jalan Diplomatik 3/1
Presint 15
62050 Putrajaya

PUTRAJAYA

Ayer @ 8, Lot 3 & 3A, Blok B8C1
Jalan P8G, Presint 8
62250 Putrajaya

SELAYANG

Tingkat Bawah, Blok B, KIP Tower
Jalan Kuching
68100 Kuala Lumpur

SETAPAK

No. 1, Jalan 2/50, Diamond Square
Off Jalan Gombak
53000 Kuala Lumpur

SHAMELIN

No. 68-1-1 & 68-1-2, Jalan 4/91
Dataran Shamelin
Taman Shamelin Perkasa
56100 Kuala Lumpur

UTAMA, MKBR

Tingkat Bawah
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur

**REGION OFFICE (MELAKA/
NEGERI SEMBILAN)**

No. 4-5 & 6-5, Tingkat 5, Jalan KC 1
Kota Cemerlang
75450 Ayer Keroh, Melaka

AYER KEROH

No. G-4 & G-6, Jalan KC 1
Kota Cemerlang,
75450 Ayer Keroh, Melaka

JASIN

JA 9943 Bandar Baru Jasin III
77000 Jasin, Melaka

MASJID TANAH

MT 2893-2895
Jalan Taman Bandar Baru Utama
Taman Bandar Baru Masjid Tanah
78300 Masjid Tanah, Melaka

MELAKA

Bangunan Bank Rakyat
Jalan Hang Tuah, Peti Surat No. 354
75760 Melaka

BAHAU

No. 25 & 26
Tingkat Bawah & 1
Pusat Perniagaan Bahau, Jalan Masjid
72100 Bahau, Negeri Sembilan

KUALA PILAH

Lot No. 3803 & 3804
Jalan Dato' Muar, Ulu Muar
70000 Kuala Pilah, Negeri Sembilan

LUKUT

No. 137 & 138, Jalan D8 1/11
Bandar Dataran Segar, Lukut
71010 Port Dickson, Negeri Sembilan

NILAI

PT 7436, Jalan BBN 1/2F
Bandar Baru Nilai
71800 Nilai, Negeri Sembilan

SENAWANG

No. 156 & 157, Blok L
Senawang Commercial Park
70450 Seremban, Negeri Sembilan

SEREMBAN

Bangunan Bank Rakyat, Lot 5750
Jalan Tuanku Munawir, Peti Surat 70
70000 Seremban, Negeri Sembilan

TAMPIN

No. 1135 Taman Seri Intan
73000 Tampin, Negeri Sembilan

REGION OFFICE (JOHOR)

Lot 1610, Indahwalk 2
Jalan Indah 15-2 Bukit Indah
81200 Johor Bahru, Johor

BATU PAHAT

No. 3 & 4, Jalan Maju Barat
Taman Maju, Bukit Pasir
83000 Batu Pahat, Johor

JOHOR BAHRU

Podium 2, Unit 2B, Menara Ansar
No. 65, Jalan Trus, Peti Surat 112
80000 Johor Bahru, Johor

KLUANG

No. 27 & 29, Jalan Md Lazim Saim
86000 Kluang, Johor

KOTA TINGGI

No. 24 & 26, Jalan Jaya 1
Taman Jaya
81900 Kota Tinggi, Johor

KULAI

No. 4 & 5, Jalan Anggerik Satu
Taman Kulai Utama
81000 Kulai, Johor

LABIS

No. 4A & 4B Jalan Segamat
85300 Labis, Johor

LARKIN PERDANA

No. 61 & 63, Susur Larkin Perdana 1
Persiaran Larkin Perdana
Taman Larkin Perdana
81100 Johor Bahru, Johor

MASAI

No. 31, Jalan Suria 3
Bandar Seri Alam
81750 Masai, Johor

MERSING

No. 6 & 7, Jalan Ismail
86800 Mersing, Johor

MUAR

No. 222, Jalan Abdullah
84000 Muar, Johor

NUSAJAYA

Lot 1610, Indahwalk 2
Jalan Indah 15/2, Bukit Indah
81200 Johor Bahru, Johor

PONTIAN

No. 11, Jalan Delima 2
Pusat Perdagangan Pontian
82000 Pontian, Johor

SEGAMAT

No. 123 & 124, Jalan Genuang
85000 Segamat, Johor

TAMAN UNIVERSITI, SKUDAI

No. 14 & 16, Jalan Pendidikan 8
Taman Universiti
81300 Skudai, Johor

YONG PENG

No. 5 & 6, Jalan Tropika Utama 4
Taman Bukit Tropika
83700 Yong Peng, Johor

CORPORATE OFFICE & BRANCHES

REGION OFFICE (PAHANG/ TERENGGANU/KELANTAN)

No. 25 & 26, Tingkat 4
Bazar Maidam, Jalan Masjid Abidin
20100 Kuala Terengganu, Terengganu

BANDAR INDERA MAHKOTA

No. B 56 & B 58, Persiaran Sultan
Abu Bakar, Bandar Indera Mahkota
25000 Kuantan, Pahang

BENTONG

No. P18 & P19
Jalan Prima 1, Bentong Prima
28700 Bentong, Pahang

BERA

No. 13, 15 & 17, Jalan Angsana 1
Taman Angsana, Bandar Bera
28200 Bera, Pahang

JENGKA

Lot 92, Jalan Zamrud Nadi Kota
26400 Bandar Jengka, Pahang

JERANTUT

No. 1, Jalan Pine 1, Taman Pine
27000 Jerantut, Pahang

KUALA LIPIS

Lot 2891, Jalan BBKL, 2-3-1
No. 2-3-1, Bandar Baru Kuala Lipis
27200 Kuala Lipis, Pahang

KUANTAN

G-15, Mahkota Square, Jalan Mahkota
25000 Kuantan, Pahang

MUADZAM SHAH

No. 117, 118 & 119
Jalan Medan Mewah 7, Medan Mewah
26700 Bandar Muadzam Shah, Pahang

PEKAN

G-1, Bangunan UMNO Pekan
Jalan Teng Quee
26600 Pekan, Pahang

RAUB

No. 25 & 26
Bandar Raub Perdana, Jalan Lipis
27600 Raub, Pahang

TEMERLOH

No. 7 & 9, Jalan Sudirman 2
Bandar Sri Semantan
28000 Temerloh, Pahang

DUNGUN

PT 12447 & 12448
Taman Saujana, Sura Gate
23000 Dungun, Terengganu

GONG BADAK

No. 1, 2 & 3, Taman Tanjung Permata
Kampung Gong Badak
Jalan Batu Rakit
21300 Kuala Terengganu, Terengganu

JERTIH

Lot 4123 & 4124, Jalan Pasar
Bandar Jertih
22000 Jertih, Terengganu

KEMAMAN

Lot K12086 & K12087
Jalan Kubang Kurus
24000 Kemaman, Terengganu

KERTEH

Lot PT14507, 14508 & 14509
Kampung Baru, Mukim Kerteh
24300 Kerteh, Terengganu

KUALA BERANG

PT 11282 & 11283, Batu 23
Jalan Kuala Berang
21700 Kuala Berang, Terengganu

KUALA TERENGGANU

No. 8 & 9
Pusat Niaga Paya Keladi
Jalan Paya Keladi
20000 Kuala Terengganu, Terengganu

MARANG

Lot 8996 & 8997
Kompleks Komersial Marang
21600 Marang, Terengganu

GUA MUSANG

Lot PT 7841 & PT 7842
Jalan Persiaran Raya, Taman Mesra
18300 Gua Musang, Kelantan

KOTA BHARU

Lot 206 & 207, Jalan Pengkalan Chepa
15400 Kota Bharu, Kelantan

KUALA KRAI

No. PT 5572 & PT 5573
KM 2, Jalan Kuala Krai - Gua Musang
18000 Kuala Krai, Kelantan

KUBANG KERIAN

Lot PT 1709 & 1710
Jalan Raja Perempuan Zainab 2
Bandar Baru Kubang Kerian
16150 Kubang Kerian, Kelantan

MACHANG

Lot 90-92
Bangunan Usahasama Sentosa Jaya
Dev. Sdn Bhd, Jalan Bakat
18500 Machang, Kelantan

PASIR MAS

PT 315 & PT 316
Wisma Majlis Daerah Pasir Mas
Jalan Pasir Pekan
17000 Pasir Mas, Kelantan

TANAH MERAH

Lot PT 237 & PT 238
Bandar Tanah Merah
17500 Tanah Merah, Kelantan

WAKAF CHE YEH

No. J-105 & J-106
Zon Komersial Wakaf Che Yeh
15050 Kota Bharu, Kelantan

REGION OFFICE (SARAWAK)

Tingkat 3, No. 9 & 10, Blok 16
KCLD, Jalan Tun Jugah
93350 Kuching, Sarawak

BINTULU

Lot 22 & 23, Commerce Square
Jalan Tun Ahmad Zaidi
97000 Bintulu, Sarawak

KAPIT

Lot 542 & 54
Wisma Ngieng Ping Toh
Jalan Airport
96800 Kapit, Sarawak

KOTA PADAWAN

Lot 42 & 43
10th Commercial Centre
Jalan Kuching-Serian, Kota Padawan
93250 Kuching, Sarawak

KOTA SAMARAHAN

Lot 18 & 19
Uni Capital Commercial Centre
Kuching/Kota Samarahan
Express Way
94300 Kota Samarahan, Sarawak

CORPORATE OFFICE & BRANCHES

LIMBANG

Lot 11 & 12, Limbang Town District
Jalan Pandaruan
98700 Limbang, Sarawak

MATANG JAYA

No. 3 & 4, Taman Lee Ling
Commercial Centre, Jalan Matang
93050 Kuching, Sarawak

MIRI

Lot 1111 & 1112
Bangunan Tabung Baitul Mal
Sarawak Pelita Commercial Central
98000 Miri, Sarawak

MUKAH

No. 1152 & 1153, Blok C
Mukah Town Extension Phase II
96400 Mukah, Sarawak

PERMY JAYA

Lot 6131 & 6132, Pusat Bandar Fasa 6
Bandar Baru Permy Jaya
98000 Miri, Sarawak

SARIKEI

No. 22 & 22A, Lorong Tun Razak 1
96100 Sarikei, Sarawak

SATOK

(FORMERLY KNOWN AS
KUCHING)
Lot 504, Section 6
KTLD, Jalan Kulas Tengah
93400 Kuching, Sarawak

SIBU

Lot 12 E & 12 F, Blok 4
Jalan Kampung Datu
96000 Sibu, Sarawak

SIMPANG TIGA

Tingkat Bawah & 1, No. 9 & 10
Blok 16, KCLD, Jalan Tun Jugah
93350 Kuching, Sarawak

SRI AMAN

Lot 1467 & 1468
Seksyen 3 S.T.D, Jalan Hospital
95000 Sri Aman, Sarawak

REGION OFFICE (SABAH)

Tingkat 5, Blok B, Harbour City
Lot 20 & 21, Jalan Pantai Baru
Sembulan
88000 Kota Kinabalu, Sabah

KOTA BELUD

Lot 3 & 4, Block E
Yick Ming Commercial Centre
89157 Kota Belud, Sabah

KOTA MARUDU

No. 6 & 7, WTK Phase 2
89108 Kota Marudu, Sabah

LABUAN

Tingkat Bawah, Bangunan UMNO
Pekan Baru, Unit No. E001
Tingkat Bawah
Financial Park Labuan Complex
Jalan Merdeka
87000 Labuan

LAHAD DATU

Lot 27 & 28, Block D, Airport Plaza
Fajar Centre, Jalan Segama
91100 Lahad Datu, Sabah

KENINGAU

Lot 7 & 8 Blok C
Keningau Plaza, Peti Surat 910
89008 Keningau, Sabah

LIKAS

No. 1, Block A, Plaza Juta
Jalan Tuaran
88400 Kota Kinabalu, Sabah

PENAMPANG

No. 49 & 50, Block H
Donggongan Square, Penampang
89500 Kota Kinabalu, Sabah

PUTATAN

Lot 5 & 6, Tapak Putatan Baru
Jalan Putatan
88300 Kota Kinabalu, Sabah

SANDAKAN

Lot 4 & 5, Fasa 2
Sandakan Square, Jalan Prayer
90000 Sandakan, Sabah

SEMPORNA

Lot D2 & A19, Jalan Bubul
Bandar Utama Semporna
91308 Semporna, Sabah

TAWAU

TB 4615-4617
Pusat Komersial Ba Zhong
Jalan Tawau Lama
91000 Tawau, Sabah

KOTA KINABALU

Lot 20 & 21, Blok B, Harbour City
Jalan Pantai Baru, Sembulan
88000 Kota Kinabalu

BEAUFORT

Lot 21 & 22, Block C
At Commercial Lot New Beaufort Jaya
Near Beaufort Bridge
89800 Beaufort, Sabah

AR-RAHNU X' CHANGE

KEDAH

ALOR SETAR

No. 47, Jalan PSK Satu
Pekan Simpang Kuala
05400 Alor Setar, Kedah

CHANGLUN

No. 61-A & B, Pekan Baru
Jalan Kodiang
06010 Changlun, Kedah

LANGKAWI

No. 66, Persiaran Dayang 1
Pusat Perniagaan Dayang
07000 Langkawi, Kedah

MERGONG

No. 19, Lorong Putih 9
Taman Rakyat Mergong
05150 Alor Setar, Kedah

PERAK

BATU GAJAH

No. 5, Tingkat Bawah
Jalan Dewangsa
31000 Batu Gajah, Perak

SITIAWAN

No. 25, Tingkat Bawah
Taman Sentosa, Jalan Lumut
32000 Sitiawan, Perak

TELUK INTAN

Jalan Selat
36000 Teluk Intan, Perak

TAIPING

No. 31, Tingkat Bawah
Susur Simpang Jalan Kg. Dew
34700 Simpang, Perak

SELANGOR

AMPANG

No. 53G, Jalan Wawasan 2/1
Bandar Baru Ampang
68000 Ampang, Selangor

BALAKONG

No. 7G, Jalan Cheras Maju
Pusat Perniagaan Cheras Maju
43200 Balakong, Selangor

BATANG KALI

No. 37, Jalan Mahogani 7/1, Seksyen 4
Bandar Utama Batang Kali
44300 Batang Kali, Selangor

ULU KELANG

No. 3-G, Tingkat Bawah, Ukay Boulevard
Jalan Lingkaran Tengah 2
68000 Hulu Klang, Selangor

WILAYAH PERSEKUTUAN

JALAN RAKYAT

Tingkat GB, Menara 1
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur

SENTUL

No. 22, Jalan 14/48 A
Sentul Raya Boulevard
51000 Kuala Lumpur

NEGERI SEMBILAN

KUALA PILAH

No. 511, Tingkat Bawah, Taman Sentosa
72000 Kuala Pilah, Negeri Sembilan

REMBAU

No. 990, Tingkat Bawah, Jalan Terentang
71300 Rembau, Negeri Sembilan

MELAKA

MELAKA SENTRAL

No. 49, Tingkat Bawah, Jalan PMS 1
Plaza Melaka Sentral
75400 Melaka

SUNGAI UDANG

No. 2, Tingkat Bawah, Jalan Pahlawan 7
Taman Pahlawan
76300 Sungai Udang, Melaka

JOHOR

KLUANG

No. 22, Tingkat Bawah, Jalan Pesona 2
Taman Pesona
86000 Kluang, Johor

MASAI

No. 16, Jalan Sejambak 14
Taman Bukit Dahlia
81700 Pasir Gudang, Johor

MUAR

No. 25-2, Jalan Majidi
84000 Muar, Johor

TANGKAK

No. 9, Tingkat Bawah & Mezzanine
Jalan Muar
84900 Tangkak, Johor

ULU TIRAM

No. 1, Jalan Ledang 25
Taman Bukit Tiram
81800 Ulu Tiram, Johor

PAHANG

KUANTAN

No. 99, Tingkat Bawah
Jalan Tun Ismail
25000 Kuantan, Pahang

TERENGGANU

KEMAMAN

Kedai Al-Rahnu Kemaman
No. 22, Jalan Sulaimani Chukai
24000 Kemaman Terengganu

KELANTAN

JELAWAT

Lot 164, Pekan Jelawat
16070 Bachok, Kelantan

KOTA BHARU

Tingkat Bawah, Lot PT 68
Bangunan Yabmud
Jalan Kebun Sultan
15350 Kota Bharu, Kelantan

SARAWAK

SATOK

Lot 497, Seksyen 6
KTLD Jalan Kulas Tengah
93400 Kuching, Sarawak

RAKYAT XCESS & AR-RAHNU X'CHANGE

KEDAH
AR-RAHNU X'CHANGE SIMPANG KUALA No. 33 & 34 Jalan SPK 1 Pekan Simpang Kuala 05400 Alor Setar, Kedah
AR RAHNU X'CHANGE SUNGAI PETANI No. 21-F, Jalan Ibrahim 08000 Sungai Petani Kedah
AR RAHNU X'CHANGE SIK No. 1A & 1B Susur Alamanda 2 Pusat Perniagaan Alamanda 08200 Sik, Kedah
RAKYAT XCESS SIMPANG KUALA No. 33 & 34 Jalan SPK 1 Pekan Simpang Kuala 05400 Alor Setar, Kedah
RAKYAT XCESS SUNGAI PETANI No. 21-F, Jalan Ibrahim 08000 Sungai Petani Kedah
RAKYAT XCESS SIK No. 1A & 1B Susur Alamanda 2 Pusat Perniagaan Alamanda 08200 Sik, Kedah

PERAK
AR RAHNU X'CHANGE KAMPAR No 7 & 8, Jalan Siswa 1 Taman Kampar Siswa 31900 Kampar, Perak
RAKYAT XCESS KAMPAR No 7 & 8, Jalan Siswa 1 Taman Kampar Siswa 31900 Kampar, Perak

SELANGOR
AR-RAHNU X'CHANGE BANDAR TASIK PUTERI No. 69-G & 1, Jalan 7A/3 Bandar Tasik Puteri 48020 Rawang, Selangor
AR-RAHNU X'CHANGE BANGI Lot 1.01 Tingkat Bawah Wisma UNIKEB 43609 Bangi, Selangor
AR-RAHNU X'CHANGE BERANANG No. 27-G & 1, Jalan TPS 2/1 Taman Pelangi Semenyih 2 43700 Beranang, Selangor
AR-RAHNU X'CHANGE TANJUNG KARANG No.1 & 3, Jalan Makmur 1 Taman Makmur, Batu 7 45500 Tanjung Karang, Selangor
AR-RAHNU X'CHANGE SAUJANA UTAMA No. 1-G-52, Jalan Bidara 6/3 Saujana Utama 3 47000 Sungai Buloh, Selangor
RAKYAT XCESS BANDAR TASIK PUTERI No. 69-G, Jalan 7A/3 Bandar Tasik Puteri 48020 Rawang, Selangor
RAKYAT XCESS BANGI Lot 1.01 Tingkat Bawah Wisma UNIKEB 43609 Bangi, Selangor
RAKYAT XCESS BERANANG No. 27-G, Jalan TPS 2/1 Taman Pelangi Semenyih 2 43700 Baranang, Selangor
RAKYAT XCESS TANJUNG KARANG No.1 & 3, Jalan Makmur 1 Taman Makmur, Batu 7 45500 Tanjung Karang Selangor
RAKYAT XCESS SAUJANA UTAMA No. 1-G-50, Jalan Bidara 6/3 Bandar Saujana Utama 47000 Sungai Buloh, Selangor

NEGERI SEMBILAN
AR-RAHNU X'CHANGE GEMAS Lot 4642, Tingkat Bawah, Pekan Gemas 73400 Gemas, Negeri Sembilan
AR RAHNU X'CHANGE ENSTEK No. 78-1 & 78-2 Mercato Jalan Timur 6/1B Bandar Enstek 71600 Bandar Enstek, Negeri Sembilan
RAKYAT XCESS GEMAS Lot 4642, Tingkat Bawah, Pekan Gemas 73400 Gemas, Negeri Sembilan
RAKYAT XCESS ENSTEK No. 78-1 & 78-2 Mercato Jalan Timur 6/1B Bandar Enstek 71600 Bandar Enstek, Negeri Sembilan

JOHOR
AR-RAHNU X'CHANGE BENUT No. 40, Tingkat Bawah, Jalan Mutiara 4 Pusat Perniagaan Benut 82200 Pontian, Johor
AR-RAHNU X'CHANGE PARIT RAJA No. 53, Jalan Universiti 1 Taman Universiti, Parit Raja 86400 Batu Pahat, Johor
RAKYAT XCESS BENUT No. 39, Tingkat Bawah, Jalan Mutiara 4 Pusat Perniagaan Benut 82200 Pontian, Johor
RAKYAT XCESS PARIT RAJA No. 52, Jalan Universiti 1 Taman Universiti, Parit Raja 86400 Batu Pahat, Johor

PAHANG
AR-RAHNU X'CHANGE MENTAKAB No. 119, Tingkat Bawah Jalan Temerloh 28400 Mentakab, Pahang
AR RAHNU X'CHANGE KUALA ROMPIN No 70 & 71 Jalan Pasar Bandar Baru Rompin 26800 Kuala Rompin, Pahang

RAKYAT XCESS & AR-RAHNU X'CHANGE

RAKYAT XCESS MENTAKAB

No. 121, Tingkat Bawah
Jalan Temerloh
28400 Mentakab, Pahang

RAKYAT XCESS KUALA ROMPIN

No 70 & 71 Jalan Pasar
Bandar Baru Rompin
26800 Kuala Rompin, Pahang

TERENGGANU

AR-RAHNU X'CHANGE CHABANGTIGA

No. 2 & 3, Tingkat Bawah
Wisma KY Kg. Chabang 3
Simpang Tok Ku
21000 Kuala Terengganu, Terengganu

RAKYAT XCESS CHABANG TIGA

No. 2 & 3, Tingkat Bawah
Wisma KY Kg. Chabang 3
Simpang Tok Ku
21000 Kuala Terengganu, Terengganu

KELANTAN

AR-RAHNU X'CHANGE JELI

Lot 6491, Tingkat Bawah & Atas
Hadapan Balai Bomba & Penyelamat
Taman Haji Hamat
17600 Jeli, Kelantan

RAKYAT XCESS JELI

Lot 6491, Tingkat Bawah & Atas
Hadapan Balai Bomba & Penyelamat
Taman Haji Hamat
17600 Jeli, Kelantan

RAKYAT XCESS

PERAK

RAKYAT XCESS SUNGAI SIPUT

No.15, Jalan Ipoh
31100 Sungai Siput (U), Perak

NEGERI SEMBILAN

RAKYAT XCESS SEREMBAN 2

No. 115, Tingkat Bawah
Jalan S2 F2, Garden Homes Seremban 2
70000 Seremban, Negeri Sembilan

JOHOR

RAKYAT XCESS BUKIT GAMBIR

No. 6, Jalan Gambir 5
Pusat Komersil Gambir
84800 Bukit Gambir, Johor

PAHANG

RAKYAT XCESS CAMERON HIGHLANDS

No. 6-1, Marigold Square
Tanah Rata
39000 Cameron Highlands, Pahang

SARAWAK

RAKYAT XCESS SERIAN

No. 11, Tingkat Bawah
Louis Junction, Batu 39
Jalan Kuching-Serian
94700 Serian, Sarawak

SUBSIDIARIES

RAKYAT FACILITY MANAGEMENT SDN BHD

Level 10, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur
Email : admin@rakyatholdings.com.my
Tel : 03-2265 7661 / 7662
Fax : 03-2265 7663

RAKYAT HARTANAH SDN BHD

Level 10, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur
Tel : 03-2276 4510 / 4512 / 4513
Fax : 03-8737 0828

RAKYAT HOLDINGS SDN BHD

Level 12, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur
Email : admin@rakyatholdings.com.my
Tel : 03-2265 7676

RAKYAT TRAVEL SDN BHD

Level 11, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur
Email : info@rakyatravel.com.my
Website : www.rakyatravel.com.my
Tel : 03-2276 6980 / 6981 / 6983 / 6984
Fax : 03-2276 5233

RAKYAT NIAGA SDN BHD

Level 11, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur
Email : admin@rakyatholdings.com.my
Tel : 03-2276 4516 / 4517 / 4518
Fax : 03-2276 5332

BANK RAKYAT SERVICE AGENTS

PERLIS

KOPERASI UNIMAP PERLIS (KOUNIMAP) BERHAD

No 8, 10 dan 12, Jalan M.U. Satu
Medan Universiti
02600 Arau, Perlis
Tel : 019-481 5686

KOPERASI GURU-GURU MELAYU PERLIS BERHAD

11 Jalan Syed Saffi
01000 Kangar, Perlis
Tel : 04-976 5282
Fax : 04-976 5096

KEDAH

KOPERASI GURU-GURU MELAYU KEDAH BERHAD (KGMKB)

Menara Guru
Persiaran Sultan Abdul Hamid
05050 Alor Star, Kedah
Tel : 04-777 3373
Fax : 04-771 1215

KOPERASI PASAR MINGGUAN GUAR CEMPEDAK BERHAD

No. 3 Level 1, Bangunan Arked
08800 Guar Chempedak, Kedah
Tel : 04-468 1697
Fax : 04-468 1697

KOPERASI PEKEBUN KECIL DAERAH KUBANG PASU BERHAD

No. 167, Jalan Hosba 7
Taman Sri Hosba
KM 18, Lebuhraya Utara-Selatan
Pekan Napoh
06000 Jitra, Kedah
Tel : 04-917 2172

KOPERASI PESERTA-PESERTA RANCANGAN FELCRA PULAU BELANTIK SIK BERHAD

Felcra Pulau Belantik, Kota Aur
08210 Sik, Kedah
Tel : 04-752 1440

KOPERASI UNIVERSITI UTARA MALAYSIA (UUM) BERHAD

Pejabat Urusan, No. 66, Tingkat 1
Pekan Changlun 2
06010 Changlun, Kedah
Tel : 04-928 5507
Fax : 04-924 2539

KOPERASI INSTITUT PERGURUAN SULTAN ABDUL HALIM SUNGAI PETANI KEDAH BERHAD

Institut Perguruan Sultan Abdul Halim
Jalan Kuala Ketil
08000 Sungai Petani, Kedah
Tel : 04-421 8621
Fax : 04-421 8582

PULAU PINANG

KOPERASI GURU AGAMA KERAJAAN NEGERI PULAU PINANG BERHAD

2640, Tingkat 1
Taman Haji Ahmad Jamil
Tasek Gelugor
13300 Seberang Perai, Pulau Pinang
Tel : 04-575 9566
Fax : 04-575 9566

KOPERASI KOLEJ KEMAHIRAN TINGGI BALIK PULAU BERHAD

Jalan Genting
11000 Balik Pulau, Pulau Pinang
Tel : 04-866 5805
Fax : 04-866 5741

KOPERASI PEKERJA PRASARANA MALAYSIA BERHAD

Block 228A-2-1, Fortune Court
Bandar Baru Farlim, Jalan Thean Teik
11400 Pulau Pinang
Tel : 04-827 9006
Fax : 04-829 6007

KOPERASI POS DAN TELEKOM PULAU PINANG BERHAD

No. 80, Jalan Rangoon
10400 Georgetown, Pulau Pinang
Tel : 04-226 1346
Fax : 04-227 1346

KOPERASI UNIVERSITI SAINS MALAYSIA (USM) BERHAD

Universiti Sains Malaysia
11800 Minden, Pulau Pinang
Tel : 04-653 3888
Fax : 04-657 5688

PERAK

KOPERASI BINA BERSAMA KAMPONG GAJAH PERAK BERHAD

No. 14A, Medan Koperasi
36800 Kampong Gajah, Perak
Tel : 05-631 1368
Fax : 05-631 1368

KOPERASI KAKITANGAN KERAJAAN HULU PERAK BERHAD

No. 8281, Tingkat Bawah
Jalan Suda Bahagia
Jalan Sultan Iskandar
33300 Grik, Perak
Tel : 05-791 1887
Fax : 05-791 1887

KOPERASI PESERTA-PESERTA RANCANGAN FELCRA SEBERANG PERAK BERHAD

Lot 4271, Co-op Business Centre
(CBC) Lebuhraya Paduka
Bandar Seberang Perak
36800 Kampong Gajah, Perak
Tel : 05-655 8101
Fax : 05-655 8100

KOPERASI SELAMA PERAK BERHAD

Lot No. 4, Jalan Besar Selama
34100 Selama, Perak
Tel : 05-839 4532
Fax : 05-839 2940

KOPERASI BUKIT SEMANGGOL BERHAD

No. 16, Jalan Besar Gunung Semanggol
34400 Simpang 4 Semanggol, Perak
Tel : 05-890 4320
Fax : 05-890 4320

BANK RAKYAT SERVICE AGENTS

SELANGOR

KOPERASI KAKITANGAN UNIKL MIAT SEPANG BERHAD

Lot 2891, Jalan Jenderam Hulu
43800 Dengkil, Selangor
Tel : 03-8768 0804
Fax : 03-8768 8485

KOPERASI KAKITANGAN UNIVERSITI TEKNOLOGI MARA (UiTM) BERHAD

B13-2, Jalan Lazuardi 7/9, Seksyen 7
40000 Shah Alam, Selangor
Tel : 03-5519 5912
Fax : 03-5513 0540

KOPERASI MEMBELI DAN MEMBUKA TANAH SERI CHEEDING BERHAD

Lot 6665, Jalan Merak
Kampung Seri Cheeding
42700 Banting, Selangor
Tel : 03-3191 4729
Fax : 03-3191 4729

KOPERASI PELABURAN PEKERJA PROTON BERHAD

Kedai Koperasi Pelaburan Pekerja Proton
Berhad, Seksyen 26
40400 Shah Alam, Selangor
Tel : 03-5192 5611
Fax : 03-5102 6148

KOPERASI PENEROKA SUNGAI TENGI BERHAD

Bangunan Stesen Minyak BH Petrol
Jalan Merdeka
Desa Maju Sungai Tengi
44010 Kuala Kubu Bharu, Selangor
Tel : 03-6042 1034
Fax : 03-6042 1034

KOPERASI PEMBANGUNAN PEKERJA INDUSTRI SELANGOR BERHAD (KOPEKERJA)

Suite 1-17, Jalan Dagang B/3A
Taman Dagang
68000 Ampang, Selangor
Tel : 03-4270 4331
Fax : 03-4270 7659

KOPERASI PEMBANGUNAN PULAU LUMUT BERHAD

No. 24A, Jalan Batu Unjur 1
Bayu Perdana
41200 Klang, Selangor
Tel : 03-3324 2728
Fax : 03-3324 2558

KOPERASI TERAS SEMENYIH SELANGOR BERHAD

24 & 25, Seksyen 2, Jalan Besar
43500 Semenyih, Selangor
Tel : 03-8723 8615
Fax : 03-8723 4479

KOPERASI UNIKEB BERHAD

Wisma UNIKEB
Universiti Kebangsaan Malaysia
43600 Bangi, Selangor
Tel : 03-8925 2540
Fax : 03-8925 7177

KOPERASI UNIVERSITI PUTRA MALAYSIA BERHAD

Tingkat 1, Bangunan Pusat Perniagaan
Beg Berkunci 260, Pejabat Pos UPM
Universiti Putra Malaysia
43400 Serdang, Selangor
Tel : 03-8946 7980
Fax : 03-8948 9796

KOPERASI PEGAWAI-PEGAWAI KERAJAAN MALAYSIA BERHAD

No 54G-1, Jalan SS1/22
Kampung Tunku
47300 Petaling Jaya, Selangor
Tel : 03-7876 2167
Fax : 03-7876 2167

WILAYAH PERSEKUTUAN

KOPERASI KAKITANGAN BANK RAKYAT BERHAD (SEKATARAKYAT)

Tingkat 2A, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur
Tel : 03-2273 3314
Fax : 03-2274 1314

KOPERASI KEDAI BUKU UNIVERSITI MALAYA BERHAD (KKUM)

Bangunan Perdana siswa,
Universiti Malaya
Peti Surat 1127, Jalan Pantai Baru
59700 Kuala Lumpur
Tel : 03-7956 5000
Fax : 03-7954 7040

KOPERASI SERBAGUNA PEKERJA FELDA MALAYSIA BERHAD (KOGUNA)

No. 2F, Jalan Gurney
54000 Kuala Lumpur
Tel : 03-2698 4202
Fax : 03-2693 4511

KOPERASI PEKERJA-PEKERJA BANK MALAYSIA BERHAD (KOBANK)

Lot No. 1108-1109B
Level 11, Wisma MPL
Jalan Raja Chulan
50200 Kuala Lumpur
Tel : 03-2031 4933
Fax : 03-2031 7298

KOPERASI SIMPANAN DAN KREDIT BERSATU MALAYSIA BERHAD

Suite 10.02, Level 10,
The Gardens South Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel : 2282 7233

KOPERASI RANGKAIAN GLOBAL MALAYSIA BERHAD

No 31, Tingkat 1
Jalan Dewan Sultan Sulaiman Satu
Off Jalan Tuanku Abdul Rahman
50300 Kuala Lumpur
Tel : 013-628 2434
Fax : 03-2697 8305

KOPERASI KEMENTERIAN SUMBER MANUSIA (KOKESUMA)

Tingkat 7, Menara PERKESO
281 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-4253 1606
Fax : 03-4257 6995

KOPERASI MODAL DAN AMANAH MALAYSIA BERHAD

A-G-5, Blok A
Glomac Damansara
No. 699 Jalan Damansara
60000 Kuala Lumpur
Tel : 03-7731 3699

BANK RAKYAT SERVICE AGENTS

NEGERI SEMBILAN

KOPERASI JELAI TIGA GEMAS BERHAD

Stesen Minyak Koperasi
Kampung Felde Jelai Tiga
73480 Gemas, Negeri Sembilan
Tel : 06-434 7495
Fax : 06-434 7495

KOPERASI MELAYU BERJAWATAN KERAJAAN NEGERI SEMBILAN BERHAD (KOMBEK)

No. 39 & 40, Wisma Bukit
Taman Bukit Ampangan
70400 Seremban, Negeri Sembilan
Tel : 06-679 1633
Fax : 06-679 1733

KOPERASI SERBAMAJU DAERAH JEMPOL BERHAD

No. 10 (Tingkat Atas), Jalan Beringin 2
72200 Batu Kikir, Negeri Sembilan
Tel : 06-454 8621

KOPERASI PEMBANGUNAN MUKIM JOHOL NEGERI SEMBILAN BERHAD

No 82, Jalan Besar Pekan Johol
73100 Johol, Negeri Sembilan
Tel : 06-436 9254
Fax : 06-436 9254

MELAKA

KOPERASI KAKITANGAN PENJARA MELAKA BERHAD

Tingkat Bawah
Pasar Mini Koperasi Sekolah Henry
Gurney Telok Mas
75450 Melaka
Tel : 06-261 7429
Fax : 06-261 9261

JOHOR

KOPERASI FELDA LOK HENG TIMUR BERHAD

Bangunan Koperasi
Felda Lok Heng Timur
81909 Kota Tinggi, Johor
Tel : 07-894 7889
Fax : 07-894 7452

KOPERASI KONTRAKTOR DAN USAHAWAN MELAYU LEDANG BERHAD

No. 166, Tingkat Bawah, Jalan Muar
84900 Tangkak, Johor
Tel : 06-978 3719
Fax : 06-979 1119

KOPERASI PELABURAN PEKERJA-PEKERJA KEJORA BERHAD

No. 15, Banguna Kedai, Pusat Bandar
Bandar Penawar
81930 Kota Tinggi, Johor
Tel : 07-822 1394
Fax : 07-822 1394

KOPERASI PENULIS DAN PEMBACA MUAR BERHAD

TL MBP 115, Parit Raja
KM5, Jalan Temenggong Ahmad
84000 Muar, Johor
Tel : 06-981 1226
Fax : 06-981 1292

KOPERASI PERUNDING TAKAFUL IKHLAS MALAYSIA BERHAD

No. 3, Jalan Langsat, Peti Surat 142
88000 Kluang, Johor
Tel : 07-771 9788
Fax : 07-774 4788

KOPERASI PERBADANAN JOHOR BERHAD

Tingkat 11, Bangunan KOMTAR
Johor Bahru City Centre (JBCC)
80000 Johor Bahru, Johor
Tel : 07-219 2692
Fax : 07-223 3175

KOPERASI MITRA USAHAWAN BERHAD

No 12, Jalan Uda Utama 3/15
Bandar Uda Utama
81300 Skudai, Johor
Tel : 07-232 5325
Fax : 07-234 3917

PAHANG

KOPERASI FELDA SUNGAI KOYAN III RAUB BERHAD

Felda Sungai Koyan 3
27650 Raub, Pahang
Tel : 09-340 1442
Fax : 09-340 1442

KOPERASI GURU-GURU MELAYU PAHANG BARAT BERHAD

No. 3C, Tingkat 2, Bangunan KGMPB
Kompleks Lipis Inn
27200 Kuala Lipis, Pahang
Tel : 09-312 1800
Fax : 09-312 3877

KOPERASI MUKMIN CAMERON HIGHLANDS BERHAD

Pejabat Agama Islam Daerah Cameron
Highlands, Tanah Rata
39000 Cameron Highlands, Pahang
Tel : 05-491 1425

KOPERASI PENEROKA FELDA TEMBANGAU SATU KEMAYAN PAHANG BERHAD

Pejabat Koperasi Felda Tembangau Satu
28380 Kemayan, Pahang
Tel : 06-468 5406
Fax : 06-468 5406

KOPERASI PEMBANGUNAN DAERAH MARAN BERHAD

No 2 Tingkat 2
Bangunan Wisma Pemuda UMNO
Jalan Perpustakaan
26500 Maran, Pahang
Tel : 019-966 7186

KOPERASI PESERTA-PESERTA FELCRA GUGUSAN SRI MAKMUR BERHAD

Felcra Sri Makmur
26030 Kuantan, Pahang
Tel : 013-973 8878
Fax : 09-546 1040

KOPERASI SERBAGUNA FELDA KERATONG TIGA BERHAD

Felda Keratong Tiga
26900 Bandar Tun Abdul Razak, Pahang
Tel : 09-445 7452
Fax : 09-445 7452

KOPERASI SERBAGUNA FELDA CHINI TIMUR SATU BERHAD

Felda Chini Timur Satu, Chini
26690 Pekan, Pahang
Tel : 09-457 1266
Fax : 09-457 1266

KOPERASI FELDA SELANCAR DUA ROMPIN BERHAD

Felda Selancar 2, Selancar 2
26700 Muadzam Shah, Pahang
Tel : 09-438 1435
Fax : 09-438 1159

BANK RAKYAT SERVICE AGENTS

TERENGGANU

KOPERASI COBE PANTAI TIMUR BERHAD

No. 102B, Tingkat 2, Bangunan COBE
Jalan Tengku Embong Fatimah
20200 Kuala Terengganu, Terengganu
Tel : 09-622 2796
Fax : 09-624 1498

KOPERASI FELCRA KAWASAN HULU BERANG HULU TERENGGANU BERHAD

Lot 3765 Kg Matang
Jalan Felda Mengkawang
21800 Ajil, Hulu Terengganu, Terengganu
Tel : 09-612 4845

KOPERASI PEMBANGUNAN DAERAH SETIU BERHAD

Wisma KPD, Bandar Permaisuri
22100 Setiu, Terengganu
Tel : 09-609 2333
Fax : 09-609 2332

KELANTAN

KOPERASI PEKEBUN KECIL PASIR PUTEH BERHAD

Lot 455, Bangunan PKINK, Jalan Nara
16800 Pasir Puteh, Kelantan
Tel : 09-786 7302
Fax : 09-786 2717

KOPERASI PENEROKA FELDA KEMAHANG 1 BERHAD

Felda Kemahang 1
17500 Tanah Merah, Kelantan
Tel : 09-958 2007
Fax : 09-958 4288

KOPERASI PESERTA-PESERTA FELCRA GUGUSAN BUKIT TANDAK KELANTAN BERHAD

Pejabat Felcra Berhad
Kawasan Bukit Tandak
17200 Rantau Panjang, Kelantan
Tel : 013-933 5259
Fax : 09-958 4288

KOPERASI PESERTA-PESERTA RANCANGAN FELCRA GUGUSAN GEMANG BERHAD

PT 2103/C Bandar Baru Bukit Bunga
17700 Air Lanas, Kelantan
Tel : 09-946 8799
Fax : 09-946 8513

SABAH

KOPERASI ANAK WATAN RANAU BERHAD

Blok B, Lot 10, Bangunan Kedai SEDCO
89300 Ranau, Sabah
Tel : 088-879 539
Fax : 088-876 073

KOPERASI ANAK WAWASAN KOTA KINABALU BERHAD

Lot 3A 34, Level 3
Central Shopping Plaza
Jalan Banjaran
88200 Kota Kinabalu, Sabah
Tel : 088-254 534
Fax : 088-254 534

KOPERASI BELIA TENOM BERHAD

Asia Rasa Bed & Breakfast
Jalan Tun Mustafa, W.D.T 32
89907 Tenom, Sabah
Tel : 013-851 6198

KOPERASI PEKERJA YAYASAN SABAH BERHAD

Lot 7-3, Tingkat 3
Bunga Raja Shopping Complex
Lorong Bunga Raja 5, Off Jalan Lintas
88845 Kota Kinabalu, Sabah
Tel : 088-389 258
Fax : 088-383 258

KOPERASI SUKAU KINABATANGAN BERHAD

Blok C1, Lot 1
Tingkat 1, Wisma Kosuk Berhad
Bandar Lubuk Jaya, Batu 7
90000 Sandakan, Sabah
Tel : 089-232 960

KOPERASI UNIVERSITI MALAYSIA SABAH BERHAD (KoUMS)

Bangunan Pusat Perkhidmatan Pelajar
(Anjung Siswa)
Universiti Malaysia Sabah
88999 Kota Kinabalu, Sabah
Tel : 088-320 714

KOPERASI KOPIS LABUAN BERHAD

Court Light Industrial Durian Tunjung
P.O. Box 391
87008 W.P. Labuan
Tel : 087-581 011
Fax : 087-583 011

SARAWAK

KOPERASI BUMIPUTERA KANOWIT BERHAD

Lot 125, Pekan Kanowit
96700 Kanowit, Sarawak
Tel : 019-865 2539

KOPERASI DAERAH JULAU BERHAD

Lot 42, Jalan Lim Ah Din
96600 Julau, Sarawak
Tel : 019-817 5566
Fax : 084-734 299

KOPERASI KOPERKASA BERHAD (KOPERKASA)

No. 16-19, Wisma KOPERKASA
Jalan Simpang Tiga
93300 Kuching, Sarawak
Tel : 082-415 611
Fax : 082-231 650

KOPERASI PERDAGANGAN DAN PERINDUSTRIAN BARAM MIRI BERHAD

Lot 337, Pasar Marudi
98050 Baram, Sarawak
Tel : 019-856 1461
Fax : 085-75 6526

KOPERASI SARATOK BERHAD

Lot 379, Stesen Minyak Petronas
Saratok Town District
95400 Saratok, Sarawak
Tel : 083-438 385

KOPERASI SINARAN LAWAS BERHAD

Batu 1/4, Jalan Punang
98850 Lawas, Sarawak
Tel : 085-284 340

www.bankrakyat.com.my

BANK KERJASAMA RAKYAT MALAYSIA BERHAD (Reg No.2192)

Menara 1, Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral, 50470 Kuala Lumpur