

Serving The Community and Nation





Rationale

Since our 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 community and nation.

The theme for our Annual Report 2019, “Serving the Community and Nation”, communicates our dedication and commitment to enhance the living standards of those around us by meeting their financial needs and delivering exemplary services. By understanding their needs and supporting all sectors, we are able to make a real contribution to community and nation development. This, coupled with our commitment to develop responsibly, has seen us sustain our growth momentum over the years.

As a development financial institution, Bank Rakyat has an intrinsic role and duty to serve this country. With the business landscape increasingly dominated by the youth market amid expanding environment of digitisation, Bank Rakyat strives to serve all segments of society regardless of race, individuals and entrepreneurs in markets here and in time, globally. We aim to serve not just for today, but both in good and trying times.

The visual of the tree on the cover of our Annual Report 2019 represents the interconnectedness of everything in the universe as well as strength and growth. Like trees, we see ourselves as being able to weather the toughest of storms and serve as a stronghold for the prosperity of our members, customers, and the community. The tree on our Annual Report cover also depicts growth up and outwards, representing how the Bank grows stronger and increases our knowledge and experience as we build on our 65-year journey.



To access our Annual Report, please scan the QR code with your smart device.

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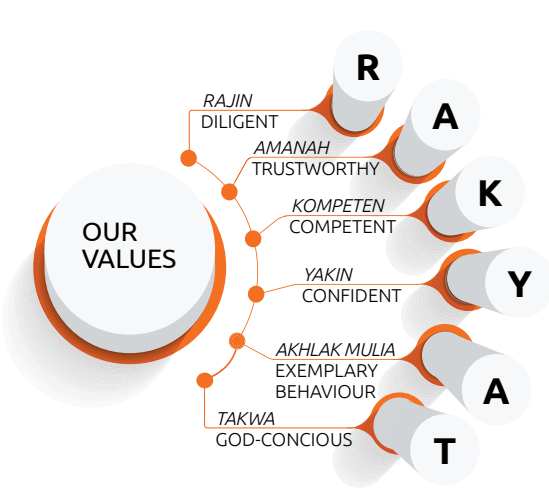
**COMMITTED
TO SERVE
THE PEOPLE**



Bank Rakyat Overview

We are the biggest Islamic cooperative bank in the country and the second largest Islamic financial institution in terms of assets size. 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 MANTRA

We are engraved distinctly in Malaysia's banking history and will endeavour to remain **"Your Bank of Choice"** by **"Serving the Community and Nation"**.

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. 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 PRODUCTS

Personal Banking

Savings-i, Personal Financing-i, Auto Financing-i, Home Financing-i, Pawn Financing-i, Education Financing-i, Credit Card-i, Debit Card-i.

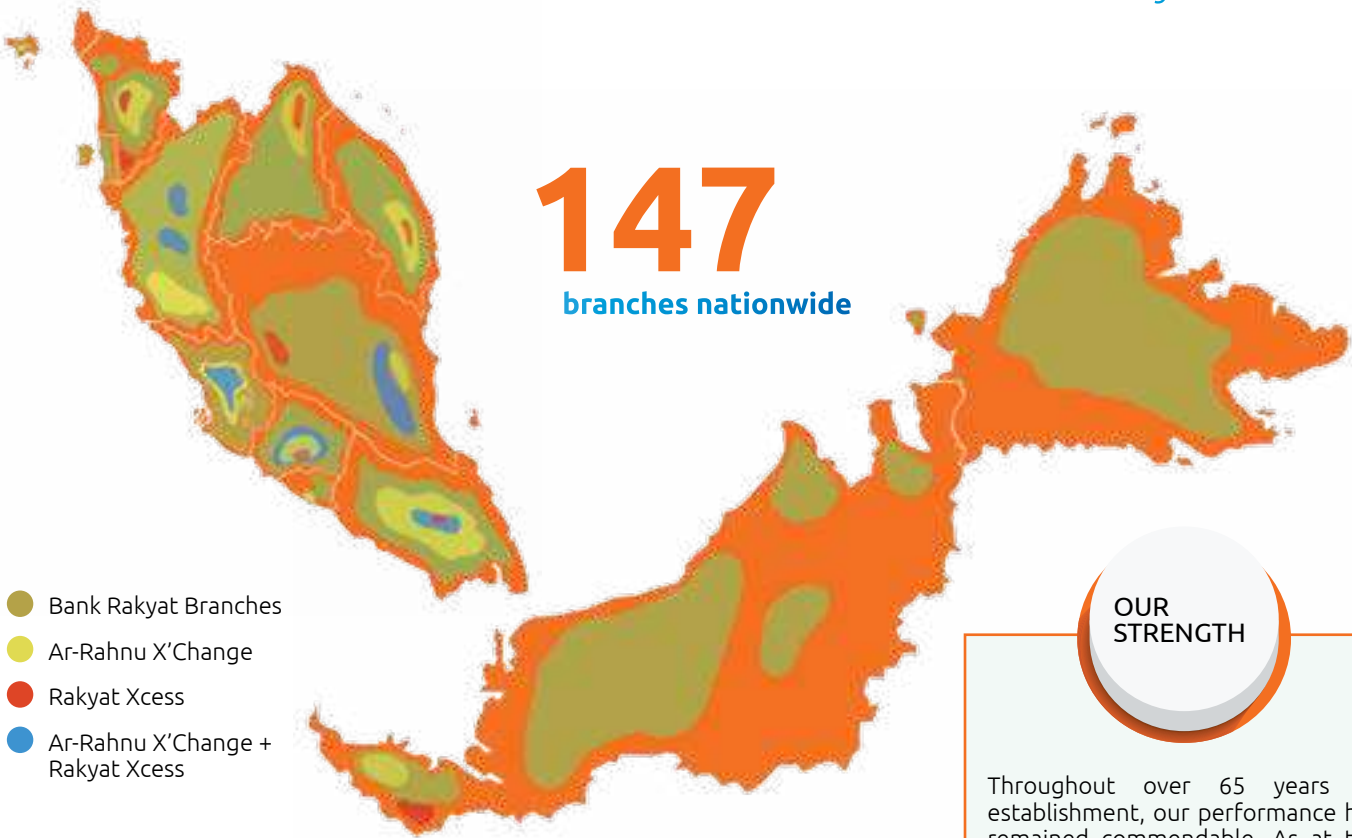
Business Banking

Deposit-i, Micro Financing-i, Term Financing-i, Bridging-i, Property-i, Contract-i, Hire Purchase-i, Share-i, Contract Financing-i Tijari, Working Capital for Ar-Rahnu X'Change and CashLine-i.

Cooperative

Rakan KOOP, Cooperative Seminar & Business Development, Cabinet Showcase.

Bank Rakyat Overview



The biggest Islamic Cooperative Bank

27 **Ar-Rahnu X'Change**

Ar-Rahnu X'Change: Offers Islamic pawn broking services.

4 **Rakyat Xcess**

Rakyat Xcess: Offers essential services except Ar-Rahnu X'Change.

18 **Ar-Rahnu X'Change + Rakyat Xcess**

Ar-Rahnu X'Change + Rakyat Xcess: Offers Islamic pawn broking and essential services.

974 **ATM/CDM/CICO Terminals**

312 **Rakyat C.A.R.E**

Rakyat C.A.R.E: Offers basic banking services, especially in rural areas in a cost effective way through the use of non-banking retail channel.

78 **Service Agent**

Service Agent: A special program where cooperative is appointed as an agent to market product and banking facilities of Bank Rakyat.

OUR STRENGTH

Throughout over 65 years of establishment, our performance has remained commendable. As at the end of 2019, we had:

Employee **5,752** personnel

Customers **8.16** million

Profit before Taxation & Zakat **RM1.79** billion

Total Assets **RM109.62** billion

Shareholders **842,849**

Members' Share Capital **RM2.99** billion

Corporate Information

BOARD OF DIRECTORS

- Datuk Noripah Kamso (*Chairman*)
- Datuk Wan Suraya Wan Mohd Radzi
- Muhamad Shahril Othman
- Abd Rani Lebai Jaafar
- Prof. Dr Obiyathulla Ismath Bacha
- Tunku Dato’ Ahmad Burhanuddin Tunku Datuk Seri Adnan
- Yuri Zaharin Wahab
- Sofiyan Yahya

BANK SECRETARY

- Sheikh Azree Mokhtar

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 Business Pillars

MEMBERS



To ensure continuous success by collectively directing the company’s affairs, whilst maintaining shareholders’ confidence by ensuring the appropriate interests of shareholders and stakeholders are met. Further, to deal with issues relating to business, finance, corporate governance, corporate social responsibility and corporate ethics in a transparent manner.

CUSTOMERS



To conduct business in a fair and transparent manner by providing Shariah compliant banking services and products, to offer prompt, courteous and effective services, and to focus on sound corporate governance and responsible financing.

COOPERATIVE MOVEMENT



To steer the development and advancement of the cooperative movement and contribute to making the cooperative movement a force in the economic growth of the nation.

ISLAMIC PRINCIPLE



To uphold an exemplary Islamic financial system by providing Shariah compliant financial services that are exceptional, recognised and trusted, with the aim of being acknowledged as a model Islamic development finance institution.

SOCIETY



To effect positive changes in society by providing Islamic financial services and corporate social responsibility activities that will elevate the standard of living and well-being of Malaysians.

NATION



To be a responsible corporate citizen that is not just driven by profit, but more notably, bringing positive changes to the economy, generating jobs and spearheading economic activities that will assist Malaysia in achieving developed nation status with a high-income economy.

The Bank Rakyat Brand

No. 1
Top 100 Malaysian Co-operatives Societies Comission (SKM)

2nd
Largest Islamic Institutions in Malaysia (Assets Size)

Top 10
Largest Islamic banks in the world (With an asset size of USD26.75 billion and a profit of USD500 million)

Source: Asian Banker Research

COMMITTED TO SUSTAIN THE EARTH

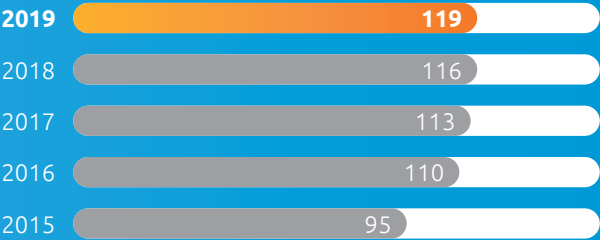


Five Year Performance (Non-Financial)

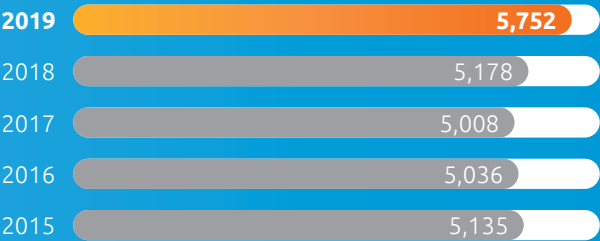
Branches



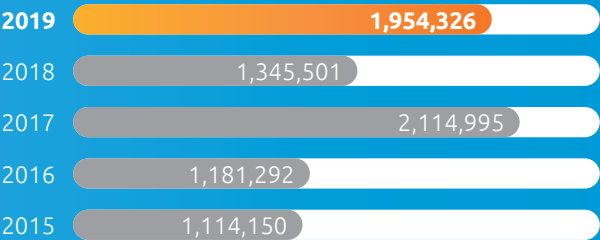
Ar-Rahnu X'Change



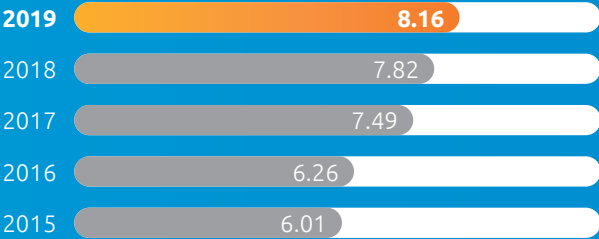
Employees



Contact Centre Calls Received



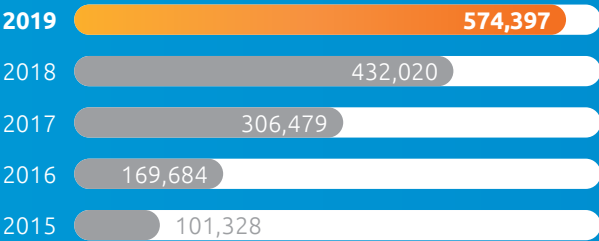
Customers (Million)



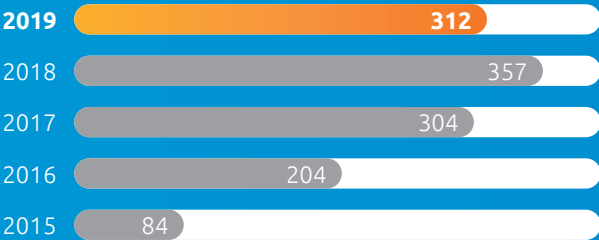
ATM/CDM/CICO Terminals



Registered i-Rakyat Customers



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



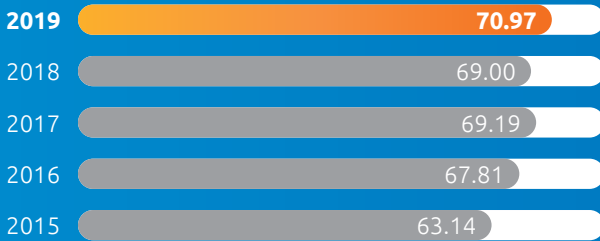
Operating Income (RM Billion)



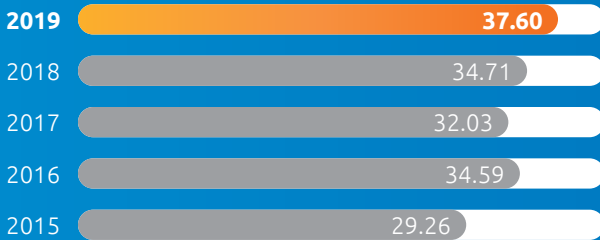
Profit after Taxation and Zakat (RM Billion)



Financing and Advances (RM Billion)

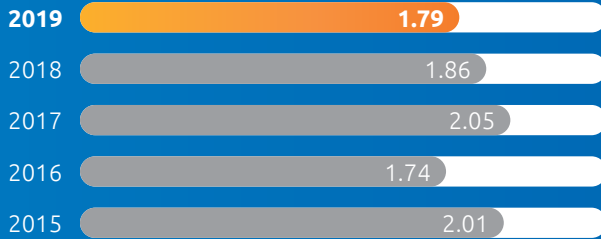


Cost to Income Ratio (%)

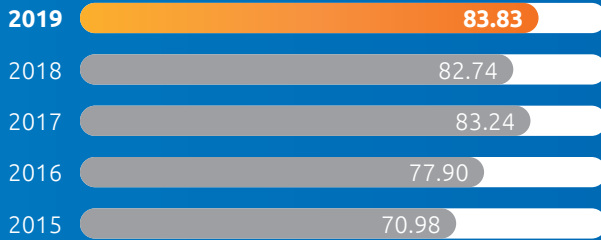


Five Year Performance (Financial)

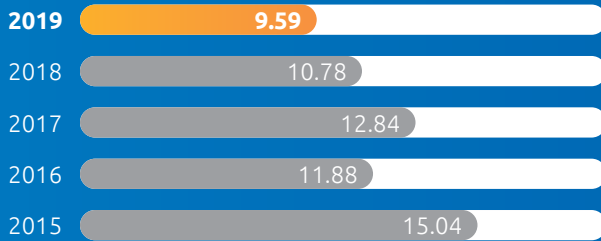
Profit before Taxation and Zakat (RM Billion)



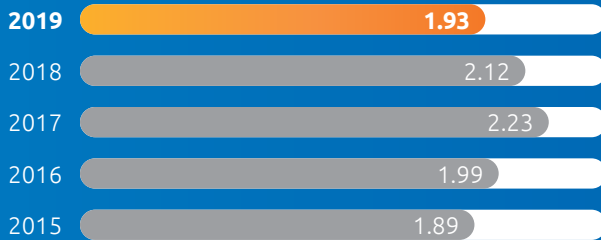
Deposits and Savings (RM Billion)



Return on Average Shareholders' Fund (%)



Gross Impaired Financing Ratio (%)



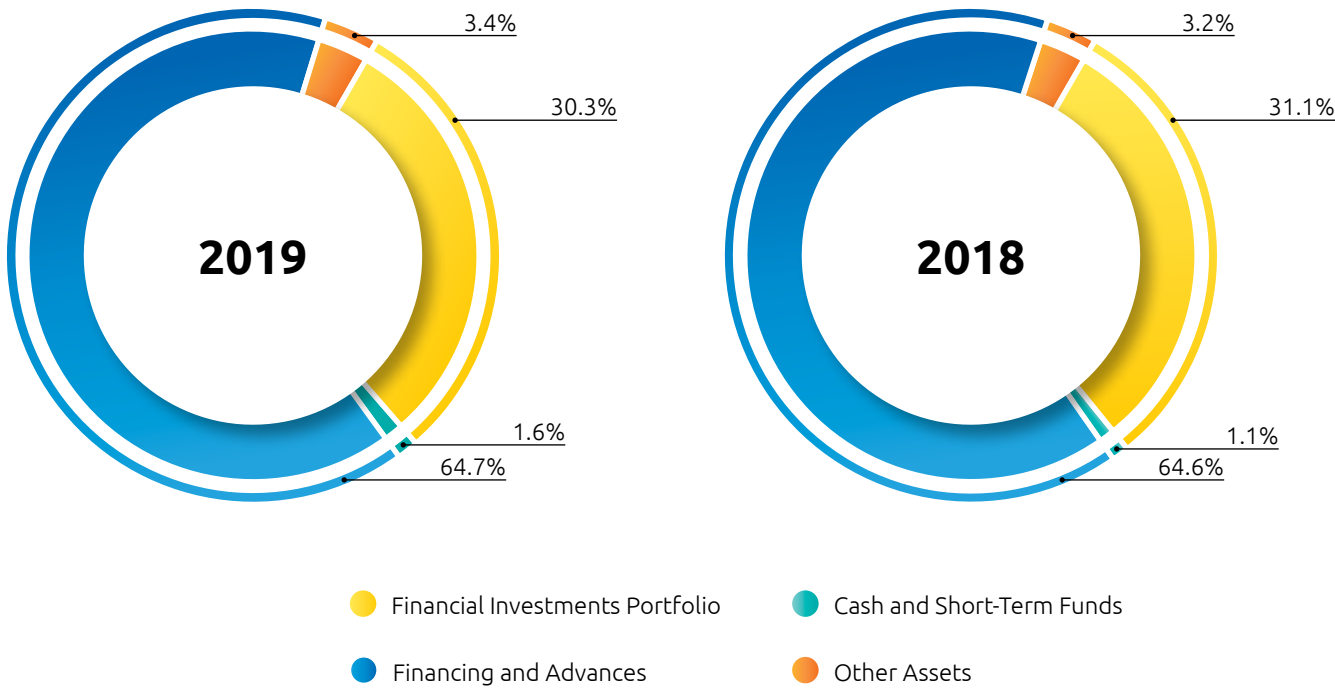
Quarterly Performance

	Q1 (RM Billion)	Q2 (RM Billion)	Q3 (RM Billion)	Q4 (RM Billion)
2019				
Income	1.65	1.64	1.61	1.60
Expenditure	0.85	0.85	0.81	0.82
Net Income	0.79	0.79	0.81	0.78
Profit before Taxation and Zakat	0.43	0.44	0.42	0.51
Profit after Taxation and Zakat	0.31	0.39	0.51	0.42
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

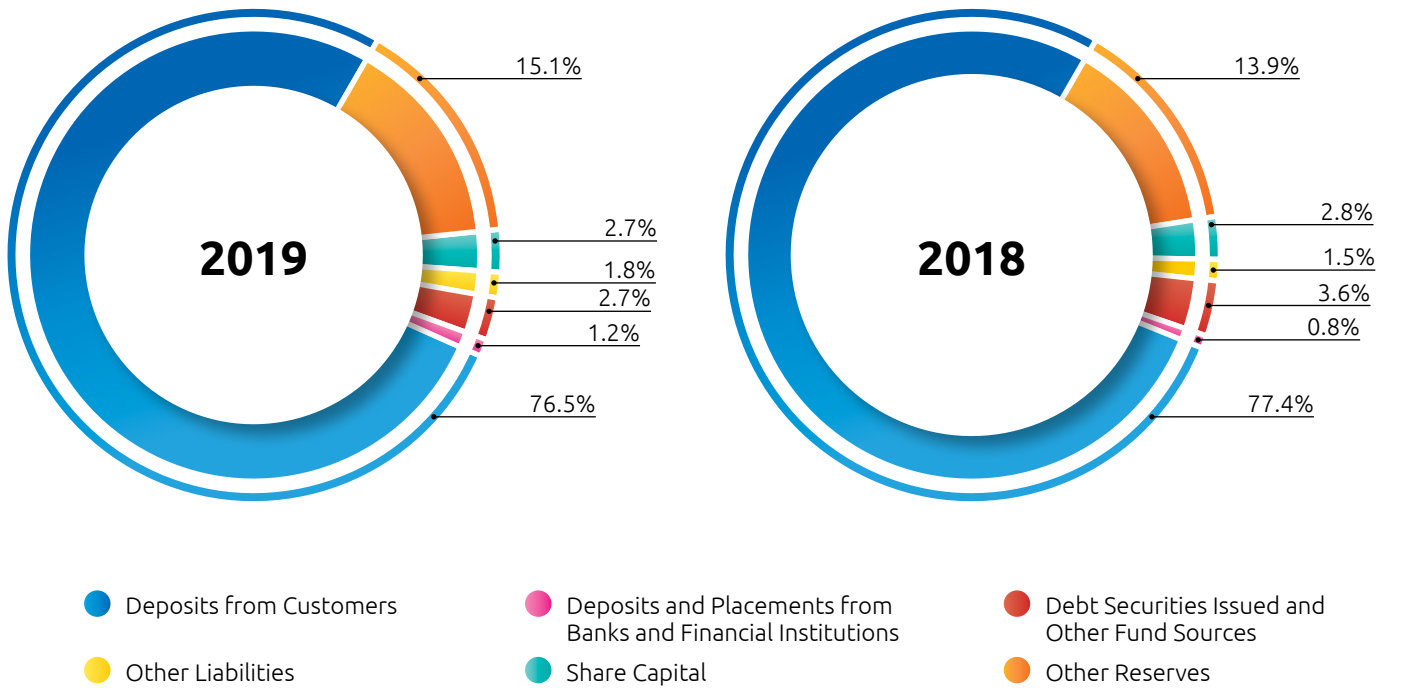
Segmental Analysis for Bank Earnings

	2019		2018	
	Percentage (%)	RM '000	Percentage (%)	RM '000
Consumer Banking	65.2	4,551,439	66.7	4,568,306
Commercial Banking	4.1	285,018	4.0	272,104
Fee Based	2.3	159,040	1.2	82,222
Ar-Rahnu	3.5	246,317	3.5	243,197
Others	24.9	1,734,990	24.5	1,681,520

Assets



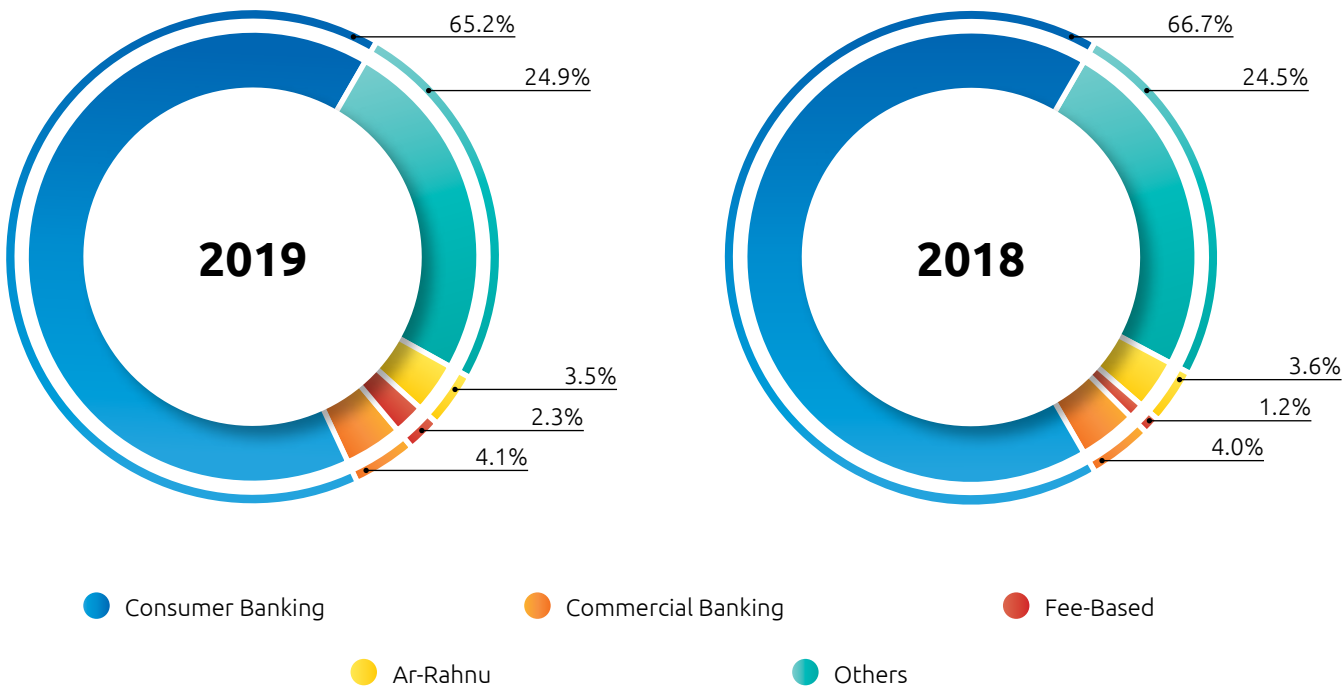
Liabilities and Equity



Dividend (RM Million)



Banking Operations Performance



Our Members

Total Members (Individual and Cooperative): 2015-2019

Year	Category		Total
	Individual	Cooperative	
2019	840,592	2,257	842,849
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

Total Capital (Individual and Cooperative): 2015-2019

Year	Category		Total
	Individual (RM)	Cooperative (RM)	
2019	2,770,784,615	215,245,385	2,986,030,000
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	2,814,731,034	171,298,966	2,986,030,000
2015	2,815,744,078	168,178,922	2,983,923,000

Key Milestones

1954

- Official registration of Bank Agong Kampong Bekerjasama-sama Persekutuan Tanah Melayu Dengan Tanggungan Berhad with its first headquarter 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 Mohd Hashim 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 Mohd Hashim, 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 newsletter, 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' Mohamed 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 Mohd Hashim.

- 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.

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.

Key Milestones

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.

1994

- Establishment of Bank Rakyat's Shariah Advisory Council.
- Opening of first branch outside the Peninsular in Kuching, Sarawak.

Key Milestones

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 AdeeB, 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.
- Launch of i-Rakyat Internet Banking.

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

- Appointment as the collection agent for income tax payment through a strategic partnership with the Inland Revenue Board of Malaysia (LHDN).

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 at the new premise.

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.
- 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 that provides convenience 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 as part of the contribution to the community.
- Launch of 2017 Bank Rakyat Calendar themed "*Indahnya Ilhammu, 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.
- 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

- 2017 Autislympic Programme that brought together autism organisations from 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 2019

JANUARY

9 January 2019
Cycle for Charity at Masjid Ar-Rahman Simpang Lang, Perlis in collaboration with Majlis Agama Islam dan Adat Istiadat Melayu Perlis (MAIPs) which was graced by DYTM Tuanku Raja Muda Perlis, Tuanku Syed Faizuddin Putra Ibni Tuanku Syed Sirajuddin Jamalullail where asnaf and underprivileged students received zakat contributions.

11 January 2019
Distribution of Nuri Nutrisi card to students of Sekolah Menengah Kebangsaan Langkawi Pulau Tuba which qualifies the recipient to get a free meal every day at school.

FEBRUARY



16 February 2019
Donation of necessities and school supplies to a single mother and her family at Dungun, Terengganu as part of Nuri Nutrisi initiative.

MARCH

24 March 2019
Hosting the Nuri Nutrisi Autism Exhibition which focuses on the awareness of nutritional food for autistic kids which was held at the National Museum, Kuala Lumpur



APRIL



12 April 2019
Announcement on 13% Bank Rakyat's dividend payout amounting to RM379 million to all members for the year 2018 was held at Magic, Cyberjaya, Selangor.

15 April 2019
Launching of the UiTM Alumni Bank Rakyat Debit Card-i as part of the Bank's collaboration with UiTM Sarawak which enabled UiTM alumni to contribute back in the form of "wakaf" or donation to support the university and to help other students.

21 April 2019
Bank Rakyat in collaboration with Tuanku Syed Faizuddin Putra Library (PTSFP) organised Nuri @ the Library at the University of Perlis Malaysia Library (UniMAP) which was attended by over 150 children from 12 primary schools in Perlis.

Significant Events of 2019

MAY

3 May 2019
The official launch of Bank Rakyat partnership with United Nations. A historical event for the Bank as we become the first local organisation to be accredited under the United Nations Country Team 'Together for SDG'S Hub' programme.

4 May 2019
The 2019 Annual General Meeting was held at Dewan Tun Abdul Razak, Menara Kembar Bank Rakyat with 1,000 members attended the annual event.

6-17 May 2019
Kasih BRamadan with Media was organised as part of the Bank's initiative to appreciate our media friends for their constant support for the Bank.

7 May 2019
Bank Rakyat and PETRONAS collaborate to provide financing to the national oil and gas company's oil, gas services and equipment (OGSE) vendors



14 May 2019
Bank Rakyat distributed 6,000 packs of bubur lambuk through Kasih BRamadan programme. This programme is part of the Bank's initiatives to share its fortunes as well as the spirit of Ramadan with its customers, especially the communities surrounding Menara Kembar Bank Rakyat.

27 May 2019
Bank Rakyat collaborates with Buletin Utama TV3 to organise Nuri Nutrisi Aidilfitri to celebrate national athletes.

27 May 2019
Bank Rakyat clinched the Social Empowerment category at the Asia Responsible Enterprise Awards 2019 (AREA 2019) to support of the autistic community in Malaysia since October 2016 through its #AnakKita campaign.

JUNE

20 & 21 June 2019
Bank Rakyat continued its Nuri Nutrisi CSR initiative by channeling nutritional food donations to Sekolah Kebangsaan Pulau Mabul in Semporna, Sabah.

27 June 2019
Celebrating Bank Rakyat Aidilfitri with our stakeholders, business partners and depositors at Dewan Tun Abdul Razak, Menara Kembar Bank Rakyat.



Significant Events of 2019

JULY



13 July 2019
A Charity Run 'Bear-A-Thon: Embrace Your Health' Programme was organised with Faculty of Health and Life Sciences (FHLS), Management & Science University (MSU) with the objective of promoting healthy lifestyle as well as a platform to help the underprivileged students around Selangor.

29 July 2019
Bank Rakyat embraces the new 5-year plan called "BR25" for future growth that aimed to result in Aspirational Evolution for Bank Rakyat to remain relevant by 2025.

4 July 2019
Interstates Choral Speaking competitions was held across the country in collaboration with Ministry of Education as part of the Bank's initiative to encourage students to speak in public and helps in improving their English fluency.

11 July 2019
Bank Rakyat has been awarded as the 'Company of the Year' (Overall Social Responsibility Excellence) award for the second consecutive year at the CSR Awards Malaysia 2019 for its commitment in implementing its corporate social responsibility (CSR) initiative specifically for autistic children.

AUGUST



1 August 2019
Bank Rakyat National Choral Speaking 2019 was held at Menara Kembar Bank Rakyat which gathers the interstates champions from across the country.

12 August 2019
Bank Rakyat in collaboration with ERA Sarawak distributed sacrificial meat at Masjid Darul Farhanah, Sarawak and Masjid Bandaraya, Kota Kinabalu, Sabah in conjunction with Hari Raya Aidiladha to help the underprivileged communities in Sarawak and Sabah.

24 August 2019
Nuri Teenpreneurship which gathers more than 24,000 school students which promotes entrepreneurship among students received a recognition from Malaysia Book of Records (MBR) for the largest school participation in an entrepreneurship initiative.

SEPTEMBER



1 September 2019
Rakyat Run 2.0 was organised in conjunction with Minggu Usahawan Nasional at MALAYSIA Agro Exposition Park Serdang (MAEPS) as an initiative to help promote health and well-being to Malaysians which gathers around 3,000 participants.

27 September 2019
Bank Rakyat in collaboration with Mastercard has launched its first travel card, namely Bank Rakyat Platinum Explorer i-Credit Card to encourage those who love travelling to enjoy more benefits and prizes by utilizing the card during their travel.

OCTOBER

1 October 2019
Through the cooperation between Bank Rakyat and Management and Science University (MSU), 60 underprivileged students from 3 schools in Shah Alam received food assistance as part of MSU MY SHAPE 3.0 programme.

5 October 2019
Beach Cleaning programme were held at Pantai Batu Burok, Terengganu as part of the Bank's sustainable initiative.

14 October 2019
Donation by Bank Rakyat to Koperasi Kolej Vokasional Kuching Bhd for Kebun Nuri Nutrisi: Oyster Mushroom Plantation Project.



19 October 2019
Bank Rakyat organised the International Islamic Shariah Scholars Roundtable (iSHAR), a two-day roundtable programme which gathers more than 20 shariah scholars and Islamic banking practitioners from all over the world including Malaysia, the United Arab Emirates, Turkey, Saudi Arabia, Kuwait, Syria, Bahrain and Jordan. The event was held at Putrajaya Marriott Hotel.

NOVEMBER

2 - 30 November 2019
Bank Rakyat Regional General Meeting was held across the nation.

9 November 2019
Bank Rakyat took part in the annual Maulidur Rasul 2019 National level celebration which was held at Axiata Arena, Bukit Jalil, Kuala Lumpur. Our contingent which was led by Dato' Rosman Mohamed won the third place in private sector category for Kontinjen Perarakan Maulidur Rasul 2019.



16 November 2019
Rakyat Management Services (RMS) organised the Ar-Rahnu X'Change Mangrove Tree Planting that saw 1,000 mangroves was planted at Bagan Pasir, Tanjung Karang, Selangor. 100 participants which consists of RMS staff, representatives from Ar-Rahnu X'Change, teachers and high school students took part in this CSR activity.

28 November 2019
Bank Rakyat bagged home the Best Social Impact (Large) during the Europa Awards for Sustainability EU-Malaysia Chamber of Commerce and Industry (EUMCCI) 2019. The accolade was an acknowledgment of Bank Rakyat's sustained efforts in advocating and support of the autistic community in Malaysia since October 2016 through its #AnakKita campaign.

DECEMBER



2-3 December 2019
Entrepreneurship Development Centre was launched at Bum Bum Island with the objective of helping the local communities by creating more job opportunities for them as well as encourages them to venture into business.

27 December 2019
Memorandum of Understanding (MoU) was signed by the Bank with Sarawak Islamic Council (MIS) to implement the Financial Integrity Programme for Mosques (PINK Masjid) in Sarawak.

Our Presence Throughout Malaysia

STATE	BRANCHES	AR-RAHNU X'CHANGE	RAKYAT XCESS	AR-RAHNU X'CHANGE + RAKYAT XCESS	BANK RAKYAT SERVICE AGENTS
Selangor	21	10	-	5	11
Kuala Lumpur / Putrajaya	15	2	-	-	8
Negeri Sembilan	7	3	1	2	4
Melaka	4	2	-	-	1
Johor	15	7	1	3	7
Pahang	11	3	1	1	9
Kelantan	8	3	-	1	4
Terengganu	8	2	-	1	3
Perak	12	6	-	2	5
Kedah	10	6	-	3	6
Pulau Pinang	7	-	-	-	5
Perlis	2	-	-	-	2
Sabah	13	-	-	-	7
Sarawak	14	1	1	-	6
Total	147	45	4	18	78

BRANCHES	AR-RAHNU X'CHANGE	RAKYAT XCESS	AR-RAHNU X'CHANGE + RAKYAT XCESS	BANK RAKYAT SERVICE AGENTS
147	45	4	18	78

2019 Accolades



• **Best Social Impact Award,**
Europa Awards for Sustainability EU-Malaysia
Chamber of Commerce and Industry
(EUMCCI) 2019



• **Social Empowerment,** Asia
Responsible Enterprise Awards 2019



• **Company of the Year (Overall
Social Responsibility Excellence),**
CSR Awards Malaysia 2019



• **Best Islamic Debit Program,**
Mastercard Appreciation Night 2019



• **Outstanding Contribution to MyDebit,**
Malaysian e-Payments Excellence Awards

- **No. 1 in the Top 100 Malaysia Co-operatives in Malaysia,**
Malaysia Co-operative Societies Commission (SKM)
- **Top Bancatakaful Contributor for Group Term Takaful Category**

Our Social Efforts



4 CORE BRANDS

- AUTISMLYMPIC
- AUTISMPRENEUR
- AUTISM BUDDIES
- AUTISMAZING

OUR ACHIEVEMENTS

- MALAYSIA**
CSR Awards Malaysia 2019
- ASIA**
Asia Responsible Enterprise Awards 2019 (AREA 2019) at Taiwan
- GLOBAL**
Europa Awards for Sustainability EU-Malaysia Chamber of Commerce and Industry (EUMCCI) 2019

OUR INITIATIVES

- EDUCATING**
Providing exposure and awareness to the public regarding autism
- SOCIALISING**
Providing autistic children the opportunity for recreational activities in open spaces
- THERAPY**
Organising activities elevating cognitive behavioural therapy, and social and communication skills
- FUND RAISING**
Involvement in fund raising and charitable activities to support autism charity organisations
- PUBLICATIONS**
Annual Reports 2016, Money Pockets 2017, non-woven Bags

OUR INVOLVEMENT

- >100 Program
- >20,000 Autistic Kids
- 90 Schools & Associations

#ANAKKITA

Bank Rakyat in Malaysia Book of Records

24 August 2019



Largest participation of students in an entrepreneurship event simultaneously

15 August 2015

The largest number of coin box savings deposited simultaneously by children

30 July 2015

The largest Aidilfitri open house simultaneously

25 June 2011

The longest keropok lekor

9 April 2011

1st bank to deploy 'tukun' (ATM machine) @ Taman Laut Malaysia, Pulau Perhentian

Bank Rakyat in the Media

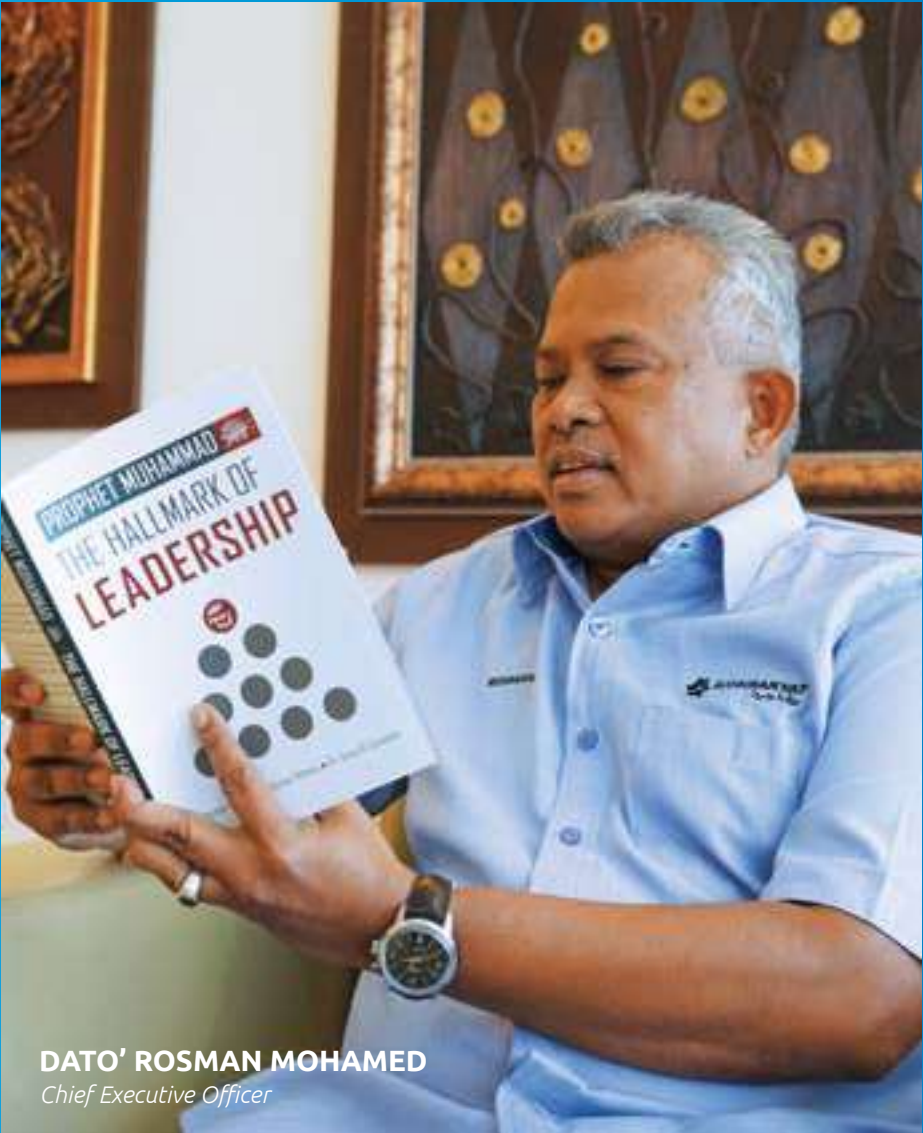
Bank Rakyat in the Media



COMMITTED TO SUPPORT THE NATION'S PROGRESS



CEO's Statement



DATO' ROSMAN MOHAMED
Chief Executive Officer

DEAR VALUED MEMBERS AND SHAREHOLDERS,

It is an honour and a privilege to deliver my first statement as Chief Executive Officer of Bank Rakyat. Allow me to begin my statement by expressing my greatest appreciation to our former Chairman, Datuk Noripah Kamsu, who ended her service on the Board on 3 April 2020. I am grateful for the support and commitment demonstrated by Datuk Noripah who had been with Bank Rakyat since 11 December 2018.

My appointment as Acting Managing Director in August 2019 and subsequently as the Bank's Chief Executive Officer in February 2020 coincided with the Bank's aspiration to inevitably focus even more on 'Serving the Community and Nation'. We now look towards delivering our next five-year strategy, called Bank Rakyat 2025 or "BR25".

BR25 will be based on five verticals - Customers and Members, Digitalisation and Analytics, Collaborations and Partnerships, People, and Sustainability - to help realise this year's Annual Report theme, "Serving the Community and Nation". It also provides our business with a clear focus on what has to be achieved over the next few years.

BR25 builds on our 65-year history and mandate to raise the social and economic status of the rural agricultural community, provide opportunities for self-improvement and to build a better future for our communities as well as the stability and prosperity of our nation. Our Bank is more than just a business, as we believe that business should serve the people and not the other way around. In line with this, we anchor our existence on creating value for our communities and country.

2019 FINANCIAL PERFORMANCE

2019 was another year of growth and development for our Bank. Despite the ongoing effects of an uncertain economic landscape combined with an extremely competitive retail banking market, the Bank has continued to make steady progress. This would not have been possible without the full support of all our stakeholders - the Board, our regulators, our employees, our customers and you, our members and shareholders.

For the Financial Year Ended 31 December 2019 (FY19), the Group announced a profit before tax and zakat (PBTZ) of RM1.79 billion, while the Group's net profit stood at RM1.15 billion. The steady performance was achieved through higher year-on-year net income of 3.26%, driven by growth in core operating income and a lower year-on-year funding cost of 1.62%, resulting from the reduction in the Overnight Policy Rate (OPR) in the second half of 2019. Our performance was also contributed by on-going initiatives to increase current accounts and savings account (CASA).

The commendable performance underscores our strong fundamentals and focus on core activities against the backdrop of a challenging environment. The Group continued to be the most profitable Islamic cooperative bank, as well as the second largest Islamic financial institution in Malaysia.

Moving forward, we will continue to focus on internal alignment, particularly to explore the untapped potential within the Bank's businesses and operations, in order to create long-term value to our shareholders. For FY19, we rewarded our members with a dividend payout of 14% of profit after tax and zakat, which amounted to RM406 million, compared with a payout of 13% amounting to RM379 million the year before.

Meanwhile, RAM Ratings had also reaffirmed the AA2/Stable/P1 financial institution ratings of Bank Rakyat and the ratings of the Bank's sukuk, issued through our funding vehicles (Imtiaz Sukuk II Berhad and Mumtaz Rakyat Sukuk Berhad).

CEO's Statement



Moving forward, we will continue to focus on internal alignment, particularly to explore the untapped potential within the Bank's businesses and operations, in order to create long-term value to our shareholders. For FY19, we rewarded our members with a dividend payout of 14% of profit after tax and zakat, which amounted to RM406 million, compared with a payout of 13% amounting to RM379 million the year before.

The reaffirmation is premised on the Bank's strong foothold in personal financing, particularly among civil servants, and sturdy loss-absorbing capacity.

Other recognitions achieved throughout the year include being ranked 'Number one in the Top 100 Malaysian Co-operatives in Malaysia' by the Malaysia Co-operative Societies Commission (SKM); Top Bancatakaful Contributor for the Group Term Takaful Category; Best Islamic Debit Programme at the Mastercard Appreciation Night 2019; and Outstanding Contribution to MyDebit at the Malaysian e-Payments Excellence Awards.

SERVING THE COMMUNITY

This year, Bank Rakyat continued its Corporate Social Responsibility (CSR) initiatives, focusing on providing nutritional food for underprivileged children across Malaysia through our *Nuri Nutrisi* programme. The programme is in line with Bank Rakyat's commitment as the first organisation to be accredited under Malaysia's Sustainable Development Goals,

United Nations Country Team (SDG UNCT) programmes and initiatives. To date, over 2,000 underprivileged students from across the country have benefited from the *Nuri Nutrisi* programmes, that aimed at channelling nutritious food to children under the B40 families.

Among the key SDG goals which the *Nuri Nutrisi* initiative covers are to eradicate poverty and hunger, ensuring health and well-being, providing quality education and clean water as well as addressing universal inequality. In line with these goals, the programme aims to create the 'Sustainable Life' of the local community with various efforts to improve the nutritional status of the community, as well as to protect the social needs of the locals, including non-citizens. The UN plays a big role in encouraging social inclusion and equity. Acknowledging this, it has committed to "leaving no one behind" to help countries promote inclusive growth and achieve the SDGs. Social inclusion is also an integral part of - and vital to - achieving the World Bank Group's twin goals of ending extreme poverty and boosting shared prosperity.



CEO's Statement

As we face the challenges associated with the Fourth Industrial Revolution, we should think of new ways to strengthen and expand our economic and social responsibility. As part of the *Nuri Nutrisi* programme, key interventions include reducing gaps in education by making education more inclusive for children no matter their income or residency status, supporting financial inclusion, investing in infrastructure, and ensuring better access to clean water and sanitation. Addressing these inequities is vital for socio-economic mobility. Therefore, making productive, long-term investments in high quality basic education for all Malaysian children is essential to close the educational - and income - gaps.

In December 2019, we announced our collaboration with Sarawak Islamic Council (MIS) to have better financial management in mosques through the Financial Integrity Programme for Mosques (PINK) in Sarawak. The PINK initiative is aimed at increasing transparency and efficiency of mosques in the state in managing their finances through Bank Rakyat's digital platform, i-bizRakyat.

Through this collaboration, the participating mosques will be able to manage and monitor donations or contributions they receive systematically using the digital platform. It will also ensure donations received by the mosques are distributed fairly for the development of the *ummah*. Sarawak is the first state to implement the PINK initiative and we aim to get at least or 500 mosques or 50 per cent of existing mosques in the state to participate in the programme in 2020.

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. Our RM33 million zakat allocation this year will bring the much-needed aid to uplift the economic and social situation of the needy.



We also continued to contribute to the development of the cooperative sector with our various initiatives and the disbursement of RM35.03 million or 2% of profit before taxation and zakat to the Cooperative Education Trust Fund and 1% of profit before taxation and zakat or RM17.52 million to the Cooperative Development Provident Fund. Our total contribution to these cooperative funds for the year 2019 amounted to RM52.55 million.

Through our endless initiatives and efforts to empower the community this year, we have received various recognitions as an industry player and as an outstanding cooperative organisation in Malaysia as well as internationally. The Bank was recognised as the 'Company of the Year' (Overall Social Responsibility Excellence) at the CSR Awards Malaysia 2019; Best Social Impact Award at the Europa Awards for Sustainability EU-Malaysia Chamber of Commerce and Industry (EUMCCI) 2019; and Social Empowerment, Asia Responsible Enterprise Awards 2019.

Anchored by five vertical pillars, BR25 is aimed at propelling the Bank towards becoming a globally recognised catalyst for national development through a range of financial services rooted in Islamic values, community spirit and sustainability.



CEO's Statement

SERVING THE NATION

Under our five-year BR25 transformation plan, we have identified six main blueprints, namely, digitalisation, great customer experience, human capital development, SME value creation centre, sustainability and Shariah leadership. To realise our goal to become the 'Bank of Choice' for Malaysians, we have embarked on the transformation plan by integrating sustainability into our business strategies.

A three-phase plan, BR25 defines our goals over the next five years. Our previous five-year plan, geared towards the year 2022, had been valuable in keeping our house in order, focusing on operational excellence and strengthening our foundation. Considering the three major forces that are profoundly transforming the entire global banking landscape - digitalisation, globalisation and regulation - the Board of Directors has realigned the plan to the current BR25.

Anchored by five vertical pillars, BR25 is aimed at propelling the Bank towards becoming a globally recognised catalyst for national development through a range of financial services rooted in Islamic values, community spirit and sustainability.

As part of BR25, our goal this year is to accomplish an integrated Islamic banking system via a company-wide banking system called the Core Banking System (COBRA) that is scheduled to be operational in 2020. COBRA will play a key role in the Bank's digital ventures and is aimed at contributing to the growth and development of the community and nation.

Additionally, through the first vertical of focusing on our customers and members, Bank Rakyat aims to offer the most competitive financing rate in order to contribute to improved economic and social development by end 2025. One of the strategies is to reduce the Bank's reliance on our personal financing portfolio.



Over the years, we have been recognised for our strength in the personal financing space. The segment continues to perform well, with our automatic salary deductions for the civil servant segment keeping the Bank's gross impaired financing (GIF) ratio at below 2%. However, almost 80% of our total financing portfolio is currently made up of personal financing, while the remaining 20% is comprised of auto and home financing as well as cooperatives financing.

As we aim to grow more sustainably in the long run, we are cognisant of the need to diversify our financing portfolio. In view of this, we target to reduce personal financing to 70% of our total financing in the coming years as we grow our home, auto, SME and cooperative financing. This year, we aim to expand our financing to SMEs and cooperatives.

Our financing to cooperatives and SMEs is currently small, accounting for RM2.42 billion of our portfolio in 2019, in comparison to personal financing at RM55.53 billion as at end 2019. We aim to double our financing to cooperatives and SMEs to RM5 billion by end 2025 by establishing centres that not only to provide finance but also advice to SMEs as we recognise the need to carve our niche in this sector.

Our renewed focus on cooperatives and SMEs follows the government's launch of the National Entrepreneurship Policy 2030 in July 2019. The policy - set out by the Ministry of Entrepreneur Development and Cooperatives, under which Bank Rakyat falls - aims for the turnover of cooperatives to grow to RM60 billion by 2030 from RM40.3 billion in 2018, and for SME contribution to the economy to increase to 50% from 37.4% during the same period.

LOOKING AHEAD

FY19 was a year of considerable change and challenges, especially in the local economic and political landscapes. For the year 2020, we will continue to focus on assisting cooperatives, SMEs and micro businesses, while not neglecting our core retail business which includes Personal Financing-i, Auto Financing-i, Home Financing-i and Pawn Broking-i Ar-Rahnu.

Aside from expanding our financing portfolio, we are also endeavouring to ramp up our CASA deposits. Our CASA is one of the lowest in the banking industry and to address this, we plan to approach local mosques to deposit with us, aside from expanding our customer base.



While digitalisation will be our main focus in the coming years, we have no plans to shutter any of our 147 branches nationwide, even as we target to transform about 30 of our branches into digital outlets. Our COBRA system, which is targeted to be operational in October 2020, will also include a mobile banking app. We believe digital initiatives are imperative in the transformation of our product offerings and solutions that reflect our commitment to ethical financing.

Bank Rakyat, which is currently the largest Islamic cooperative Bank, has been delivering a consistent average annual operating profit of RM1.6 billion over the last five years and is gearing its products and services to give back to the community and the Bank's customers, showing our commitment to the communities we serve. We will continue to innovate our strategies and exploring new ways to connect with customers and members by having a culture of Boxless Thinking. Given the Covid-19 situation, it is going to be tough to maintain similar level of profitability. Nevertheless, we will continue to thrive and deliver a great profitability number in 2020, insha-Allah.

ACKNOWLEDGEMENTS

I would like to sincerely thank everyone who has played a part in strengthening the Bank's foundation, enabling us to take the organisation forward amidst a rapidly evolving external environment. The past year was fraught with many challenges and I am grateful for the guidance and support shown by our members of the Board. On behalf of the management team, we thank you.

Similarly, I would like to extend our deepest gratitude to the Ministry of Entrepreneur Development and Cooperatives; the Ministry of Finance; Bank Negara Malaysia; the Malaysia Co-operative Societies Commission (SKM) and all related regulatory bodies for their invaluable support.

I would also like to take this opportunity to thank all our stakeholders - shareholders, customers, and the communities in which we operate - for placing your trust in Bank Rakyat as 'Your Bank of Choice'.

Most importantly, our thanks go to our employees for delivering our strong financial performance and growth, for their dedication and exemplary efforts in serving our customers and their overwhelming support in fulfilling our vision and mission. I, along with my colleagues on the management team, have been endlessly impressed by the deep commitment demonstrated by our employees. It has been my pleasure to see everyone taking on the challenges with utmost enthusiasm and dedication.

As we charge forward into 2020, we must all come together with the spirit of one team and challenge ourselves to bring our BR25 strategy to bear and ultimately realise our purpose of 'Serving the Community and Nation'.

DATO' ROSMAN MOHAMED
Chief Executive Officer

Management Discussion and Analysis

Bank Rakyat delivered a commendable performance in FY2019, remaining resilient against a challenging backdrop of economic uncertainties and stiff competition in the retail banking market. During the year, we maintained our position as Malaysia's most profitable Islamic cooperative bank as well as the second-largest Islamic financial institution.



Management Discussion and Analysis

HEADWINDS IN GLOBAL ECONOMY

The global economy grew 2.9% year-on-year (YoY) in 2019 (2018: 3.6%), the slowest pace in 10 years, mainly due to protracted and unresolved US-China trade tensions in addition to doubt over the UK's Brexit plan, which exacerbated the cyclical downturn in global manufacturing and investment activities.

With trade policy uncertainty and geopolitical tensions in key advanced and emerging market economies weighing on global economic activity, especially for manufacturing and trade in the second half of 2019, global trade expanded just 1.0% for the year (2018: 3.7%). This was also the lowest growth recorded since 2009.

Nonetheless, firm consumer demand and broad-based monetary policy easing provided some support to global growth.

Crude oil prices remained stable

Oil prices remained relatively stable, trading within a narrow range throughout 2019 despite prevailing geopolitical uncertainties which caused some undulation in the oil market. The price of the globally benchmarked Brent crude oil averaged US\$64 per barrel (/b) in 2019, \$7/b lower than the 2018 average of \$71, while the price of West Texas Intermediate (WTI) crude oil, the US benchmark, averaged \$57/b in 2019, \$7/b lower than \$64 in 2018.

Oil prices had risen to \$72.8/b for Brent and \$63.91/b for WTI in April 2019 due to the recovery of financial conditions, outages in Venezuela and the US decision to end sanction waivers on Iranian oil imports. However, prices came under downward pressure as US President Donald Trump openly pushed the Organisation for the Petroleum Exporting Countries (OPEC) and Saudi Arabia to raise output to meet the supply shortfall caused by the Iran sanctions. Oil prices then retreated following record production in the US from October 2019 and weaker economic growth prospects, especially in emerging markets.

In response to the declining oil prices, OPEC and non-OPEC oil exporters (including Russia) had in July 2019 agreed to extend their production cuts for another nine (9) months from 1 July 2019 until 31 March 2020. Crude oil prices ended 2019 lower as high US crude oil production, along with soft demand and weaker global economic prospects, outweighing the supply shortfalls triggered by the US sanctions on Iran, producer cuts and strife in Venezuela.

Gold marked strongest annual gain since 2010

Gold price rose 20.71% YoY to \$1,517.27 as at end-2019, the highest annual gain since 2010. The uncertainty created by the US-China trade dispute formed the largest factor affecting the gold market in 2019. A drop in the US dollar, especially between February and March 2019 as well as fears of a global economic downturn also drove investors to safe-haven assets. Other global developments such as Hong Kong protests since June 2019, Brexit deals, tensions in the Middle East and global policy rate cuts (especially by the US Federal Reserve) has influenced gold prices during the year.

MODERATE GROWTH IN MALAYSIAN ECONOMY

The Malaysian economy expanded at a moderate pace of 4.3% in 2019 (2018: 4.7%), weighed down by both external and domestic challenges. This also represented the lowest annual growth since 2016, with 4Q2019 GDP of 3.6% marking the slowest quarterly GDP growth in 10 years.

Major policy and political shifts arising partly from the shutdown of the US federal government, trade war between the US and China, and Brexit contributed to weaker external demand and impacted Malaysia's net exports and investment activities. However, the weakness in investment activities was mitigated by the resumption of several mega infrastructure projects such as the East Coast Rail Link (ECRL), Bandar Malaysia, MRT2 and LRT3.

The domestic economy was also affected by supply disruptions in the commodity and agriculture sectors. Market sentiments during the year remained fragile due to uncertainties and lack of progress in policy directions.

However, the domestic economy remained buoyed by firm private consumption of 7.6% (2018: 8.0%). While the dissipation of the one-off lapse of consumption tax prior to the reversion to the Sales and Services Tax (SST) resulted in the more moderate expansion in private consumption in 2019, household spending was supported by continued stable income, employment growth and key government measures such as the increases in minimum wage and cash transfers (e.g. Bantuan Sara Hidup), and bonus for civil servants. Aggregate nominal wages in the private and public sectors grew at slower rates of 4.2% and 3.7%, respectively, in 2019 (2018: 6.0% and 4.5%, respectively).

Stable labour market

Labour market conditions remained supportive of growth despite being softer. Employment growth was lower at 2.1% (2018: 2.5%), amounting to an additional employment gain of 316,000 persons (2018: 360,250 persons). The labour force participation rate also rose to 68.9% (2018: 68.3%), while the unemployment rate slightly improved to 3.3% (2018: 3.4%). However, retrenchments rose to 29,605 persons (2018: 23,168 persons), according to Department of Statistics Malaysia (DOSM).

Deflation seen for the first time since 2009

Malaysia hit deflation for the first time since the 2009 global financial crisis, with the monthly Consumer Price Index (CPI) declining to -0.7% YoY and -0.4% YoY in January and February 2019, respectively. Meanwhile, average headline inflation decreased to 0.7% YoY in 2019 (2018: 1.0% YoY), mainly reflected by the extension of fuel price ceilings and the festive price control scheme on food items, while the lapse of the consumption tax policy continued to exert overall downward pressure on prices. Lower global oil prices and improved food supply conditions also contributed to the lower domestic fuel and food prices.



Malaysia hit deflation for the first time since the 2009 global financial crisis, with the monthly Consumer Price Index (CPI) declining to -0.7% YoY and -0.4% YoY in January and February 2019, respectively. Meanwhile, inflation decreased to 0.7% YoY in 2019 (2018: 1.0% YoY), mainly reflected by the extension of fuel price ceilings and the festive price control scheme on food items, while the lapse of the consumption tax policy continued to exert overall downward pressure on prices.

Monetary policy still conducive

Bank Negara Malaysia (BNM) reduced the Overnight Policy Rate (OPR) by 25 basis points to 3.00% in May 2019, the first rate cut since July 2016. The monetary policy stance was consistent in supporting a steady growth path amid low inflation. According to BNM, the OPR reduction was intended to preserve the degree of monetary accommodativeness, thus ensuring that monetary policy remained conducive for continued growth and price stability.

This translated to robust household spending which helped to support domestic consumption and economic growth. The lower OPR also reinforces support for financing activities, which would benefit households and business sectors given cheaper funding costs. Financial institutions remained profitable with the support from the sustained financing activity.

FBMKLCI performance

As at 31 December 2019, the FBMKLCI lost 6.02%, or 101 points, YoY to close at 1,588.76 points (2018: -5.9% YoY to 1,690.58 points), making it the worst-performing stock market among the key ASEAN market. At the same time, market capitalisation contracted slightly 1.7% YoY to RM1.71 trillion (2018: RM1.73 trillion).

The benchmark index had climbed steadily at the start of the year, mainly driven by a stronger ringgit, the resumption of mega infrastructure projects and improved investor sentiment from among others, the optimistic outlook on the plantation sector. However, the FBMKLCI was then weighed down by disappointing quarterly corporate earnings, which resulted in negative performance from main sectors during the year. Towards 2H2019, it slipped from its peak of 1,731 points in February due to among others uncertainties over US-China trade talks and other geopolitical developments, to end 2019 below the 1,600 level.

Another year of foreign outflows

Foreign investors pulled out RM11.14 billion of equities from Malaysia. Although this was lower compared to -RM11.69 billion seen in the previous year, foreign funds became net buyers in only 18 out of 52 weeks compared to 31 weeks of net buying in 2018. Despite the smaller change in foreign net outflow in 2019, Malaysia's equity market recorded the largest outflow in the ASEAN region.

The movement in the local equity market was largely driven by changes in investor sentiments following the growing uncertainties in the external economic environment. The persistent foreign selling was also triggered by idiosyncratic events such as the FTSE Russell's decision to maintain Malaysia under watch list for World Government Bond Index.

Volatile ringgit

The ringgit ended 2019 at RM4.0925 against the USD, appreciating by 1.1% YoY (Dec 2018: RM4.1385/USD) but averaging higher at RM4.1426 per USD (2018 average: RM4.0328/USD). The local currency also marginally appreciated against the trade-weighted basket of currencies of Malaysia's major trading partners by 0.8% in 2019, on continued heightened risk aversion in global financial markets amid worsening trade tensions and concerns on the global growth outlook.



The local note strengthened to a high of RM4.0615 against the greenback in March, before weakening to a low of RM4.2203 in early September 2019 partly due to the lower crude oil price. The lack of positive catalysts in the domestic economy and prevailing political uncertainties, further added to the ringgit's weakness. It subsequently strengthened towards year-end on growing expectations that the Fed would deliver another rate cut as well as the positive development seen in the US-China trade talks and uptrend in commodity prices.

CONTINUED GROWTH OF BANKING SECTOR

The local banking sector continued growing during the year despite the challenging environment.

- **Financing growth moderated:** Financing growth for the banking industry eased at 3.9% YoY (Dec 2018: 7.7% YoY), driven by moderate growth in both the household (2019: 4.7% vs 2018: 8.3%) and non-household (2019: 2.7% vs 2018: 6.8%) segments, against a backdrop of weak business and consumer sentiments for the year. For Islamic finance, a slower growth

For Islamic finance, a slower growth was recorded at 8.3% in 2019 (2018: 17.8%), but accounted for a higher share of 39.2% (2018: 37.7%) of total banking sector financing. The growth in proportion of Islamic finance reflects a continuous growing awareness and wider public acceptance of Islamic financial solutions as a competitive alternative to conventional finance with distinct value propositions.

was recorded at 8.3% in 2019 (2018: 17.8%), but accounted for a higher share of 39.2% (2018: 37.7%) of total banking sector financing. The growth in proportion of Islamic finance reflects a continuous growing awareness and wider public acceptance of Islamic financial solutions as a competitive alternative to conventional finance with distinct value propositions.

- **Asset quality remained sound:** Impairments remained low across most credit portfolios and have been relatively stable as a share of total financing impairments to total banking system financing maintained at 1.5% (Dec 2018: 1.5%). While there were some deteriorations in financing performance in specific segments of the household and business sectors, based on BNM's report, the potential losses remain within the banks' financial buffers. Overall household impairments continued to be driven by residential property financing, which have increased markedly in recent quarters due to a low base effect, while impairments from the business side were attributed to a few sizeable impairments in the manufacturing and agriculture sectors, in particular.
- **Deposit growth decelerated:** Throughout 2019, the banking system's total deposit growth slowed, hitting 2.9% YoY (Dec 2018: 9.2% YoY), marking the lowest growth in three (3) years due to the drop of deposits in business entities. Total funds placed with Islamic banks represented 38.0% of total banking sector deposits (2018: 36.6%).

Higher CASA growth of 6.7% YoY was recorded in 2019 (2018: 1.2% YoY), almost equally contributed by retail and non-retail depositors and driven by intense competition to expand deposits. The proportion of CASA to total deposits had increased to 26.9% as at end-December 2019 (5-year average: 26.2%, 2018: 25.6%).

- **Liquidity remained contained:** The banking system's Liquidity Coverage Ratio (LCR), which indicates banks' ability to meet liquidity needs over a 30-day stress period, stood at 149% as at end-2019 (2018: 143%), with all banks recording LCR levels above the regulatory minimum of 100%. The implementation of the Net Stable Funding Ratio (NSFR) requirement to complement the LCR will be phased-in with a minimum compliance ratio of 80% in July 2020 and 100% in September 2021.

FULFILLING OUR INSTITUTIONAL MANDATE

Our progress in achieving our institutional goals remained largely positive in 2019, with the Bank meeting or surpassing most of its 2019 targets.



SHORT/MEDIUM/LONG TERM	DEVELOPMENT OUTCOMES		
	Objective	Strategic Actions	Actual Performance December 2019
	High level impact analysis on DFIs 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
	• 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
	MANDATED SECTOR OUTPUT		
	Institutional achievement in supporting the needs of targeted sectors		
	• Implementation of Government specific initiatives	Assisting rural area's Bumiputra entrepreneur • <i>Skim Pembiayaan Ekonomi Desa</i> (SPED)	Medium Term SPED: • Fund Utilisation (Approval) - RM0.94 mil • 10 applications
		Assisting micro entrepreneurs in developing their business • <i>Skim Pinjaman Penjaja Bergerak</i> (SPPB)	Medium Term SPPB: • Overall disbursement - RM0.65 mil
		Comprehensive and Integrated Entrepreneurship Development • Providing financing to Cooperatives	Medium Term Financing to Cooperatives: • Approval - RM183.09 mil
		Comprehensive and Integrated Entrepreneurship Development • Providing financing to SMEs and Microentrepreneurs	Medium Term Financing to SMEs and Microentrepreneurs: • Approval - RM203.54 mil
	• Provision of advisory and consultancy services	Provide value-added services in developing & nurturing SMEs • Seminar for co-op and entrepreneur development	Medium Term • 13 seminars for the year

SHORT/MEDIUM/LONG TERM	ORGANISATIONAL SOUNDNESS		
	Objective	Strategic Actions	Actual Performance December 2019
	Institutional requisites to facilitate DFIs in achieving mandated activities		
	• Achieve financial sustainability	Initiatives undertaken to maintain safe and sound operating conditions • Risk Weighted Capital Ratio (RWCR)	Long Term • 24.12%
		Core Capital Ratio	• 22.64%
		Liquidity Coverage Ratio	• 258.27%
		Net Stable Funding Ratio	• 106.70%
		Profit Before Tax and Zakat	• RM1.75 bil
		Return on Shareholders' Fund (ROSF)	• 9.56%
		Return on Assets (ROA) Profit Before Tax and Zakat	• 1.62%

REVIEW OF FINANCIAL PERFORMANCE

The Group recorded profit before tax and zakat of RM1.79 billion for FY2019 against RM1.86 billion in FY2018, and net profit of RM1.15 billion. The stable profits were contributed by net income which rose 3.26% YoY, driven by growth in core operating income and lower funding cost which declined 1.62% YoY following the reduction in the Overnight Policy Rate (OPR) in 2H2019. Efforts to increase CASA also positively impacted earnings.

Total assets rose 2.6%, or RM2.73 billion, to RM109.62 billion from RM106.89 billion as at the end of FY2018. Growth was mainly driven by financing and advances, which increased 2.8% to RM70.97 billion. Return on Assets (ROA) during the year remained healthy, at 1.7%, and well above the domestic banking industry's ROA of 1.6%.

The Group's gross financing balance amounted to RM72.42 billion, compared to RM70.40 billion in FY2018 as the Group saw results from diversifying its portfolios, mainly from home, car and business financing, to meet stiffer competition. Home financing grew 12.3% to RM6.65 billion, while car financing grew 11.2% to RM3.08 billion. Meanwhile, business financing, especially the cooperative segment, grew 9.0% to RM2.42 billion. Our personal financing balance stood at RM55.53 billion, a moderate increase of 1.2%, in line with the Group's long-term strategy to reduce overall dependency on personal financing.



The Financing Loss Coverage remained high at 127.3% (2018: 115.8%), surpassing the domestic industry's average of 89.6%. In addition, as a result of continued close monitoring of our asset quality, the Group's gross impaired financing ratio improved to 1.93% from 2.12% previously.

The Group's deposits stood at RM83.83 billion in 2019, compared to RM82.74 billion previously, with CASA balances improving significantly at 15.1% to RM6.60 billion.

Demonstrating our strong capital position, the Group's shareholders fund rose 9.4% to RM19.55 billion in 2019 (2018: RM17.87 billion) contributed by the net profit for the year. As at 31 December 2019, Risk-Weighted Capital Ratio and Core Capital Ratio after the

proposed final dividend remained strong at 23.6% and 22.1%, respectively. These capital ratios were well above the minimum regulatory requirements, making the Group as one of the strongest banks in terms of capital position.

The Group has announced a dividend of 14% with an estimated pay out of RM406 million to all its members for the year 2019. Additionally, the Group contributed 2% of its profit before taxation and zakat, amounting RM35 million, to the Co-operative Education Trust Fund and 1%, or RM18 million, to the Co-operative Development Provident Fund as part of its mandated role in the cooperative ecosystem. For the year, our total contribution to these cooperative funds amounted to RM53 million.

Management Discussion and Analysis

Stable 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) foothold and robust loss-absorbing capacity.

RAM acknowledged that the Bank has a good buffer against any potential credit losses with its sturdy capital position. As at end-June 2019, the Bank’s Basel I Tier-1 capital and total capital ratios (excluding its profit in 1H fiscal 2019) stood at a respective 21.1% and 22.5%.

The Bank’s asset quality has been supported by its PF portfolio that benefits from repayments via salary-deduction and transfer mechanisms. As at end-June 2019, the Bank’s overall gross impaired financing ratio slightly improved to 2.1% due to higher levels of recoveries in its financing to business enterprises.

REVIEW OF OPERATIONS

Retail banking

Gross Financing

Gross financing is slightly higher by 2.98% due to the consolidation and streamlining of business focus in line with the 5 Years Business Plan (5YSP).

Personal Financing-i

Personal Financing-i continues to be the central component of the Bank’s retail banking business. The portfolio increased 1.2% in FY2019, compared to a decline of 2.0% 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 striving to broaden the customer base, diversifying to other customer segment to namely the private sector and non-fixed income earners. The personal financing portfolio figure was recorded at RM55.53 billion as at the end of 2019.

Home Financing-i

Bank Rakyat’s Home Financing-i segment recorded substantial growth of 12.3% in 2019 with a sum of RM6.65 billion as compared to RM5.92 billion in 2018.

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 financing 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.

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. 2019 saw the growth of Auto Financing-i by 11.2% to RM3.08 billion compared to RM2.77 billion in the previous year.

Pawn Broking-i

An alternative to conventional pawn broking, Pawn Broking-i (Islamic pawnbroking or Ar-Rahnu) 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 at 140 branches and 45 Ar-Rahnu X’Change outlets that operate from Monday to Saturday.

Ar-Rahnu now stands at number one in Malaysia with 45% market share, and contributed RM1.94 billion of balances in 2019.

Deposit

In 2019, our total deposits rose by 1.3% or RM1.10 billion to RM83.83 billion as compared to RM82.74 billion in 2018. As at December 2019, our eCA-i balance was recorded at RM1.72 billion, which saw an increase of RM319.27 million from the figure in the previous year while our SA-i balance has increased to RM4.88 billion or 12.6% as compared to the figure collected in 2018. TD-i balance on the other hand recorded a 3.3% increase to RM71.22 billion.

Our deposits saw a slight increase in line with the better overall industry’s financing growth as part of strategy to scale down the holding of High Quality Liquid Assets (HQLA) in second half of 2019.

Business banking

Business Banking Division manages the Bank’s Corporate, Commercial, Cooperatives, SME & Micro financing customers, looking into needs and monitoring the end to end process of providing business financing to customers.

Summary of Performance FY2019

- Improved Total Financing Assets by 6.78% to RM4,788.7 million from RM4,484.6 million (FY2018).
- Improved Financing Income by 4.75% to RM285.04 from RM272.10 million (FY2018).
- PBT stood at RM114.07 million. Higher PBT during FY 2018 was due to writeback of impairment during the year.

Financing Sector

- Financing to Cooperatives which is the Bank’s mandated role consist of 50.6% from the total financing assets.
- Followed by Construction Sector (19.17%) and Other Finance, Takaful, Real Estate And Business Activities (14.56%).

Moving forward

FY2020, Business Banking is expected to growth 9.0% to RM5.24 billion from RM4.78 billion FY2019. The main focus will be on SME financing in line with BR25 Strategic Plan and SME Blueprint. Bank Rakyat’s SME portfolio expansion is in line with the Ministry of Entrepreneur Development and Cooperative (MEDAC) new National Entrepreneurship Policy (NEP), which aims to elevate Malaysia to be a full-fledged entrepreneurial nation by 2030, with the objectives of strengthening the economic contribution of Small and Medium Enterprises (SMEs) to the country’s Gross Domestic Product (GDP) to 50% by 2030 (from 37.4% in 2018).

Micro Financing-i

Offered to micro entrepreneurs to finance business requirement.

Management Discussion and Analysis

Business Banking	2015 (RM mil)	2016 (RM mil)	2017 (RM mil)	2018 (RM mil)	2019 (RM mil)
Financing assets	4,879.68	4,744.5	4,366.2	4,484.64	4,788.70
Financing Income	339.2	307.7	310.4	272.10	285.04
Profit Before Tax (PBT)	221	67.3	164.4	200.79	114.07

Micro Financing Offered to Micro Entrepreneurs

As for micro financing, the overall achievements for 2019 are as below:

Approval - RM36.84 million
Disbursement - RM36.36 million
Outstanding Balance - RM80.07 million
Income - RM12.31 million

Financing to Entrepreneurs under Government Mandated Funds:

- i) Rural Economic Financing Scheme (SPED)**
As at December 2019, RM195.70 million was disbursed to 1,863 applicants.
- ii) Micro Traders and Hawkers Scheme Fund (MPPK-i)**
A total of RM79.69 million was disbursed under this scheme to 18,194 accounts as at December 2019.
- iii) SME Corp Fund: Enrichment and Enhancement Programme (E²)**
As at December 2019, a total of RM5.73 million of this fund was disbursed to 134 customers, aiding them to further grow their businesses.
- iv) Skim Pinjaman Penjaja Bergerak (SPPB)**
As at December 2019, a total RM1.16 million under this scheme was disbursed to 13 entrepreneurs.

Delivery channel

Virtual Channel in Focus

Bank Rakyat is always aspiring to provide new features in shaping our virtual banking services to meet the evolving customer needs for digital innovation and banking solutions.

Besides our pre-existing virtual channel of iRakyat which has catered the need of our retail customers, Bank Rakyat has also established i-bizRAKYAT for non-individuals and corporate customers. Moving forward, Bank Rakyat mobile banking application will soon be introduced to provide extensive digital experience through dynamic mobile capabilities.

Physical Channel in Focus

Though Bank Rakyat enthusiastically embracing the digital technologies, brick-and-mortar plays a vital role in gaining our customers’ satisfaction. To find the right balance in connecting with our customers, Bank Rakyat is constantly reviewing and improving the bank physical channel footprint.

As at December 2019, we have 147 branches with 974 automated teller machines (ATMs) and cash deposit machines (CDMs), 4 Rakyat Xcess, 27 Ar-Rahnu X’Change, and 18 Rakyat Combo (combination of Rakyat Xcess and Ar-Rahnu X’Change) nationwide. In addition, Bank Rakyat has 4 *Bank Bergerak* and 312 Agent Banking to reach communities with limited access to banking services in facilitating financial inclusion needs.

Services at Channels

Bank Rakyat is committed to facilitate customer’s day to day financial activities beyond the banking facilities by partnering with diversified organisation to provide various financial services such as Tabung Haji, Suruhanjaya Syarikat Malaysia, Perbadanan Tabung Pendidikan Tinggi Nasional, Merchante Asia Sdn. Bhd., Districts Offices, Majlis Agama Islam Negeri-Negeri, Zakat Negeri, telecommunication companies and many more to ensure that the Bank’s customer benefitted Bank Rakyat as their one stop centre.



Treasury

Performance review

2019 has been one of the clearest demonstrations yet of the dichotomy between underlying fundamentals on the one hand and the impact of central banks’ alchemy on asset prices coupled with mixed investor sentiment on the other.

The FTSE Russell’s review on Malaysia’s potential exclusion from the WGBI weighed on investor sentiments that causes volatility in the local bond market. Additionally, weak corporate earnings growth, lingering US-China trade tensions and foreign outflow from the country continued to roil the domestic market. However, Malaysia’s adequate levels of international reserves, sound monetary policy and a flexible exchange rate also accord some buffer against these shocks. In retrospect, following a somber end to 2018, equity markets delivered very strong returns in 2019. Remarkably, the Ringgit and traditional ‘risk-off’ assets such as bonds also performed well, which is atypical.

Notably, the majority of our portfolio are in fixed income mainly because it provides preservation, as well as you see also capital gains during central bank’s easing cycle but equity and money market still give us that enhancement during economic growth up cycle.

The biggest driver of this strong performance across asset classes in 2019 was the accommodative monetary policies by Bank Negara Malaysia (BNM). Overnight Policy Rate (OPR) was reduced by 25bps, to 3.00% from 3.25% while later in 4Q2019, the Statutory Reserve Requirement (SRR) ratio was lowered from 3.50% to 3.00%. The reduction of the SRR was undertaken to maintain sufficient liquidity in the domestic financial system. This will continue to support the efficient functioning of the domestic financial markets and facilitate effective liquidity management by the banking institutions.



Treasury will continue to gain from its composition of fixed income assets while maintaining stable liquidity positions in the tough global market settings.

Hence, Treasury continued to preserve strong liquidity positions for the bank during the challenging market landscape while efficiently enhanced the Bank’s funding composition and optimised its assets allocation. Total Treasury income generated stood at RM1.424 billion, mainly attributed to strong recovery in equity and accelerated performance in fixed income. Treasury managed to sustain the overall portfolio return in declining yield environment while lowering the overall cost attributed to prudent funding management by money market department to fund the treasury’s assets expansion with strong support from treasury sales.

Moving forward

Investors are expecting shrinkage in global growth on the back of trade dispute and further policy makers intervention as we enter 2020. The Sino trade talk progress has been lagging and the unprecedented contagious COVID-19 contracted worries to investors worldwide. Foreign exchange and fixed income assets is expected to face ultimate challenges since the US Dollar is predicted to continue to outperform other currencies because of its safe-haven status. Large scale interventions of fiscal and monetary is in place to inhibit major impact of economic downturn.

Treasury will continue to gain from its composition of fixed income assets while maintaining stable liquidity positions in the tough global market settings. Treasury is to ensure sufficient liquidity for the bank’s daily operation by mobilizing the liquidity funding vehicles.

Other strategic priorities include active management of the internal and regulatory ratios while improving the bank funding composition in reducing profit rate environment.

These considerations make for a challenging investment landscape to navigate going forward. Treasury will continue to anticipate that a balanced - yet decidedly defensive - positioning remains appropriate as we embrace the new normal ahead.

DELIVERING OUR CUSTOMER PROMISE

We undertook a number of initiatives in 2019 as part of continuous efforts to improve customer acquisition, retention, loyalty and satisfaction, as well as to improve the Bank’s marketing and branding. These initiatives comprised a Malaysian Banking Industry Customer Satisfaction Survey (MBICSS), Mystery Shopping (MS) and a Birthday Wishes to customers.

Malaysian Banking Industry Customer Satisfaction Survey

The MBICSS was undertaken to evaluate customer service standards in the local banking industry as well as establish a common benchmark for banks in Malaysia to help their customers make better financial decisions. Additionally, the survey findings will help the industry in reinforcing fair and responsible practices, promote quality and transparency of customer services as well as identify their strengths and opportunities against the minimum industry service standards.

This survey is a joined effort by Association of Banks in Malaysia (ABM) and Association of Islamic Banking and Financial Institutions Malaysia (AIBIM), with full support of Bank Negara Malaysia (BNM). 20 banks participated, and 350 customers participated for each bank. The output on MBICSS shared herein is purely based on presentation made to Bank Rakyat on Bank Rakyat performance.

Areas of measurement:

1. Key measure of MBICSS is Net Promoter Score (NPS). NPS (Promoter-Detractor) is a world’s leading metric for measuring loyalty.
2. Second level measure is overall Customer Satisfaction as per Customer Service Charter Pillars:
 - a) Pillar 1: Know Your Customer
 - b) Pillar 2: Timely & Efficient Service
 - c) Pillar 3: Transparent & Personable Service
 - d) Pillar 4: Banking Made Accessible

Results:

1. NPS score is +42, place us at 9th position out of 20 participating banks. This score is higher than Industry Benchmark (+41).
2. Overall Satisfaction is 81%, places us at 13th out of 20 participating banks. Bank Rakyat is at par with Industry Benchmark (81%), and above the minimum service standard (80%).

We undertook a number of initiatives in 2019 as part of continuous efforts to improve customer acquisition, retention, loyalty and satisfaction, as well as to improve the Bank’s marketing and branding.

Top three (3) drivers of NPS are:

1. Experience factors are the key drivers especially on overall satisfaction.
2. Products and services offered are unique and different than others.
3. Products and services offered are relevant to my needs.

For customers to give high recommendation (Promoter), among areas that need improvements are branch related experience and ATM/CDM functionality.

Based on the survey, the most important Pillar in driving customer satisfaction is Pillar 4, follow by Pillar 1.

Mystery Shopping

The MS exercise objectives are to measure consistency of the SOPs carried out by branches, to ensure branches deliver great customer experience, to identify gaps and areas of improvement, to evaluate Customer Service Ambassador (CSA) performance and for Branch Service Rating evaluation. Performance of 147 branches is tracked on a yearly basis.

Results:

The overall score is 84%, meet the minimum service standard (80%).

Our strengths are SST area and external/ internal façade, where we ensure cleanliness, tidiness and minimal decorations.

Our areas of concern are customer’s greeting by Customer Service Ambassador (CSA) and cross selling of other products by sales representatives or tellers.

Action Plans:

- 1. Customer Service Management Zones (CMSZ) continuously perform Branch and Region Engagement session to share survey results, to inculcate high performance customer service culture, to highlight areas of improvement, to identify challenges, provide support & guidance.
- 2. Conduct Customer Service Training with the aim to achieve high customer retention, acquisition of new customer and sustain the Bank's business performance.
- 3. Implementation of Customer Service Ambassador to act as the first touchpoint with customers, to understand and address customers' needs and wants.
- 4. Established Head Office Turnaround Time (TAT). The objectives of this initiative are to ensure all departments deliver a high standard of services, to improve response time, to identify drivers of customer's satisfaction and to identify gaps and areas of improvement.
- 5. Improving complaint handling work process and enhance complaint system (Customer Management System) to show that Bank is serious in delivering fast resolution of disputes.

Birthday wishes

To make customers feel recognized, valued, respected and worthy of special treatment, we send birthday wishes to 193,717 recipients during the year.

Complaint management

During 2019, 94% of total complaints were resolved within 14 days.

LEVERAGING ON TECHNOLOGY

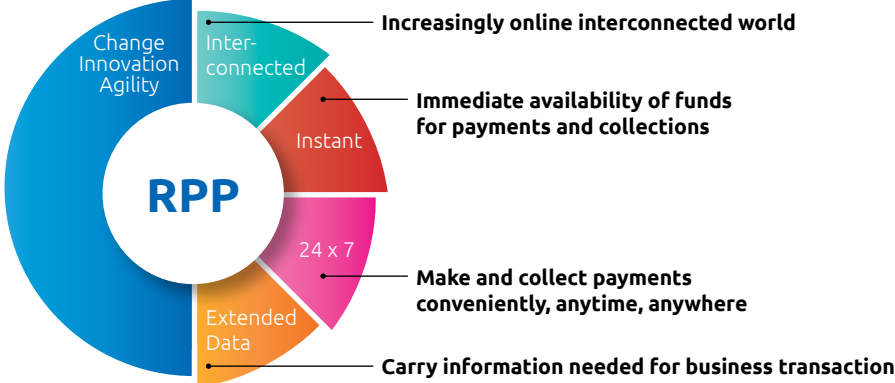
Technology continues to influence the provision of financial services and are expected to grow increasingly vital going forward as we advance further into the digital age. During the year, additional enhancements were implemented within our service offerings to ensure operational efficiency and customer convenience.

Real-time Retail Payment Platform (RPP)

The RPP is driving a quantum leap in payments infrastructure by offering consumers, through participating institutions, a simpler way to pay through a Proxy Addressing Service.

Our company-wide banking system, Core Banking System (COBRA) is scheduled to be operational next year and will play a key role in our digital ventures. During the year, we held a townhall to share updates to all staff on the COBRA initiative. COBRA will form our new, unified core banking system using the latest digital technology which will enable flexibility and scalability to drive our business growth.

Customers registered for the Proxy Addressing Service can receive payments via easy-to-recall information such as mobile numbers or NRIC numbers, without the use of banking account information. Consumers will also be able to move their Proxy Addressing Service identifier between accounts or financial institutions, empowering customers to more conveniently direct the flow of their incoming payments.



COBRA (New Core Banking System)

Our company-wide banking system, Core Banking System (COBRA) is scheduled to be operational next year and will play a key role in our digital ventures. During the year, we held a townhall to share updates to all staff on the COBRA initiative. COBRA will form our new, unified core banking system using the latest digital technology which will enable flexibility and scalability to drive our business growth.

The new system is expected to realise the following benefits:

iRakyat security enhancement

In an effort to strengthen the security of our iRakyat online banking platform, during the year we enhanced the required parameters for customers' iRakyat passwords to include digits and special symbols along with upper and lower-case characters. We have also introduced CAPTCHA tests and other relevant security features to safeguard iRakyat transactions, including from brute-force attacks.

Corporate internet banking

Our corporate internet banking service was upgraded during the year with the replacement of iRakyat Commerce platform to provide Cash Management Services to our corporate customers online through a customer-oriented and secure channel. The initiative also provides straight-through processing for corporate customers to perform transactions and allows our corporate customers to view business data across their various operating units.



Enterprise Risk Management System (ERMS)

The implementation of the Enterprise Risk Management System is crucial to facilitate decision making to achieve strategic plans and manage the unpredictable business environment. During the year, we successfully implemented the following ERMS modules:

- Market Risk
- Credit Risk
- Enterprise Risk Management
- Risk Based Capital Planning



Management Discussion and Analysis

ENGAGING WITH OUR COMMUNITIES

Our CSR initiatives impacted 21,012 beneficiaries in 2019, with RM478,472 spent on our Nuri Nutrisi programme at 45 schools nationwide. We have also introduced Kebun Nuri Nutrisi at five schools.

Nuri Nutrisi

Nuri Nutrisi was officially launched during the Nuri Nutrisi Cycle for Charity event in Perlis which was attended by DYTMM Tuanku Raja Muda Perlis, Tuanku Syed Faizuddin Putra Ibni Tuanku Syed Sirajuddin Jamalullail. This event marked the beginning of Nuri Nutrisi initiative, which is the core of the Bank's Corporate Social Responsibility (CSR) for the year 2019.

This programme is aimed at channeling nutritious food to children under the B40 families. Through this programme, each child will gain a positive perspective on the importance of embracing nutritious and healthy eating habits.

Among SDG's important aims that is in line with Nuri Nutrisi programme are eradication of poverty and hunger, guarantee of health and well-being, providing quality education and clean water as well as reducing the issue of universal inequality.



In line with these goals, the programme aims to create the 'Sustainable Life' of the local community with various efforts to improve the nutritional status of the community, as well as to protect the social needs of the community. In 2019, 6,785 students benefited from the Nuri Nutrisi programme.

Partnership with the UN







The Nuri Nutrisi programme also paved the way for us to become the first local organisation to partner under the United Nations in Malaysia's 'Together for Sustainable Development Goals (SDGs)' programme. The Together for SDGs Hub is designed on the principles of 'crowdsourcing' and responds to the need for effective resource mobilisation by matching financial and non-financial contributors in developing initiatives to address SDG-related gaps in areas of Leaving No One Behind, Gender Equality and Women's Empowerment and Environmental Sustainability. Our initiatives under this programme are spearheaded by our Nuri Nutrisi programme, while we have also undertaken activities aligned with relevant SDGs.

These include SDG 6: Clean water and sanitation, where our SEKOLAH LESTARI-ANUGERAH ALAM SEKITAR (SLAAS) programme was jointly held with the Department of Environment and the Ministry of Education, with technical support from Universiti Kebangsaan Malaysia's (UKM) Institute for Environment and Development (LESTARi). The initiative, which educates youth on keeping toilets clean and well-maintained to avoid the outbreak of epidemics and infectious diseases, reached 14,264 students in 2019 and has benefited 16,308 students since 2017. The SLAAS award ceremony for 2018/2019 was held on 19 October 2019 in conjunction with Environment Day.

In line with SDG 14: Life below water, YBR together with Universiti Malaysia Terengganu held a Coral Reef Awareness education programme for replanting damaged coral reef in affected areas. A coral reef restoration workshop was also held to discuss recovery efforts and ways to raise awareness on the issue among the local community. Additionally, to ensure long-term sustainability through awareness on environmental conservation, YBR held two series of a Recycling Education Programme at the Kejohanan Bola Sepak 7 Sebelah 1 Murid 1 Sukan KPM-YBR (Kejohanan 7S1M1S) and through its participation in the National Sports Day. The programmes were aimed at raising environmental awareness among youth through separation of glass, paper, tin and plastic waste. 470 participants were involved in the Recycling Education Programme while the coral reef replanting effort recorded 145 participants.

Also aligned to the SDGs, in December 2019 we launched our Entrepreneurship Development Centre in Pulau Bum Bum as well as donated equipment to process sea produce in an effort to create job opportunities for the local community.

Management Discussion and Analysis

No.	Programme	No of Recipients	Sustainable Development Goals (SDGs)		
1.	Nuri Nutrisi SMK Sanglang, Perlis	20		Goal 1 - No Poverty	
2.	Nuri Nutrisi SMK Langkawi Pulau Tuba	20			
3.	Nuri Nutrisi SK Bagan Nyior, Langkawi	20			
4.	Nuri Nutrisi SK Lubuk Cempedak, Langkawi	20			
5.	Nuri Nutrisi SK Tuba, Langkawi	20			
6.	Kebun Nuri Nutrisi Tunku Putra, Perlis	100			
7.	Nuri Nutrisi Kulai, Johor	50			
8.	Nuri Nutrisi Kota Bharu, Kelantan	5			
9.	Nuri Nutrisi Dungun, Terengganu	4			
10.	Nuri Nutrisi SK Majidi, Johor Bahru	31			
11.	Nuri Nutrisi UniMAP, Perlis	50			
12.	Nuri Nutrisi Athletic Competition for Special School Students	800			
13.	Walkathon UiTM Melaka with Bank Rakyat	200			
14.	Nuri Nutrisi SK Lendu, Melaka	30			
15.	Nuri Nutrisi Dato' Nanning, Melaka	30			
16.	Nuri Nutrisi Sungai Petai, Melaka	30			
17.	Kebun Nuri Nutrisi UiTM Jasin, Melaka	90			
18.	Nuri Nutrisi Pulau Mabul, Semporna, Sabah	30			
19.	Kasih BRamadan SK Kampung Tun Ku, PJ	200		Goal 2 - Zero Hunger	
20.	Kasih BRamadan SK Sungei Way, PJ				
21.	Kasih BRamadan SMK Taman Medan, PJ				
22.	Kasih BRamadan SK Iskandar, Alor Setar, Kedah				
23.	Kasih BRamadan SK Seri Cempaka, Kota Bharu, Kelantan				
24.	Kasih BRamadan SMK Agama Sheikh Hj Mohd Said, Seremban				
25.	Kasih BRamadan SMK Muara Tuang, Kota Samarahan				
26.	Kasih BRamadan SMK Majakir, Papar		Goal 3 - Good Health and Well-Being		
27.	Nuri Nutrisi Aidilfitri Bank Rakyat - Buletin Sukan TV3			15	
28.	Nuri Nutrisi SK Subang Bestari 2			30	
29.	Nuri Nutrisi SMK Lela Segara, Kuala Terengganu			30	
30.	Nuri Nutrisi Tok Adis, Kuala Terengganu			30	
31.	Nuri Nutrisi at Cries of The Germs UiTM Shah Alam			200	
32.	Nuri Nutrisi SMK Tengku Sulaiman, Perlis			30	
33.	Nuri Nutrisi SK Green Lane, Georgetown, Pulau Pinang			30	
34.	Entrepreneurship Development Centre, Pulau Bum Bum, Semporna, Sabah		80		Goal 4 - Quality Education
35.	Nuri Nutrisi SK Balimbang, Semporna, Sabah		30		
36.	Nuri Nutrisi SMK Bum Bum, Semporna, Sabah		30		
37.	Nuri Nutrisi Bank Rakyat with FELDA Mempaga, Pahang		30		
38.	Nuri Nutrisi exhibition at Muzium Negara		150		
39.	Kebun Nuri Nutrisi at Kolej Vokasional Kuching		491		
40.	Nuri Nutrisi SK Green Lane, Georgetown, Pulau Pinang		30		
41.	Kebun Nuri Nutrisi at SK Green Lane, Georgetown, Pulau Pinang		991		
42.	Kebun Nuri Nutrisi at PERKIM, Alor Setar, Kedah		47		
43.	Bear-A-Thon MSU Run with Bank Rakyat	500		Goal 6 - Clean Water and Sanitation	
44.	Nuri Nutrisi SK Seksyen 24	150			
45.	Nuri Nutrisi SK Bandar Anggerik	150			
46.	Nuri Nutrisi SK Seksyen 13	150			
47.	Sponsoring water purifier to UniMAP	250			
48.	Bank Rakyat 3R Campaign (Reduce, Reuse, Recycle)	1,591		Goal 12 - Responsible Consumption and Production	
TOTAL		6,785			

Management Discussion and Analysis



Education Programmes

Yayasan Bank Rakyat continued to fund the Pembiayaan Pendidikan Boleh Ubah (PPBU) programme, which channels financial aid to less fortunate students keen on furthering their studies at the tertiary level. In 2019, 758 students received funding worth RM20.07 million. Since 2008, 4,849 recipients have benefited from RM130.0 million in financial aid to further their studies locally and abroad from diploma through to PhD levels.

During the year, Yayasan Bank Rakyat launched Biasiswa Yayasan Bank Rakyat to provide scholarships to excellent students pursuing Bachelor's degrees locally. The scholarships provide opportunities to SPM school-leavers, diploma and undergraduate students to further their studies while helping to improve their socioeconomic status. 24 students received RM2.25 million worth of scholarships during the year.

In addition to providing funding and scholarships, Yayasan Bank Rakyat also recognises the efforts of graduates in maintaining excellent results during their undergraduate studies through the Majlis Anugerah Graduan Cemerlang. 47 graduates received RM1,000 each at the Majlis Anugerah Graduan Cemerlang 2019, which also serves to inspire other students who are still undergoing their studies.

Our Program Pembangunan Pelajar ensures scholarship and financial aid recipients receive a balanced education to produce well-rounded and marketable individuals. In 2019, 1,029 scholars participated in the programme held in two sessions. This year, the annual programme also touched on humanitarian leadership development through a collaboration with MERCY Malaysia, which provided students with exposure to volunteerism.

To maintain students' momentum during their studies, YBR's Program Pemantapan Pelajar continued to provide support to students with CGPA of less than 3.0. The programme is aimed at motivating and inspiring students to stay focused on their studies. It also provides a platform for students to feel appreciated and to share challenges they face. In 2019, 103 students participated in the programme.

Yayasan Bank Rakyat continued sponsoring the Seminar Didik Rakyat programme in collaboration with Berita Harian to support UPSR, PT3 and SPM candidates. 51 seminars were held throughout the country in 2019 involving 11,202 students. Since 2014, 64,133 students have participated in the programme.

Yayasan Bank Rakyat also held the Icon Live Up the Dreams Programme, a motivational programme featuring renowned speakers representing icons for students to emulate upon completing school. In 2019, 30 schools nationwide participated in the programme, reaching 9,684 students. Since 2014, 32,741 students have benefited from the programme.

The Tuition Rakyat programme has been held since 2015 to provide underserved students with access to tuition and extra classes and bridge the educational divide between urban and rural students. In 2019, 199 schools were provided with Tuition Rakyat classes involving 9,050 students. To date, 67,223 students have participated in Tuition Rakyat classes.

In line with the Ministry of Education's focus on the STREAM (Science, Technology, Reading, Engineering, Arts and Mathematics) concept in schools, Yayasan Bank Rakyat launched the Nuri Lab smart bus initiative providing modules and activities through creative and interactive learning.

Travelling throughout peninsular Malaysia, during the year the Nuri Lab team provided 26,258 students in 91 locations with access to fun and informative learning opportunities outside the classroom. Held since 2018, the smart bus has reached 56,753 students, focused on primary school students.

As part of our Back to School 2020 campaign, we channelled RM100 each to 100 primary and secondary school students from the B40 group in 136 locations in Malaysia to help them prepare for the start of the new school year. 14,264 students benefited from the Back to School programme. Through our branches, we channeled the aid to eligible students through the opening of Nuri Bank Rakyat savings accounts. 18,871 students have received the aid since 2018.

Our BR Protégé programme is a professional training programme aimed at training financial advisors by providing opportunities to gain experience while providing career opportunities. The year-long programme exposes trainees to related management training as well as soft skills. In addition to classroom sessions, participants are also placed at our bank branches. In 2019, 51 graduates were offered to participate in the programme with placement at 51 of our branches.

YBR was the main sponsor for UniKL International Robattle Competition 2019, the second year the Foundation participated as the event's main sponsor. The event is aimed at nurturing interest in entrepreneurship and robotics among youth. 250 students representing 67 teams from local public and private institutes of higher learning as well as secondary and primary schools nationwide participated in the event. Kolej Kemahiran Tinggi Mara Balik Pulau was named as the event's overall winner, receiving RM2,000 in cash.



Community Programmes

The YBR Community Heroes programme is aimed at promoting volunteerism among YBR scholars as well as the public. Undertaken throughout the year, the programme recorded impact not only with the participation of students, but also through economic development within local communities involving villagers, school committees and rural folk including the Orang Asli and B40 groups who were affected by natural disasters. In 2019, 1,019 Community Heroes were involved in 52 programmes, logging 11,118 volunteer hours.

YBR sponsored the Kejohanan 7S1M1S for the fifth consecutive year in 2019. The football championship, which is held from the district level to the national level, saw the participation of 35,665 students from 2,956 schools representing each state. The event is aimed at nurturing talent among primary school students and provide a stepping stone for them to progress in the field of football. As a result, five 7S1M1S 2019 participants were absorbed into the renowned Johor Darul Takzim Football Club for training. Meanwhile, the 7S1M1S National Championship was awarded to SK Bandar Puteri Jaya from Kedah.

484 students from rural areas in Sarawak participated in the sixth Program Kembara Muda Rakyat (KMR06), located in Bintulu. The event included a Recycle and Beach Cleaning Programme in Pantai Tanjung Batu in Bintulu as well as a movie screening at the Ashtar Galactic Cinema, providing an opportunity rarely enjoyed by the participants. Additionally, a financial literacy activity was held during the programme, while participants were also brought to several interesting sites in Bintulu, such as the Bintulu Port Authority, RTM and Bintulu Vocational College. The tours were aimed at providing participants with new experiences and expose them to the functions and significance of the organisations for the Malaysian economy.

532 students and 119 teachers and technical officers participated in the Kejohanan Sukan Sekolah Murid Orang Asli (KSSMOA) 2019 hosted in Pahang. Athletics, Football, hand ball, takraw and touch rugby were contested in the three-day sporting event, which is aimed at encouraging school attendance through the sporting activities to enable Orang Asli students to at least master the 3Rs (Reading, Writing and Arithmetic). In conjunction with the event, YBR also held its Recycle Education Programme which was joined by its Community Heroes.

Pahang emerged as champion of the event, with the winners of the individual sports as follows:

No.	Event	Winner
1	Takraw - Group & Doubles	Pahang
2	Handball - Boys	Selangor
3	Handball - Girls	Pahang
4	Football	Perak
5	Touch rugby	Selangor
6	Athletics	Perak

LAYING THE FOUNDATION FOR OUR FUTURE: BANK RAKYAT 2025

During the year, we embarked on our Bank Rakyat 2025 (BR25) strategic plan. The five-year plan will enable us to meet the mandate of the Ministry of Entrepreneur Development and Co-operatives (MEDAC), crystallised in the National Entrepreneurship Policy 2030 and the country's long-term socioeconomic aspirations.

BR25 will also guide us towards strengthening the Bank's sustainability by integrating sustainable practices into our business strategies which we will address through our strategies to achieve sustainable growth and positively impact not only our own operations, but also our communities and the nation.

We have identified five verticals on which BR25 is anchored: Customers and Members; Digitalisation & Analytics; Collaboration & Partnerships; People; and Sustainability through these verticals outcome:

VERTICAL 1 - Improved Economic and Social Development

VERTICAL 2 - Great Customer Experience

VERTICAL 3 - Innovation and Accelerate Common Goals of Ecosystem

VERTICAL 4 - High Performance Culture

VERTICAL 5 - Islamic Finance & Beyond

As at March 2020, we have completed Phase 1 and 2 of BR25, comprising setting our aspirations and establishing our strategy.

Management Discussion and Analysis

- Digitalisation and Analytics: The three evolutions for this vertical will involve the execution of our Digitalisation Blueprint, offering our experiences and services through smart devices as well as the transformation of some of our brick and mortar branches into digital branches.
- Collaboration and Partnerships: The five evolutions under this vertical are focused on collaborating with relevant stakeholders for the purpose of entrepreneurship growth through SME development, thought-leadership, digitalisation, CASA acquisition and sustainability.
- People: This vertical will be implemented through building a digitally-competent talent and infuse newly high-demand roles such as data analytics and data scientists and develop a high-performance team.
- Sustainability: Through four evolutions, we aim to achieve sustainable economic growth and revenue creation. We also target to become a socially-responsible bank for the rakyat and maintain our global recognition.

Under Phase 2, we delivered six blueprints which established our tactics and strategies towards achieving our targets for each area under the blueprints. The blueprints comprise:

1. Great Customer Experience - Guides us towards providing the best customer experience through impactful deliverables. Following this blueprint, we will undertake projects to transform the entire customer journey across all our customer touchpoints.
2. Digitalisation - We will leverage on technology and data to better understand the needs of our millennial customers by implementing projects which deliver the best omnichannel experiences.



3. SME Value Creation Centre - We will differentiate our SME Centre by partnering various agencies within the MEDAC ecosystem, as well as communities, cooperatives and private sector organisations to ensure a system of shared prosperity. Projects under this blueprint will focus on end-to-end processes for incubation, SME financing, equity participation and advisory services to provide opportunities for SME growth, scalability, export-readiness and listing on the stock market.

4. Human Capital - Guides us towards building a High-Performance Culture through high-performing teams. We will recruit the most relevant talent while upskilling and reskilling existing talent, as well as empower our employees and enhance the effectiveness of our organisational structure.

5. Sustainability - This Blueprint will drive the alignment of our activities with the UN SDGs through the establishment of a Centre of Excellence in Sustainable Finance. It will also ensure we drive thought-leadership and innovation in sustainability finance and is also in line with BNM's Value-Based Intermediation (VBI).

6. Shariah Leadership - Brings the Bank's shared value with a humanistic approach to target our leadership in the global Islamic finance sector. Serving as the foundation to the other five blueprints, this blueprint will bridge a collaborative approach across all our blueprints and verticals. Under this blueprint, we will undertake projects aimed at maintaining our position as one of the 10 largest Islamic banks in the world and cement our recognition on the world map.

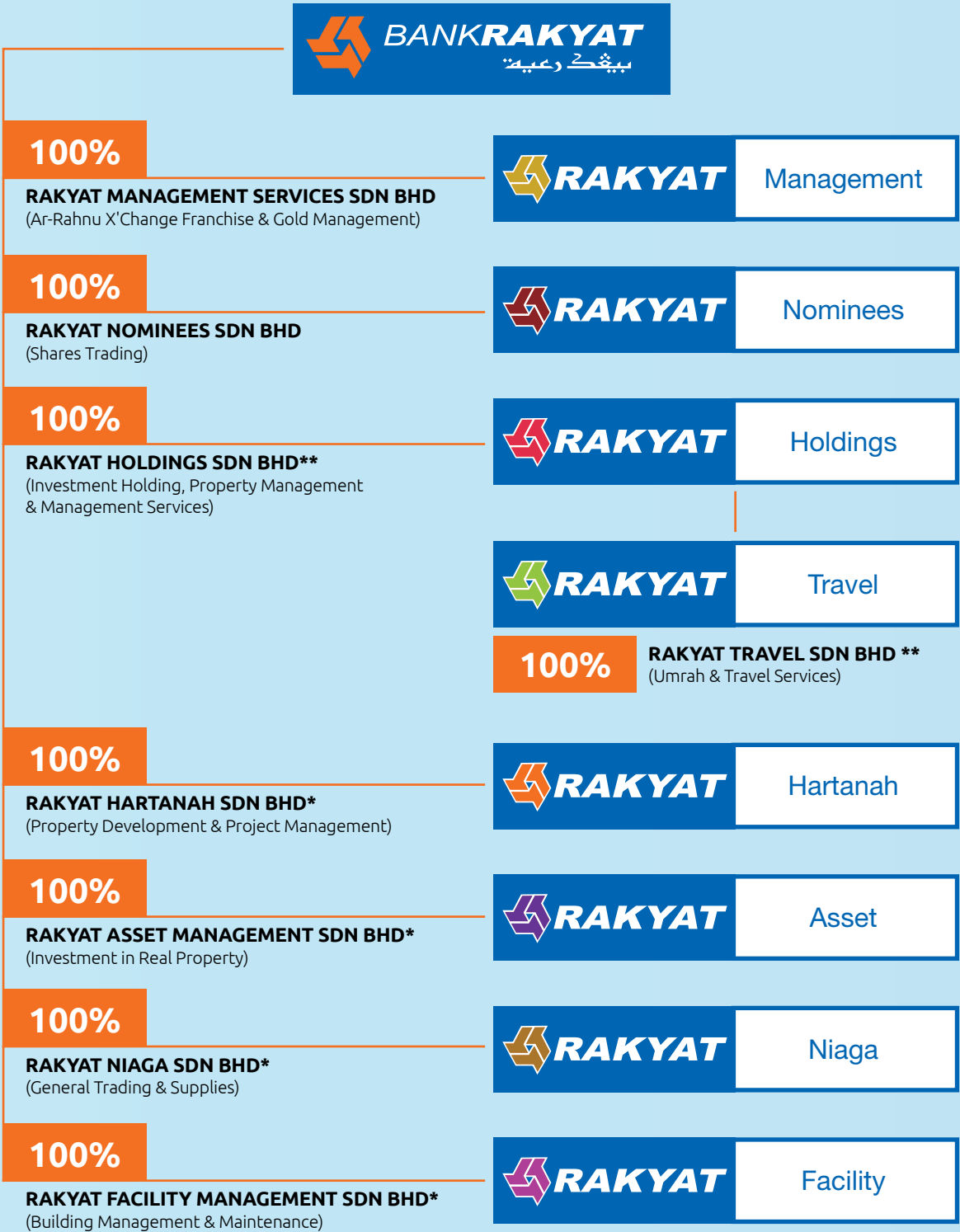
We are currently in Phase 3 of BR25, where we are executing our plans with strict monitoring and governance. We have also identified our resource needs and put in place our change management strategy and strategic communication plan to facilitate the implementation of BR25.

With our BR25 in place and already in operation, we are excited for what the future holds for Bank Rakyat. While the economic and business conditions remain uncertain, placing more pressure on the operating environment, we are confident of the Bank's prospects over the long-term in view of our five-year strategic plan.

Management Discussion and Analysis



Group Corporate Structure

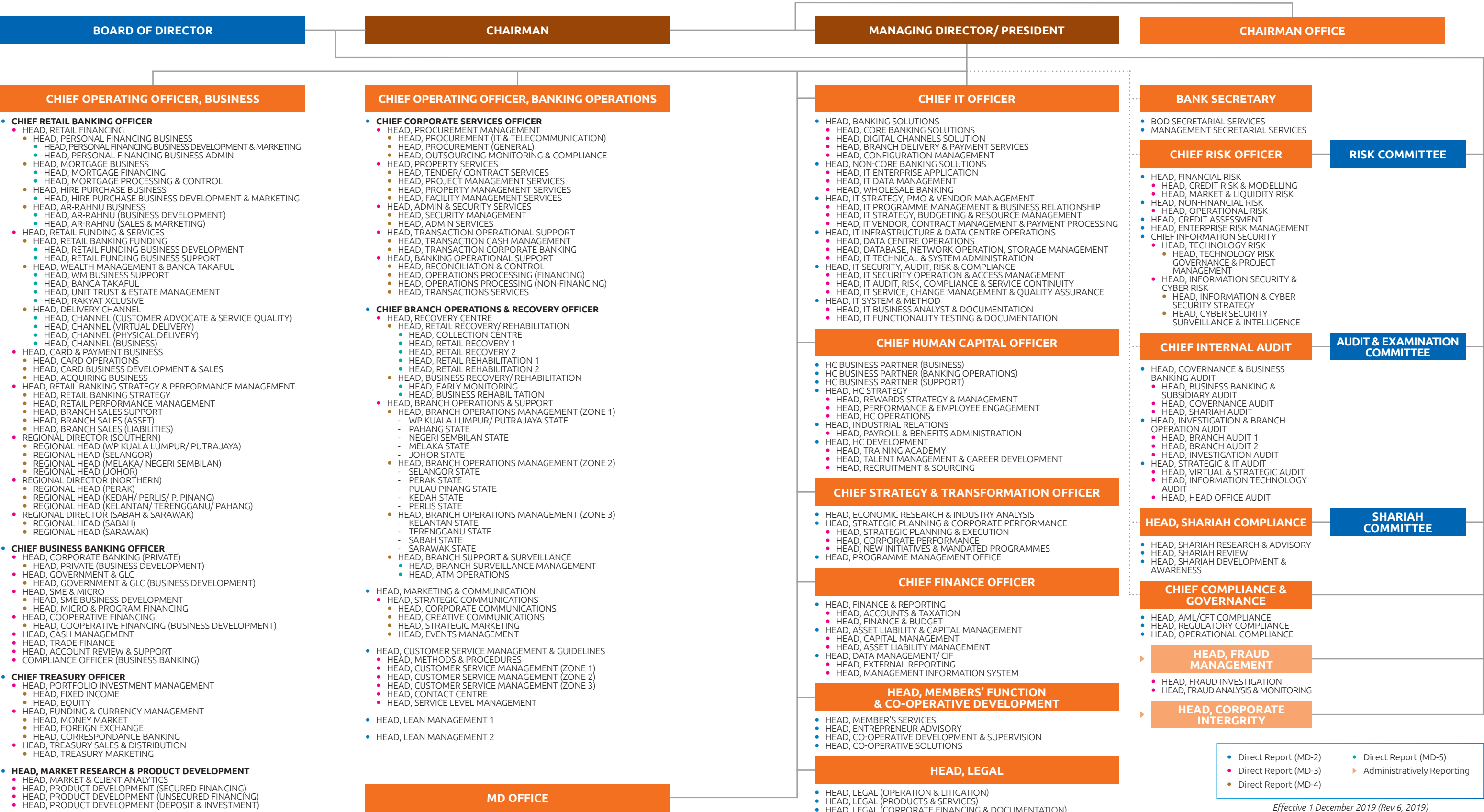


* Until 1st September 2019
** Until 1st December 2019

Bank Rakyat and The Government



Organisation Chart



Organisation Chart

COMMITTED TO SERVE THE NATURE





BOARD_{OF} DIRECTORS

From left:

DATUK NORIPAH KAMSO
Independent Non-Executive Chairman

DATUK WAN SURAYA WAN MOHD RADZI
Non-Independent Non-Executive Director

MUHAMAD SHAHRIL OTHMAN
Non-Independent Non-Executive Director

ABD RANI LEBAI JAAFAR
Independent Non-Executive Director

PROF. DR OBIYATHULLA ISMATH BACHA
Independent Non-Executive Director

**TUNKU DATO' AHMAD BURHANUDDIN
TUNKU DATUK SERI ADNAN**
Independent Non-Executive Director

YURI ZAHARIN WAHAB
Independent Non-Executive Director

SOFIYAN YAHYA
Independent Non-Executive Director

SHEIKH AZREE MOKHTAR
Bank Secretary

Board of Directors Profile

DATUK NORIPAH KAMSO

Independent Non-Executive Chairman



APPOINTMENT AS CHAIRMAN

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

EDUCATION

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

OTHER POSITION HELD IN BANK RAKYAT / BANK RAKYAT GROUP

- Chairman of Board of Trustee, Yayasan Bank Rakyat

OTHER POSITIONS HELD

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

PREVIOUS EXPERIENCE

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

Board of Directors Profile

DATUK WAN SURAYA WAN MOHD RADZI

Non-Independent Non-Executive Director



APPOINTMENT AS DIRECTOR

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

EDUCATION

- LLB (Hons), University of Sheffield, Sheffield, United Kingdom
- Legal Professional Courses, University of South Bank and Lincoln's Inn, London, United Kingdom
- Postgraduate Diploma in Public Management Programme, Kuala Lumpur
- Diploma in Trade Policy, World Trade Organisation (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 POSITIONS HELD IN BANK RAKYAT / BANK RAKYAT GROUP

- Member, Nomination & Remuneration Committee
- Member, Board Investment Committee
- Member, Board Tender Committee
- Chairman, Rakyat Holdings Sdn Bhd
- Chairman, Rakyat Travel Sdn Bhd

OTHER POSITIONS HELD

- Secretary-General, Ministry of Entrepreneur Development and Cooperatives (MEDAC)
- Director, UDA Holdings Berhad
- Board of Trustee, TEKUN Nasional

PREVIOUS EXPERIENCE

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

Board of Directors Profile



MUHAMAD SHAHRIL OTHMAN
Non-Independent Non-Executive Director

APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 8 July 2019 - 7 July 2022

EDUCATION

- Master of International Economics & Finance, University of Queensland, Australia
- Bachelor of Business Administration with Honors (Marketing), Universiti Teknologi MARA (UiTM), Malaysia
- Diploma in Banking Studies, UiTM

OTHER POSITIONS HELD IN BANK RAKYAT / BANK RAKYAT GROUP

- Member, Nomination & Remuneration Committee
- Member, Board Oversight Committee (COBRA)
- Member, Board Financing Committee

OTHER POSITIONS HELD

- Senior Private Secretary to the Secretary General of Treasury, Ministry of Finance, Putrajaya
- Non-Independent Non-Executive Director, Danajamin Nasional Berhad
- Alternate Director, Malaysian Timber Industry Board
- Member, Perbadanan Padang Golf Subang
- Member, Perbadanan Kemajuan Negeri Kedah

PREVIOUS EXPERIENCE

- Section Head, Strategic Investment Division, Ministry of Finance
- Advisor to the Executive Director, The World Bank Group and Affiliates, Washington DC, United States of America
- Senior Principal Assistant Secretary, Strategic Investment Division, Ministry of Finance
- Manager Corporate Planning, Malaysia Airports Holdings Berhad (MAHB)
- Principal Assistant Director, Public Private Partnership (PPP) Unit, Prime Minister Department
- Principal Assistant Director, Ministry of Health
- Assistant Secretary, Ministry of Works

ABD RANI LEBAI JAAFAR
Independent Non-Executive Director



APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 1 January 2018 - 31 December 2019
- Re-appointment as Board of Director: 1 January 2020 - 31 December 2020

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
- Charter Member of Certified Risk Professional, Operation & Credit (CRP) BAI Centre for Certification, United States of America
- Member, Institute of Bankers Malaysia (MIBM)
- 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, UiTM

OTHER POSITIONS HELD IN BANK RAKYAT / BANK RAKYAT GROUP

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

OTHER POSITIONS HELD

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

Board of Directors Profile

Board of Directors Profile



PROF. DR OBIYATHULLA ISMATH BACHA
Independent Non-Executive Director

APPOINTMENT AS DIRECTOR

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

EDUCATION

- Doctor of Business Administration (with specialization 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

OTHER POSITIONS HELD IN BANK RAKYAT / BANK RAKYAT GROUP

- Chairman, Investment Committee
- Member, Board Audit & Examination Committee
- Member, Board Financing Committee
- Member, Board Oversight Committee (CoBRa)

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 Malaysia 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
- Consultant IDB - BNM Joint Working Group for Resource Mobilication, BNM/IDB, Malaysia
- Consultant, IRTI-IFSB Midterm Review Islamic Capital markets, IRT-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, Unites States of America
- Credit Officer, Malayan Banking Berhad

**TUNKU DATO' AHMAD BURHANUDDIN
TUNKU DATUK SERI ADNAN**

Independent Non-Executive Director



APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 1 October 2019 - 30 September 2021

EDUCATION

- Fellowship, Association of Chartered Certified Accountants, United Kingdom
- Associate, Association of Chartered Certified Accountants, United Kingdom
- Associate, Malaysian Institute of Accountants, Malaysia
- Graduate, Association of Chartered Certified Accountants, United Kingdom
- Certificate & Diploma, Luton College of Higher Education, United Kingdom
- Graduate, Brighton Technical College, United Kingdom
- Certificate, The Malay College, Malaysia

OTHER POSITIONS HELD IN BANK RAKYAT / BANK RAKYAT GROUP

- Chairman, Board Financing Committee
- Chairman, Audit & Examination Committee
- Member, Board Tender Committee
- Member, Board Risk Committee

OTHER POSITIONS HELD

- Director, Jaya Raya Sdn Bhd
- Director, MAA Group Berhad
- Director, MyMy Payments Malaysia Sdn Bhd
- Director, Hospitality 360 Sdn Bhd
- Director, Tabs Agro Business Services Sdn Bhd
- Director, Scholastic IB International Sdn Bhd
- Director, St. John's International Edu Group Sdn Bhd
- Director, St. John's International (Campus 2) Sdn Bhd
- Director, Alfaakademik Sdn Bhd

PREVIOUS EXPERIENCE

- Group Managing Director & Group Chief Executive Officer, Themed Attractions Resorts and Hotels Sdn Bhd
- Managing Director/Chief Executive Officer, Themed Attractions and Resorts Sdn Bhd
- Executive Director CIMB Bank Berhad
- Group CEO's Office CIMB Bank Berhad and CIMB Investment Bank Berhad
- Group Chief Internal Auditor, Bumiputra-Commerce Bank Berhad
- Head - Retail Financial Services, Bumiputra-Commerce Bank Berhad
- Strategic Corporate Planner, Bumiputra-Commerce Bank Berhad
- Executive Director and Chief Executive Officer Commerce Asset Fund Managers Sdn Bhd
- Financial Controller Commerce Asset-Holding Berhad
- Group General Manager & Company Secretary Lenggang Holdings Sdn. Bhd.
- Senior Bank Officer, Bank of Commerce Berhad

Board of Directors Profile



YURI ZAHARIN WAHAB
Independent Non-Executive Director

APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 4 October 2019 - 3 October 2021

EDUCATION

- Bachelor Science Computer Sc. And Economics, Monash University, Australia 1984

OTHER POSITIONS HELD IN BANK RAKYAT / BANK RAKYAT GROUP

- Chairman, Board Oversight Committee (COBRA)
- Member, Board Risk Committee
- Member, Nomination & Remuneration Committee

OTHER POSITION HELD

- Enterprise Consultant & Advisor Huawei Malaysia, Paracell (M) Sdn Bhd

PREVIOUS EXPERIENCE

- Group Chief Executive Officer, Puncak Semangat Technology Ventures (Part of Al Bukhary Group of Companies)
- Chief Executive Officer, Synergy Cloud Sdn Bhd, (A Puncak Semangat & Al Bukhary Group of Companies)
- Managing Director, CISCO Sytems (Malaysia) Sdn Bhd
- Managing Director, Dell Sales Malaysia (DSM) Sdn Bhd
- Managing Director, Nortel Networks Malaysia & Brunei

- Sales Director, Nortel Networks Malaysia
- Senior Vice President, Alcatel Network Systems Malaysia
- Vice President / General Manager, Sapura Marketing Sdn Bhd
- Assistant General Manager Sales & Marketing, Sapura Digital (ADAM)
- Senior Manager, Teledata Marketing (subsidiary of Sapura)
- Product Manager Teledata Marketing
- Retail Representative Mobil Oil Malaysia
- International Business Executive Sapura Holdings
- Marketing Executive, Sapura Holdings

Board of Directors Profile



SOFIYAN YAHYA
Independent Non-Executive Director

APPOINTMENT AS DIRECTOR

- First Appointment as Board of Director: 31 October 2019 - 30 October 2021

EDUCATION

- BSc (Hons) Mechanical Engineering City University London, United Kingdom

OTHER POSITIONS HELD IN BANK RAKYAT / BANK RAKYAT GROUP

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

OTHER POSITIONS HELD

- Executive Chairman, Cekap Technical Services Sdn Bhd
- Chief Executive Officer, SEAMOG Group Sdn Bhd
- Independent Non-Executive Chairman, Ni Hsin Resources Bhd
- Chairman, Koperasi Tenaga & Petroliaam Bhd
- Chairman, Malaysia Chapter Society for Protective Coatings (SSPC)
- Advisor and Trustee, Malaysian Oil & Gas Services Council (MOGSC)
- Fellow, Institute of Materials, Malaysia (IMM)
- Professional Technologist, Malaysia Board of Technologists (MBOT)

PREVIOUS EXPERIENCE

- Chairman, Jord Malaysia Sdn Bhd
- Vice President, KNM Group Bhd / KNM Process Systems Sdn Bhd
- General Manager/Managing Director, Atkins Inspection Services Sdn Bhd Later Merged As Oilfield Inspection Services Sdn Bhd
- Area Manager, East Malaysia, Solus Oceaneering Sdn Bhd
- Mechanical Engineer, PAPPOS Sdn Bhd
- Engineer, Production Department, Petronas



SHEIKH AZREE MOKHTAR
Bank Secretary

APPOINTMENT AS BANK SECRETARY

- Appointment as Bank Secretary: 15 July 2019

EDUCATION

- Licensed Company Secretary, Companies Commission Malaysia
- June 2001, Bachelor in Corporate Administration, Universiti Teknologi MARA (UiTM)
- 1994, Diploma in Accountancy, UiTM

PREVIOUS EXPERIENCE

- Commission Secretary, Land Public Transport Agency
- Company Secretary, UEM Edgenta Berhad
- Company Secretary, PLUS Malaysia Berhad
- Company Secretary, Perbadanan Usahawan Nasional Berhad (PUNB)

Shariah
Committee



1. DATO' SETIA HJ MOHD TAMYES ABD WAHID
Chairman
2. USTAZ MD. YUNUS ABD. AZIZ

3. USTAZ WAN RUMAIZI WAN HUSIN
4. DR ABDULLAAH JALIL

5. ASSOC. PROF. DR AZMAN MOHD NOOR
6. DR MOHAMMAD ZAINI YAHAYA

7. PROF. DATO' DR MOHD AZMI OMAR
8. USTAZ MOHD ZAMEREY ABDUL RAZAK
Secretary

Shariah Committee

Shariah Committee Profile

DATO' SETIA HJ MOHD TAMYES 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, LZS
- Member, Investment Committee, 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 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, 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, IRCIEF, 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 2021

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



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

ASSOC. PROF. DR AZMAN MOHD NOOR

APPOINTED TO SHARIAH COMMITTEE

- 1 January 2019 - 31 December 2020

EDUCATION

- PhD in Islamic Law, University of Edinburgh, United Kingdom
- 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
- Muamalat Expert Panel, JAKIM



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

PROF. DATO' DR MOHD AZMI OMAR

APPOINTED TO SHARIAH COMMITTEE

- 1 January 2019 - 31 December 2020

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, United States of America
- Bachelor of Finance, Northern Illinois University, United States of America
- Diploma in Finance, Universiti Teknologi MARA (UiTM)

OTHER POSITIONS HELD

- President/Chief Executive Officer, International Centre for Education in Islamic Finance (INCEIF)
- Member, Shariah Committee, Etiqa Takaful Berhad
- Member, Accreditation Council, Financial Accreditation Agency



- Islamic Finance Expert, Monetary Authority Brunei Darussalam
- Member, Board of Trustees, Responsible Finance & Investment (RFI) Foundation, United Kingdom

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
- Member, Amanah Ikhtiar Malaysia Shariah Committee
- Member, Board of Directors & Investment Committee, Permodalan Bank Simpanan Nasional Berhad (mutual fund company)
- Chairman, Expert Committee for Strategic Plan of Islam Hadhari, Ministry of Higher Education



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

- 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, KUIS

Management Committee



1. DATO' ROSMAN MOHAMED
Chief Executive Officer

2. DATO' SYED ABDUL AZIZ SYED HASSAN
Chief Corporate Services Officer

3. DR MOHAMMAD HANIS OSMAN
Chief Retail Banking Officer

4. NOR HAIMEE ZAKARIA
Chief Finance Officer

5. AHMAD SHUKRI ABDUL RAHMAN
Chief Risk Officer

6. ABDUL RAZAK ABU BAKAR
Chief Business Banking Officer

7. MUZAMIR OMAR
Chief Strategy and Transformation Officer

8. AMREN FAISAL FADZIL
Chief Treasury Officer

9. NIZAM BIN SANI
*Chief Executive Officer of Yayasan Bank Rakyat /
Acting Head Marketing & Communications*

10. ROSLAN SAAD
Project Director, Core Banking Office

11. WAN MARIAH ABU HASSAN
Head Human Capital

Management Committee

Management Committee Profile

DATO' ROSMAN MOHAMED

Chief Executive Officer

EDUCATION

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

INTERNAL EXPERIENCE

- Chief Executive Officer (2020)
- Acting Managing Director (2019)
- Senior General Manager, Corporate Services (2012 - 2014)

EXTERNAL EXPERIENCE

- Managing Director, Human Resource, Abdul Latiff Jameel, Company Limited
- Regional HR & Organisational Development Director for Asia Pacific Region, Cabot Speciality Chemical Inc, Asia Pacific Region
- Managing Partner, LDS (M) Sdn Bhd & Top Performers Leadership Centre
- Senior Manager, Development Management, British American Tobacco (M) Berhad
- Senior Manager, Development Management, Rothmans of Pall Mall (M) Berhad
- Founder and Managing Consultant, Growthworks (Asia) Sdn Bhd
- Head of Training & Career Development, Maybank Berhad
- Executive Accounting Officer, Road Transport Department (JPJ)



NOR HAIMEE ZAKARIA

Chief Finance Officer

EDUCATION

- B.A (Hons) Accounting, Finance and Economics - First Degree, University of Essex, Colchester, Essex, United Kingdom (1987 - 1990)
- Fellowship, Chartered Association of Certified Accountant, United Kingdom (ACCA)
- Chartered Accountant, Malaysia Institute of Accountants (MIA)

INTERNAL EXPERIENCE

- Chief Financial Officer (2014)
- Head, Account and Information Management (2008)

EXTERNAL EXPERIENCE

- Company Secretary, Bank Islam Malaysia Berhad (2007 - 2008)
- Head, Group Finance / Joint Secretary, BIMB Holdings Berhad (2003 - 2006)
- Senior Manager, Group Finance, Bank Islam Malaysia Berhad (2001 - 2003)
- Finance Manager, Arab Malaysian Development Berhad (1995 - 2001)
- Audit Senior, Cooper Lancaster Brewers, Chartered Accountants, London (1994)
- Auditor, Coopers and Lybrand Deloitte (CL), Chartered Accountants, United Kingdom (1990 - 1991)



DATO' SYED ABDUL AZIZ SYED HASSAN

Chief Corporate Services Officer

EDUCATION

- Bachelor of Business Administration (Ohio University)
- Diploma in Planting Industry & Management (ITM)
- Senior Management Programme (Harvard Business School)

INTERNAL EXPERIENCE

- Acting Head Officer Operation, Banking Operations
- Chief Executive, Corporate Services

EXTERNAL EXPERIENCE

- Chief Executive Officer, Rakyat Holdings Sdn Bhd (2012 - 2017)
- Chief Executive Officer, Zikay Group Sdn Bhd (2008 - 2012)
- General Manager (Property), PECD Bhd (2000 - 2007)
- Senior Marketing Manager, Island & Peninsular Bhd (1988 - 2000)



AHMAD SHUKRI ABDUL RAHMAN

Chief Risk Officer

EDUCATION

- Executive Master in Islamic Banking and Finance Asia E University Malaysia
- Bachelor of Business Administration Texas A&M University at Commerce
- Certificate in Islamic Law (International Islamic University Malaysia)
- Member, FAA (Finance Accreditation Agency) - Accrediting Panel
- Alternate Chairman, AIBIM and Prudential Capital Committee
- External Reviewer, INCEIF Certificate of Islamic Professional (CIFP)'S Risk Management Module

INTERNAL EXPERIENCE

- Chief Risk Officer (2016)

EXTERNAL EXPERIENCE

- Head, Risk Management Department, OCBC AL-Amin Bank Berhad (2008 - 2016)
- Vice President, Retail Credit Operations, AlRajhi Banking & Investment Corporation (M) Berhad
- Bank Muamalat (M) Berhad
 - Head, Financing Management Section, Automobile Financing Service Department (2006)
 - Head, Credit Risk Management Section, Risk Management Department (2003 - 2005)
 - Head, Credit Review & Compliance Section, Risk Management Department (2000 - 2002)
- Deputy Manager, Credit Quality, Control Department, The Pacific Bank Berhad (1995 - 2000)
- Senior Officer, Loan Supervision Department, Oriental Finance Berhad (1991 - 1995)

DR MOHAMMAD HANIS OSMAN

Chief Retail Banking Officer

EDUCATION

- Doctor of Philosophy (Economics) (IIUM)
- Master of Business Administration (Finance) (UIA)
- BA (Hons) Accounting & Finance (University of East London, United Kingdom)
- Advance Diploma in Management Accounting, UK (CIMA)
- Member, The Malaysian Financial Markets Certificate (PKKM Examination) - Certified Treasury Professional
- Member, The Securities Commission of Malaysian Examinations - Licensed Dealer's Representatives

INTERNAL EXPERIENCE

- Chief Retail Banking Officer (2018)

- Chief Treasury Officer (2016)
- Senior Vice President, Treasury (2014)
- Head of Treasury and Investment (2009)

EXTERNAL EXPERIENCE

- Senior Manager, Derivatives & Structured Products, Treasury, Bank Islam Malaysia Berhad (2008 - 2009)
- Head of Treasury, Al Wifaq Finance Company, Abu Dhabi, UAE (2008)
- Hwangdbs Investment Bank Berhad
 - Assistant Vice President, FX Swaps (2006 - 2007)
 - Assistant Vice President, Fixed Income (2003 - 2006)
- Manager, Fixed Income, K&N Kenanga Securities Berhad (2002 - 2003)
- BSN Commercial Bank Berhad
 - Manager, Derivatives & Fixed Income (2001 - 2002)
 - Senior Dealer, Derivatives & Structured Products (1999 - 2000)
 - Dealer, Money Market (1996 - 1999)



ABDUL RAZAK ABU BAKAR

Chief Business Banking Officer

EDUCATION

- Bachelor of Accountancy (Honours) (UUM)
- Member, Chartered Accountant (CA) - (Malaysian Institute of Accountants)

INTERNAL EXPERIENCE

- Chief Executive, Business Banking (2018)
- Senior Vice President, Corporate Banking (2014)
- Assistant General Manager, Commercial Banking (2012)

EXTERNAL EXPERIENCE

- Head SME, Commercial Banking, Bank Islam Malaysia Berhad (2009 - 2012)
- Assistant Vice President, Head of Structured Finance, OCBC Bank Berhad (2004 - 2009)
- Senior Relationship Manager, Commercial Banking, RHB Bank Malaysia Berhad (2001 - 2004)
- Assistant Manager, Corporate Finance, Aseambankers Berhad /Aseamlease Berhad (Maybank) (1996 - 2001)
- Audit Executive / Tax Executive, Azman Wong Salleh & Co (1993 - 1996)



Management Committee Profile

MUZAMIR OMAR

Chief Strategy and Transformation Officer

EDUCATION

- Master in Business Administration (UiTM)
- Bachelor of Education 2nd Class Upper (University of Kent, United Kingdom)
- Diploma in Translation (Dewan Bahasa dan Pustaka)
- Chartered Islamic Finance Professional - INCEIF

INTERNAL EXPERIENCE

- Chief Strategy and Transformation Officer (2018)
- Vice President of Corporate Strategy (2014)
- Head of Strategic Planning (2013)
- Manager of Corporate Planner (2006)
- Manager of Planner (2005)



ROSLAN SAAD

Project Director, Core Banking Office

EDUCATION

- Bachelor of Business Administration (Hons) Major in Finance (UiTM)
- Diploma In Computer Science (ITM)

INTERNAL EXPERIENCE

- Relief for Chief Information Technology Officer (2019)
- Project Director, Core Banking Office (2019)
- Head (Vice President), Lean Management 1 (2018)
- Head (Vice President), Systems and Channels of Information Technology (2016)

- Vice President, IT Development and Solution (2014)
- Relief for General Manager, Information Technology (2013)
- Head of Information Technology (2013)

EXTERNAL EXPERIENCE

- General Manager, Strategic Planning & Governance, IT Department, Lembaga Tabung Haji (2009 - 2012)
- Head, Programme Management Office (PMO), EDS IT Services (Cyberjaya) (2009)
- Vice President / Head, Business Operations & Technology Division, CIMB Islamic (1991 - 2007)



AMREN FAISAL FADZIL

Chief Treasury Officer

EDUCATION

- Bachelor in Finance (UiTM)
- Diploma in Investment Analysis (UiTM)
- Certified Financial Planner (CFP)
- Federation of Malaysia Unit Trust Managers (FMUTM)

INTERNAL EXPERIENCE

- Chief Treasury Officer (2018)
- Vice President of Investment Portfolio Management (2016)
- Equity Manager (2014)
- Investment Manager (2012)

EXTERNAL EXPERIENCE

- Portfolio Manager (Senior Manager), Affin Fund Management (2008 - 2012)
- Financial Planner Executive, Permodalan Nasional Berhad (PNB) (2002 - 2008)



WAN MARIAH ABU HASSAN

Head Human Capital

EDUCATION

- Diploma in Human Resources Management / Human Resource Management Institute, Malaysia

INTERNAL EXPERIENCE

- Head Human Capital (2020)

EXTERNAL EXPERIENCE

- Cola Bottlers Sdn Bhd
 - Head of Talent Management, Coca Cola Bottlers Sdn Bhd (2019)
 - Senior Human Resource Business Partner (2015 - 2018)
- HR Operations Manager, Dutch Lady Milk Industries Bhd (2009 - 2014)
- Recruitment & Integration Manager, L'Oreal Malaysia Sdn Bhd (2008 - 2009)
- Senior Executive, Recruitment, British American Tobacco (1998 - 2008)

NIZAM SANI

Chief Executive Officer of Yayasan Bank Rakyat / Acting Head Marketing & Communications

EDUCATION

- Bachelor of Arts in Marketing & Advertising (Hons), The London Institute, London College of Distributive Trades England

INTERNAL EXPERIENCE

- Chief Executive Officer, Yayasan Bank Rakyat (2020)
- Senior Vice President, Marketing & Communications (2015)

EXTERNAL EXPERIENCE

- Astro - Measat broadcast Network Systems Sdn Bhd
 - General Manager, Marketing, Astro Radio, Astro (2015)
 - Head of Malay Premium Channels (Mustika (4) Indopek (2) Basic HD Channel, Astro
 - Senior Manager / Channel Manager, Astro Prima & Warna, Astro
 - Product Strategy Manager, Astro (2007 - 2008)
- Manager, Marketing Communications, Al Rajhi Bank, Bank Al Rajhi (2007)
- Head, Credit Related Business Unit, AmAssurance Berhad (2004 - 2006)
- Executive, Programme Management and Marcomms, Maybank Berhad (2001 - 2003)



COMMITTED TO SERVE THE ENVIRONMENT



Board of Directors and Main Committees

The Board of Directors of Bank Kerjasama Rakyat Berhad (Bank Rakyat) have established clear processes in 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.

1.0 BOARD OF DIRECTORS

1.1 Composition of the Board of Directors

The Board of Directors shall consist of a Chairman and not less than six (6) and not more than eleven (11) other members [Subsection 1(1), First Schedule, Bank Rakyat Act (Special Provisions) Act 1978] and majority of the Board are independent directors [Standard 11.6 of Bank Negara Malaysia Corporate Governance Guidelines applicable to DFI, 2019].

The composition of the Board for the year under review are duly complied at all times with the requirement of Bank Negara Malaysia Guidelines on Corporate Governance for Development Financial Institutions. More than half of the members are Independent Directors, assuring effective check and balance in the functioning of the Board. As at 31 December 2019, there are nine (9) Directors on the Board of Bank Rakyat, comprising of:

- a) Six (6) Independent Non-Executive Directors.
- b) Two (2) Non-Independent Non-Executive Directors (Nominees from the Ministry of Finance (MOF) and the Ministry of Entrepreneur Development and Cooperatives (MEDAC)
- c) One (1) Non-Independent Executive Director, designated as Managing Director.

The tenure and directorship for the year under review is as follows:

No.	Name of Director	Period of Directorship in 2019
Independent Non-Executive Chairman		
1.	Datuk Noripah Kamsu	01/01/2019 to 31/12/2019
Non-Independent Executive Director		
2.	Dato’ Rosman Mohamed ^(a)	01/04/2019 to 31/12/2019
3.	Dato’ Zulkiflee Abbas Abdul Hamid	01/01/2019 to 02/04/2019
Non-Independent Non-Executive Director		
4.	Datuk Wan Suraya Wan Mohd Radzi ^(b)	01/01/2019 to 31/12/2019
5.	Muhamad Shahril Othman ^(c)	08/07/2019 to 31/12/2019
6.	Datuk Siti Zauyah Md Desa ^(c)	01/01/2019 to 30/06/2019
Independent Non-Executive Director		
7.	Abd Rani Lebai Jaafar	01/01/2019 to 31/12/2019
8.	Prof. Dr. Obiyathulla Ismath Bacha	01/04/2019 to 31/12/2019
9.	Tunku Dato’ Ahmad Burhanuddin Tunku Datuk Seri Adnan	01/10/2019 to 31/12/ 2019
10.	Yuri Zaharin Wahab	04/10/2019 to 31/12/2019
11.	Sofiyon Yahya	31/10/2019 to 31/12/2019
12.	Dato’ Sri Alias Haji Ahmad	01/01/2019 to 06/01/2019
13.	Armi Zainudin	01/01/ 2019 to 28/02/2019
14.	Wan Zamri Wan Zain	01/01/2019 to 16/06/2019
15.	Dato’ Sri Jamil Salleh	01/01/219 to 30/09/2019
16.	Edham Reza Shah Dato’ Abdul Rahman	02/01/2019 to 30/10/2019

Board of Directors and Main Committees

- Note:**
- ^(a) By virtue his appointment as Acting Managing Director on 1 August 2019, Dato’ Rosman Mohamed was redesignated from Independent Non-Executive Director to Non-Independent Executive Director
 - ^(b) Nominee director from MEDAC
 - ^(c) Nominee director from MOF

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.

1.2 Board Charter

The Board Charter setting out the duties, responsibilities and functions of the Board of Directors. 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:

- a) The Size and Composition of the Board
- b) New Appointment/Reappointment of the Directors
- c) The Role and Responsibilities of the Boars
- d) Code of Conduct for the Directors
- e) Roles of Independent Non-Executive Directors
- f) Roles of Board Committees

1.3 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 is to ensure the Bank to continue 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:

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

The key 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, 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.

Board of Directors and Main Committees

- 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.

1.4 New Appointment and Re-Appointment

- a) The proposed appointment or re-appointment of Directors is subject to prior approval of the Minister who is responsible for cooperative development.
- b) 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.

Board of Directors and Main Committees

1.5 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.

Any 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 continuous basis and the areas determined will be used to provide further understanding of the issues faced by the Bank, the Directors attended the following conferences, seminars and training programmes in 2019:

- Anti-Money Laundering / Counter Financing of Terrorism - Banking Sector
- Bank Negara Malaysia Regional Conference on Climate Change
- Bank Negara Malaysia-FIDE Forum Dialogue with the Deputy Governor on the Draft Risk Management in Technology (RMiT) Policy
- Corporate Governance for DFIs
- C-suites roundtable: Combating Conduct Risk, using Technology and Analytics
- Ethical Finance 2019
- FIDE Elective Programme Emerging Risks, the Future Board and Return on Compliance
- FIDE Elective Programme Understanding Liquidity Risk Management in Banking
- FIDE Forum Invitation: "Leadership in A Disruptive World"
- FIDE Module A
- International Directors Summit 2019: The Trust Compass: Resetting the Course
- Shariah Training for Board of Directors & Management of Bank Rakyat
- Shariah Training for Board of Directors & Management of Bank Rakyat - Maqasid Al-Shariah & Islamic Finance
- Shariah Training for Board of Directors & Management of Bank Rakyat - Islamic Finance Regulatory Framework - IFSA 2013
- Shariah Training for Board of Directors & Management of Bank Rakyat - Shariah Contract & It's Application in Islamic Finance - Islamic Deposits & Financing in Practice
- “Our Sustainable Planet Series”: The Power of Country-Led Impact Based Assessment System
- Malaysia SDG Summit 2019
- Leadership Energy Summit Asia (LESA2019) (LESA 2019)
- MyFintech Week 2019
- Shariah Championship Blueprint Workshop
- Shariah Scholars Roundtable (i-SHAR)

1.6 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 to 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.

Board of Directors and Main Committees

1.7 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 MOF.

1.8 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 by the Board;
- e) Ensuring that the directors continually update their skills, knowledge and familiarity with the Bank to fulfil their role both on the Board and 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.

1.9 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 efficiency 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.

1.10 Board Meetings

The Board of Directors meets at least once a month and additional meetings are held when required. The Board held twenty (20) board meetings *i.e. 12 board meetings and 8 special board meetings*, during the financial year ended 31 December 2019 and the attendance of the Board of Directors were as follows:

No.	Name of Director	Board Meeting Attendance 2019
1.	Datuk Noripah Kamso ^(e)	20/20
2.	Dato' Rosman Mohamed ^(e)	13/14
3.	Datuk Wan Suraya Wan Mohd Radzi ^(e)	20/20
4.	Muhamad Shahril Othman ^(e)	8/8
5.	Abd Rani Lebai Jaafar ^(e)	20/20
6.	Prof. Dr. Obiyathulla Ismath Bacha ^(e)	13/14
7.	Tunku Dato' Ahmad Burhanuddin Tunku Datuk Seri Adnan ^(e)	3/4
8.	Yuri Zaharin Wahab ^(e)	3/4
9.	Sofiyan Yahya ^(e)	2/2

Board of Directors and Main Committees

No.	Name of Director	Board Meeting Attendance 2019
10.	Edham Reza Shah Dato' Abdul Rahman ^(e)	17/18
11.	Dato' Sri Jamil Salleh ^(e)	15/16
12.	Datuk Siti Zauyah Md Desa ^(e)	7/12
13.	Wan Zamri Wan Zain ^(e)	10/11
14.	Dato' Zulkiflee Abbas Abdul Hamid ^{(d) (e)}	2/6
15.	Armi Zainudin ^(e)	3/3
16.	Dato' Sri Alias Haji Ahmad ^(e)	0/0

Note:

- ^(d) On leave prior to the expiring of his tenure as Managing Director on 2 April 2019
- ^(e) Total attendance is from the date of appointment of each director

1.11 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 Committee;
- c) Financing Committee;
- d) Investment Committee;
- e) Tender Committee;
- f) Nominations and Remuneration Committee;
- g) Oversight Committee (CoBRa);
- h) Nomination Committee (*dissolved on 28 May 2019*); and
- i) Remuneration Committee (*dissolved on 28 May 2019*).

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 an appropriate and regular interval. To ensure that the entire Committee is not replaced at any one time, such change of members shall be done on rotation basis

2.0 AUDIT AND EXAMINATION COMMITTEE

The Audit and Examination Committee (AEC) 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.

AEC shall comprise of only Non-Executive Directors with no less than three (3) members, of which the majority should be Independent Directors. AEC held eleven (11) meetings during the financial year ended 31 December 2019 and the attendance of all committee members were as follows:

No.	Name of AEC Members	Period of AEC Membership in 2019	AEC Meeting Attendance 2019
1.	Tunku Dato' Ahmad Burhanuddin Tunku Datuk Seri Adnan (<i>Appointed as Chairman on 29 October 2019</i>)	29/10/2019 to 31/12/2019	2/2
2.	Abd Rani Lebai Jaafar (<i>Interim Chairman from 13 June 2019 to 1 August 2019</i>)	01/01/2019 to 31/12/2019	11/11
3.	Prof. Dr. Obiyathulla Ismath Bacha	13/06/2019 to 31/12/2019	7/7
4.	Edham Reza Shah Dato' Abdul Rahman (<i>Interim Chairman from 1 August 2019 to 29 October 2019</i>)	26/02/2019 to 29/10/2019	6/6
5.	Wan Zamri Wan Zain (<i>Interim Chairman from 7 March 2018 to 13 June 2019</i>)	01/01/2019 to 13/06/2019	4/4
6.	Armi Zainudin	01/01/2019 to 28/02/2019	3/3

Board of Directors and Main Committees

2.1 Objective of AEC

The objectives of the AEC are:

- a) 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;
- b) To provide an independent oversight of the Bank’s financial reporting and internal control systems; and
- c) To ensure that adequate risk management processes and checks and balances are in place for the proper overall management of the Bank.

2.2 Function of AEC

AEC 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:

- a) The records, properties and personnel of the Bank;
- b) Cooperation from Management and the discretion to invite any director and employee to attend its meetings;
- c) The advice and services of the Secretary of the Bank, the Managing Director, the Chief Internal Auditor and external auditors; and
- d) 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.

2.3 Duties and Responsibilities of AEC

The duties and responsibilities of AEC are:

- a) 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 financial statements comply with applicable financial reporting standards.
- b) Ensure fair and transparent reporting of the accounts for submission to the Board and ensure the prompt publication of annual accounts.
- c) Establish an internal audit function which reports directly to the Committee.
- d) 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.
- e) 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).
- f) 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.
- g) 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.
- h) 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.
- i) Review and determine the deliverables of the Shariah audit function upon consultation with the Shariah Committee.
- j) Oversee the function of the external auditors.
- k) Review internal, external and Shariah audit findings and recommend to the Board the action to be taken by Management.

Board of Directors and Main Committees

3.0 BOARD RISK COMMITTEE

The Board Risk Committee (BRC) shall consist of a minimum of three (3) members, all of which are Non-Executive Directors. The Committee held eight (8) meetings during the financial year ended 31 December 2019 and the attendance of all committee members were as follows:

No.	Name of BRC Members	Period of BRC Membership in 2019	BRC Meeting Attendance 2019
1.	Abd Rani Lebai Jaafar <i>(Appointed as Chairman on 27 March 2018)</i>	1/1/2019 to 31/12/2019	8/8
2.	Tunku Dato’ Ahmad Burhanuddin Tunku Datuk Seri Adnan	29/10/2019 to 31/12/2019	1/1
3.	Yuri Zaharin Wahab	29/10/2019 to 31/12/2019	1/1
4.	Prof. Dr. Obiyathulla Ismath Bacha	28/5/2019 to 29/10/2019	3/3
5.	Edham Reza Shah Dato’ Abdul Rahman	28/05/2019 to 29/10/2019	3/3
6.	Datuk Siti Zauyah Md Desa	01/01/2019 to 30/06/2019	3/4
7.	Wan Zamri Wan Zain	01/01/2019 to 13/06/2019	4/4

3.1 Objective of BRC

The objectives of the BRC are:

- a) To provide an oversight of the identification and management of the Bank’s significant risks;
- b) To ensure that adequate risk management processes and checks and balances are in place for the proper overall management of the Bank; and
- c) 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.

3.2 Function of BRC

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:

- a) The records, properties and personnel of the Bank;
- b) The advice and services of Senior Management personnel of the Risk Management and Compliance sectors and the Chief Risk Officer (CRO); and
- c) 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

3.3 Duties and Responsibilities of BRC

The duties and responsibilities of BRC are:

- a) Oversee the effectiveness of the risk management function and ensure compliance with relevant Bank Negara Malaysia’s guidelines on risk management function requirements.
- b) 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.
- c) Review the allocation of risk-adjusted capital and broad-based limits across the Bank covering credit, market and operational risks.
- d) 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.
- e) Review with Management on any legal matter that could have a significant impact on the Bank’s operations and financial performance.
- f) Review and monitor compliance initiatives and activities on anti-money laundering/counter financing of terrorism (AML/CFT) and other regulatory requirements.
- g) Provide oversight for compliance with the Bank’s policies, guidelines and procedures as well as all applicable laws, rules and regulations.
- h) Ensure there is a system for monitoring the Bank’s compliance with laws and regulations and obtain reports on annual basis that the Bank is in conformity with applicable legal requirements.
- i) Ensure that all issues related to Bank Negara Malaysia’s Composite Risk Rating (CRR) are being monitored and resolved accordingly.
- j) Review and recommend to the Board the new products and services and discretionary power or authority limits in relation to any product programme proposal.
- k) 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.
- l) Review all business proposals, particularly:
 - product programme and its performance;
 - target market and risk acceptance criteria of any products and services; and
 - product profitability assessment;

4.0 BOARD FINANCING COMMITTEE

The Board Financing Committee (BFC) shall consist of a minimum of three (3) members, of which majority must be Independent Directors. The Committee held eleven (11) meetings during the financial year ended 31 December 2019 and the attendance of all committee members were as follows:

No.	Name of BFC Members	Period of BFC Membership in 2019	BFC Meeting Attendance 2019
1.	Tunku Dato’ Ahmad Burhanuddin Tunku Datuk Seri Adnan <i>(Appointed as Chairman on 29 October 2019)</i>	29/10/2019 to 31/12/2019	1/1
2.	Abd Rani Lebai Jaafar	01/01/2019 to 31/12/2019	11/11
3.	Muhamad Shahril Othman	04/10/2019 to 31/12/2019	1/2
4.	Prof. Dr. Obiyathulla Ismath Bacha <i>(Chairman from 28 August 2019 to 29 October 2019)</i>	28/08/2019 to 31/12/2019	3/3
5.	Edham Reza Shah Dato’ Abdul Rahman <i>(Interim Chairman from 25 June 2019 to 28 August 2019)</i>	25/06/2019 to 29/10/2019	4/5
6.	Dato’ Sri Jamil Salleh	25/06/2019 to 30/09/2019	3/3
7.	Wan Zamri Wan Zain <i>(Chairman from 28 May 2018 to 13 June 2019)</i>	01/01/2019 to 13/06/2019	6/6
8.	Datuk Siti Zauyah Md. Desa	01/01/2019 to 30/06/2019	4/6

Board of Directors and Main Committees

4.1 Objective of BFC

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

4.2 Function of BFC

The 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:

- a) The records, properties and personnel of the Bank;
- b) The advice and services of the Secretary of the Bank and key Senior Management personnel in the Business Banking department; and
- c) 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.

4.3 Duties and Responsibilities of BFC

The duties and responsibilities of BFC are:

- a) Affirm or veto the Financing Committee A’s approval on annual reviews with the unchanged terms and conditions.
- b) Affirm or veto the Financing Committee A’s approval on new / additional financing and / or variation on terms and conditions of existing financing.
- c) Recommend for the Board’s decision on all financings exceeding Financing Committee A’s discretionary power.
- d) Affirm or veto all restructuring and rescheduling financing proposal and recommend for the Board’s decision.
- e) 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.
- f) Oversee the management of impaired financing as well as monitor the recovery of impaired financing to oversight the financing recovery functions to maximise collections.

5.0 BOARD INVESTMENT COMMITTEE

The Board Investment Committee (BIC) shall consist of a minimum of three (3) members, of which majority must be Independent Non-Executive Directors. The Committee held four (4) meetings during the financial year ended 31 December 2019 and the attendance of all committee members were as follows:

No.	Name of BIC Members	Period of BIC Membership in 2019	BIC Meeting Attendance 2019
1.	Prof. Dr. Obiyathulla Ismath Bacha <i>(Appointed as Chairman on 13 June 2019)</i>	13/06/2019 to 31/12/2019	2/2
2.	Datuk Wan Suraya Wan Mohd Radzi	29/03/2019 to 31/12/2019	2/3
3.	Sofiyan Yahya	31/10/2019 to 31/12/2019	1/1
4.	Abd Rani Lebai Jaafar <i>(Chairman from 27 March 2018 to 13 June 2019)</i>	01/01/2019 to 29/10/2019	3/3
5.	Datuk Siti Zauyah Md Desa	01/01/2019 to 30/06/2019	2/2
6.	Dato’ Sri Jamil Salleh	01/01/2019 to 30/09/2019	3/3
7.	Wan Zamri Wan Zain	01/01/2019 to 13/06/2019	2/2

Board of Directors and Main Committees

5.1 Objective of BIC

The objective of the BIC 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.

5.2 Function of BIC

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:

- a) The investments in equities, fixed income, real estate and other investments deemed necessary.
- b) The determining and approving of the investment policies and procedures based on the Bank’s business objectives generally.
- c) The approvals of any new investment related activities other than real estate investment.
- d) The affirmation of real estate investment.

5.3 Duties and Responsibilities of BIC

The duties and responsibilities of BIC are:

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

6.0 BOARD TENDER COMMITTEE

The Board Tender Committee (BTC) shall consist of a minimum of three (3) members, of which majority must be Independent Directors. BTC held three (3) meetings during the financial year ended 31 December 2019 and the attendance of all committee members were as follows:

No.	Name of BTC Members	Period of BTC Membership in 2019	BTC Meeting Attendance 2019
1.	Sofiyan Yahya <i>(Appointed as Chairman on 31 October 2019)</i>	31/10/2019 to 31/12/2019	1/1
2.	Tunku Dato’ Ahmad Burhanuddin Tunku Datuk Seri Adnan	29/10/2019 to 31/12/2019	0/1
3.	Datuk Wan Suraya Wan Mohd Radzi	29/03/2019 to 31/12/2019	2/2
4.	Edham Reza Shah Dato’ Abdul Rahman <i>(Interim Chairman from 1 August 2019 to 29 October 2019)</i>	01/08/2019 to 29/10/2019	0/0
5.	Dato’ Rosman Mohamed <i>(Chairman from 13 June 2019 to 31 July 2020)</i>	13/06/2019 to 31/07/2019	0/0
6.	Wan Zamri Wan Zain <i>(Chairman from 27 March 2018 to 13 June 2019)</i>	01/01/2019 to 13/06/2019	2/2
7.	Datuk Siti Zauyah Md Desa	01/01/2019 to 30/06/2019	2/2
8.	Dato’ Sri Jamil Salleh	01/01/2019 to 30/09/2019	2/2
9.	Dato’ Sri Alias Haji Ahmad	01/01/2019 to 06/01/2019	0/0
10.	Armi Zainudin	01/01/2019 to 28/02/2019	1/1

Board of Directors and Main Committees

6.1 Objective of BTC

The objectives of the BTC is to deliberate on and approve tenders submitted for acquisitions valued at more than RM3.0 million that involves capital expenditure and expenditure for renovation.

6.2 Function of BTC

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).

- a) The investments in equities, fixed income, real estate and other investments deemed necessary.
- b) The determining and approving of the investment policies and procedures based on the Bank’s business objectives generally.
- c) The approvals of any new investment related activities other than real estate investment.
- d) The affirmation of real estate investment.

6.3 Duties and Responsibilities of BTC

The duties and responsibilities of BTC are:

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

7.0 BOARD NOMINATION AND REMUNERATION COMMITTEE

The Board Nomination and Remuneration Committee (NRC) was established on 28 May 2019 and shall consist of a minimum of five (5) members, of which at least four must be Non-Executive Directors. NRC held eleven (11) meetings during the financial year ended 31 December 2019 and the attendance of all committee members were as follows:

No.	Name of NRC Members	Period of NRC Membership in 2019	NRC Meeting Attendance 2019
1.	Abd Rani Lebai Jaafar <i>(Appointed as Chairman on 1 August 2019)</i>	28/05/2019 to 31/12/2019	11/11
2.	Datuk Wan Suraya Wan Mohd Radzi	28/05/2019 to 31/12/2019	10/11
3.	Muhamad Shahril Othman	01/08/2019 to 31/12/2019	5/7
4.	Yuri Zaharin Wahab	29/10/2019 to 31/12/2019	1/1
5.	Sofiyan Yahya	31/10/2019 to 31/12/2019	1/1
6.	Prof. Dr. Obiyathulla Ismath Bacha	02/10/2019 to 29/10/2019	3/3
7.	Dato’ Rosman Mohamed <i>(Chairman from 28 May 2019 to 31 July 2019)</i>	28/05/2019 to 31/07/2019	4/4
8.	Edham Reza Shah Dato’ Abdul Rahman	28/05/2019 to 29/10/2019	8/10
9.	Wan Zamri Wan Zain	28/05/2019 to 13/06/2019	0/1
10.	Datuk Siti Zauyah Md Desa	28/05/2019 to 30/06/2019	1/2
11.	Dato’ Sri Jamil Salleh	28/05/2019 to 30/09/2019	5/7

Board of Directors and Main Committees

7.1 Objective of NRC

The objective of the NRC are:

- a) 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;
- b) To assess the effectiveness of individual directors, the Board and Board Committees, Shariah Committee members and Shariah Committee as a whole; and
- c) To evaluate the performance of the Managing Director and key Senior Management personnel.
- d) 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
- e) To ensure that the compensation structure is competitive and consistent with the Bank’s culture, objectives and strategy.

7.2 Function of NRC

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:

- a) The records, properties and personnel of the Bank;
- b) The advice and services of the Secretary of the Bank and key Senior Management personnel in the Human Capital/ Resources department; and
- c) 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.

7.3 Duties and Responsibilities of NRC

The duties and responsibilities of NRC are:

- a) Review the structure, size and composition of the Board.
- b) 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.
- c) To determine the appropriate limit for the total number of directorships that can be held by the nominee in companies / institutions / organizations.
- d) Assess the competency and experience and recommend to the Board the nominees for directorship, Board Committee members, Shariah Committee members and the Managing Director.
- e) Undertake ongoing assessment and annual review of the performance of the directors, Shariah Committee members, the Managing Director and Chairman.
- f) 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.
- g) 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.
- h) Assess and recommend to the Board the appointment, job grade, promotion, remuneration package, succession planning and performance evaluation of key Senior Management personnel.
- i) 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.
- j) Review and recommend to the Board the overall remuneration policy for directors, the Managing Director and key Senior Management personnel.
- k) 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.

Board of Directors and Main Committees

- l) Determine the total individual remuneration package for personnel including appropriate bonuses, incentive payments, etc. based on individual performance.
- m) 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.
- n) Review and recommend to the Board the remuneration of Shariah Committee members.

8.0 BOARD OVERSIGHT COMMITTEE (CoBRa)

The Board Oversight Committee (CoBRa) (BOC CoBRa) shall consist of a minimum of three (3) members, of which majority must be Independent Non-Executive Director. BOC CoBRa held fourteen (14) meetings during the financial year ended 31 December 2019 and the attendance of all committee members were as follows:

No.	Name of BOC CoBRa Members	Period of BOC CoBRa Membership in 2019	BOC CoBRa Meeting Attendance 2019
1.	Yuri Zaharin Wahab (Appointed as Chairman on 29 October 2019)	29/10/2019 to 31/12/2019	3/3
2.	Muhamad Shahril Othman	01/08/2019 to 31/12/2019	8/8
3.	Prof. Dr. Obiyathulla Ismath Bacha (Interim Chairman from 1 August 2019 to 27 August 2019)	28/05/2019 to 31/12/2019	12/14
4.	Edham Reza Shah Dato’ Abdul Rahman (Interim Chairman from 28 August 2019 to 29 October 2019)	28/05/2019 to 29/10/2019	11/11
5.	Dato’ Rosman Mohamed (Chairman from 28 May 2019 to 31 July 2019)	28/05/2019 to 31/07/2019	6/6

8.1 Objective of BOC CoBRa

The Committee is established by the Board commencing 28 May 2019 until three (3) months after the ‘live’ launch date of CoBRa or until the Board decides otherwise. The three (3) months is to ensure oversight during the stability period of the new CoBRa system to the satisfaction of the Committee as may be advised by the accordingly.

8.2 Function of BOC CoBRa

- a) Management of the Bank and any officers of the Bank, (including past officers), shall provide full co-operation to the Committee and shall fully comply with decisions of the Committee.
- b) The Committee shall exercise its authorities in the best interest of the Bank in the context of providing strategic guidance, direction, and recommendations for the Bank; however, the Committee will not transgress into the role of Management.
- c) 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 and authority to:
 - the records, properties and personnel of the Bank;
 - the advice and support of the Secretary of the Bank and key Senior Management personnel; and
 - independent professional advice and expertise (such as Dialogue Partner(s) necessary to perform its duties at the expense of the Bank according to the prescribed or approved terms of reference, provided that written approval from the Board must be obtained prior to the incurring of any such expense on behalf of the Bank.

Board of Directors and Main Committees

8.3 Duties and Responsibilities of BOC CoBRa

The duties and responsibilities of BOC CoBRa are:

- a) Oversee the implementation and monitoring of the Board’s decision including the deliverable(s) of CoBRa within the expected Project timelines. Where potential delays emerge, the Committee is expected to make credible challenge to contributing factors and review proposed immediate/remediation/catch up/improvement plans accordingly, with the assistance of the subject matter experts;
- b) Conduct and perform investigation, interviews, assessments and impacts upon all findings and information relating to the progress and implementation of the CoBRa pursuant to the agreements entered between the Bank and any third party(s);
- c) Evaluate and determine whether the proposed CoBRa system is within the best-of-breed practice in line with the Bank’s transformation programme to enable optimum harvest of the said system potentials;
- d) Review all proposals, milestones, deliverables, terms of agreements including action plans from the Project Team, appointed consultants and contractors involved with the CoBRa to the satisfaction of the Committee in the best interest of the Bank and meeting the authorities’ expectations;
- e) To obtain prompt report on the progress on CoBRa implementation on a frequent or periodic basis from any persons subject to validation or approval the subject matter experts for the Committee and/or the Board to make informed decisions from time to time;
- f) Report and make recommendation to the Board on the above, as the case may be, and on any matter which falls under its authority, as it may deem fit.

9.0 BOARD NOMINATION COMMITTEE

The Board Nomination Committee (BNC) shall consist of a minimum of five (5) members, of which at least four must be Non-Executive Directors. The Committee held eight (8) meetings during the financial year ended 31 December 2019 and the attendance of all committee members were as follows:

No.	Name of BNC Members	Period of BNC Membership in 2019	BNC Meeting Attendance 2019
1.	Abd Rani Lebai Jaafar <i>(Chairman from 28 May 2018 to 28 May 2019)</i>	1/1/2019 to 28/05/2019	8/8
2.	Datuk Wan Suraya Wan Mohd Radzi	29/01/2019 to 28/05/2019	6/7
3.	Edham Reza Shah Dato’ Abdul Rahman	29/01/2019 to 28/05/2019	7/7
4.	Wan Zamri Wan Zain	01/01/2019 to 28/05/2019	8/8
5.	Datuk Siti Zaayah Md Desa	01/01/2019 to 28/05/2019	7/8
6.	Dato’ Sri Jamil Salleh	01/01/2019 to 29/01/2019	1/1
7.	Armi Zainudin	01/01/2019 to 29/01/2019	1/1
8.	Dato’ Sri Alias Haji Ahmad	01/01/2019 to 06/01/2019	0/0

Note: BNC was dissolved on 28 May 2019

9.1 Objectives of BNC

The objective of BNC are:

- a) 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;
- b) To assess the effectiveness of individual directors, the Board and Board Committees, Shariah Committee members and Shariah Committee as a whole; and
- c) To evaluate the performance of the Managing Director and key Senior Management personnel.

Board of Directors and Main Committees

9.2 Function of BNC:

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:

- a) The records, properties and personnel of the Bank;
- b) The advice and services of the Secretary of the Bank and key Senior Management personnel in the Human Capital/ Resources department; and
- c) 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.

9.3 Duties and responsibilities of BNC

The duties and responsibilities of BNC are:

- a) Review the structure, size and composition of the Board.
- b) 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.
- c) To determine the appropriate limit for the total number of directorships that can be held by the nominee in companies / institutions / organizations.
- d) Assess the competency and experience and recommend to the Board the nominees for directorship, Board Committee members, Shariah Committee members and the Managing Director.
- e) Undertake ongoing assessment and annual review of the performance of the directors, Shariah Committee members, the Managing Director and Chairman.
- f) 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.
- g) 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.
- h) Assess and recommend to the Board the appointment, job grade, promotion, remuneration package, succession planning and performance evaluation of key Senior Management personnel.
- i) 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.

10.0 BOARD REMUNERATION COMMITTEE

The Board Remuneration Committee (BREMCO) shall consist of a minimum of three (3) members, comprising only Non-Executive Directors. The Committee held five (5) meetings throughout the financial year ended 31 December 2019 and the attendance of all committee members were as follows:

No.	Name of BREMCO Members	Period of BREMCO Membership in 2019	BREMCO Meeting Attendance 2019
1.	Edham Reza Shah Dato’ Abdul Rahman <i>(Chairman from 26 February 2017 to 28 May 2019)</i>	26/02/2019 to 28/05/2019	2/2
2.	Datuk Wan Suraya Wan Mohd Radzi	29/03/2019 to 28/05/2019	0/1
3.	Dato’ Sri Jamil Salleh	01/01/2019 to 28/05/2019	5/5
4.	Wan Zamri Wan Zain	01/01/2019 to 28/05/2019	5/5
5.	Dato’ Sri Alias Haji Ahmad <i>(Chairman from 21 June 2017 to 6 January 2019)</i>	01/01/2019 to 06/01/2019	0/0

Note: BREMCO was dissolved on 28 May 2019

10.1 Objectives of BREMCO

The objective of the BREMCO are:

- a) 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
- b) To ensure that the compensation structure is competitive and consistent with the Bank’s culture, objectives and strategy.

10.2 Function of the BREMCO

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:

- a) The records, properties and personnel of the Bank;
- b) The advice and services of the Secretary of the Bank and key Senior Management personnel in the Human Capital/ Resources department; and
- c) 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.

10.3 Duties and Responsibilities of BREMCO

The duties and responsibilities of BREMCO are:

- a) Review and recommend to the Board the overall remuneration policy for directors, the Managing Director and key Senior Management personnel.
- b) 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.
- c) Determine the total individual remuneration package for personnel including appropriate bonuses, incentive payments, etc. based on individual performance.
- d) 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.
- e) Review and recommend to the Board the remuneration of Shariah Committee members.

1.0 COMPOSITION

- The Audit & Examination Committee (“AEC”) is a committee established by the Board of Directors from amongst its directors.
- The AEC comprises three (3) Members, all of whom are Independent Non-Executive Directors.
- Collectively, the AEC consists of Members with wide-ranging skills, knowledge and experience, including accounting or related banking expertise and experience in discharging their duties.

2.0 AUTHORITY

The AEC 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 AEC shall have full and unrestricted access to:

- the records, properties and personnel of the Bank;
- the resources which are required to perform its duties;
- co-operation from Management and the discretion to invite any Director and/or employee, including external auditors without the presence of other employees to attend its meetings;
- the advice and services of the Bank Secretary, the Managing Director, the Chief Internal Audit (“CIA”) and external auditors; and
- 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.

Note: In the exercise of its functions, it is understood that the AEC is not delegated with decision-making powers but shall report its recommendations to the Board for decision.

3.0 DUTIES & RESPONSIBILITIES

Roles and responsibilities of the AEC, amongst others, include the following:

3.1 Corporate Governance, Internal Control and Audit Functions

- Oversee the work and performance of the Internal Audit function and ensure that the Internal Audit function is in compliance with Bank Negara Malaysia’s “Guidelines on Internal Audit Function of Licensed Institutions” (BNM/RH/GL013-4), including the following:
 - Ensure that the Internal Audit function has an appropriate standing within the Bank and access to the AEC at all times;
 - Approve the Internal Audit Charter for endorsement by the Board;
 - Review the adequacy and effectiveness of the internal control, risk management and governance processes (which includes compliance with Shariah) of the Bank and its subsidiary including the audit scope, audit programme, findings and recommendations raised for actions by Management.
 - Endorse training programmes and budgetary resources for effective discharge of Internal Audit responsibilities;
 - Appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the CIA;

Audit and Examination Committee Report

- Review the adequacy of the functions and resources of the Internal Audit, and that it has the necessary authority to carry out its work; and
- Ensure the effectiveness of the internal technology audit function. This includes ensuring the adequate competence of the audit staff to perform technology audits. The AEC shall review and ensure appropriate audit scope, procedures and frequency of technology audits. The AEC must also ensure effective oversight over the prompt closure of corrective actions to address technology control gaps.
- Recommend to the Board the external advisors to be engaged when the Internal Audit function lacks expertise needed to perform specialised audit. In such instance, recommend the fees payable, ensure clear establishment of the terms and scope of engagement, and reporting requirements.
- Monitor compliance with practices of corporate governance and identification of significant non-compliance.
- Determination of compliance with relevant statutory requirements.

3.2 External Audit Function

The AEC shall oversee the external auditors, by undertaking the following:

- Recommend not only the appointment but also the removal of auditors;
- Review the external auditors’ plan, audit report and maintain a regular communication with the external auditor, and ensure the external auditor reports to the Committee on significant matters;
- Review the external auditor’s letter on weaknesses of accounting procedures and internal controls, and Management’s responses to the external auditors’ report and letter, and ensure that the Senior Management team takes necessary and corrective actions in a timely manner to address the findings.
- Establish policies and procedures, to assess and monitor the suitability and independence of the external auditors; and
- Recommend to the Board on the extent and nature provision of non-audit services that can be carried out by the external auditors and ensure adequacy of checks and balances on the provision of such non-audit services.

3.3 Shariah Audit

- Review the Shariah Audit function; and
- Review internal, external and Shariah audit findings and recommend to the Board the action to be taken by the Senior Management team.

3.4 Financial Reporting Process

- Review appropriateness and applicability of accounting standards used in preparation of the financial statements;
- Ensure that the accounts are prepared in a timely and accurate manner, with frequent reviews of the adequacy of provisions for contingencies as well as bad and doubtful debts;
- Ensure fair and transparent reporting, prompt publication of financial accounts and review financial statements to be submitted to the Board; and
- Ensure that all fraud and non-fraud related irregularities are investigated, and the responses and explanations are examined and investigated, and findings are reported to the Board.

Audit and Examination Committee Report

3.5 Fraud Management and Corporate Integrity

- Maintain oversight and governance assurance on execution of framework and policy;
- Inculcate awareness program amongst staff in promoting corporate integrity and anti-fraud culture within the Bank towards strong governance and compliance with framework and policy;
- Approve framework and policy on Fraud Management and Corporate Integrity;
- Respond to, at an appropriate level, fraud and corporate integrity matters, complaints, possible litigation or breaches of the Code of Business Conduct and Ethics, national laws and regulatory requirements;
- Review and monitor reports on fraud and corruption risks, policies and control activities, which include the following:
 - Provide assurance that the controls are effective;
 - Establish mechanisms to ensure AEC receiving accurate and timely information from Management, employees, internal and external auditors, and other stakeholders; and
 - Ensure the effectiveness of independent reporting of fraud and integrity incidences including the whistle-blowing reporting channel.
- Ensure that clear policies on zero-tolerance towards fraud and corruption are established;
- Ensure that firm corrective actions are imposed on any fraud and integrity incidences;
- Ensure the terms of reference for Corporate Integrity is in accordance with *Garis Panduan Pengurusan Unit Integriti Dan Governans* published by Cawangan Pembangunan, Bahagian Pengurusan Integriti Agensi, Suruhanjaya Pencegahan Rasuah Malaysia 2019.

4.0 ATTENDANCE AT MEETINGS

11 AEC Meetings were held during 2019. The details of attendance of each member are as follows:

AEC Members	Attendance at Committee Meetings
Wan Zamri Wan Zain	4/4 (100%)
<i>Interim Chairman (ceased effective from 13 June 2019)</i>	
Abd Rani Lebai Jaafar	11/11 (100%)
<i>Member (appointed with effective from 27 March 2018)</i>	
<i>Interim Chairman (appointed effective from 13 June 2019 and ceased effective from 1 August 2019)</i>	
Armi Zainuddin	3/3 (100%)
<i>Member (ceased effective from 28 February 2019)</i>	

Audit and Examination Committee Report

AEC Members	Attendance at Committee Meetings
Edham Reza Shah Dato’ Abdul Rahman	
<i>Member</i> <i>(appointed effective from 26 February 2019 and ceased effective from 29 October 2019)</i>	6/6 (100%)
<i>Interim Chairman</i> <i>(appointed effective from 1 August 2019 and ceased effective from 29 October 2019)</i>	
Prof. Dr. Obiyathulla Ismath Bacha	
<i>Member</i> <i>(appointed effective from 13 June 2019)</i>	7/7 (100%)
Tunku Dato’ Ahmad Burhanuddin Tunku Datuk Seri Adnan	
<i>Chairman</i> <i>(appointed effective from 29 October 2019)</i>	2/2 (100%)

Note: * Inclusive of AEC Meetings held for Fraud Management & Corporate Integrity.

5.0 SUMMARY OF ACTIVITIES

For the financial year ended 31 December 2019, the AEC had carried out the following activities in the discharge of its roles and responsibilities:

5.1 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 were in compliance with the accounting standards and regulatory requirements.

5.2 Annual Report

Reviewed and approved the AEC Report for inclusion in Bank Rakyat’s Annual Report for Financial Year ended 31 December 2018.

5.3 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 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

- Reviewed the audit reports on subsidiaries and Yayasan Bank Rakyat for an overview of the risk management and internal control systems of those entities.
- Deliberated and approved the 2019 key performance indicators (KPI) setting for CIA.
- Evaluated the performance of the CIA on annual and quarterly basis.
- Instructed the conduct of investigation on matters within its terms of reference.
- Reviewed and noted the AEC’s minutes of meetings to obtain an overview of the deliberation and remedial actions taken by Management on the control lapses raised by the Internal Audit Sector.
- Deliberated and monitored the implementation status of the improvement recommendations highlighted by the external consultant in its external Quality Assessment Review (QAR) Report. The QAR Report was presented to the AEC in February 2019 and the QAR results showed that the Internal Audit Sector activities conform with the Institute of Internal Auditors (“IIA”) Standards and leading practices.

5.4 External Audit

- 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.
- 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.
- Assessed the performance of the external auditors and made recommendations to the Board of Directors on their reappointment.
- Periodically reviewed and monitored the progress of actions taken to rectify audit findings raised by the external auditor to ensure the issues are being managed and rectified appropriately and in a timely manner.
- Performed assessment on the external auditors prior to recommendation to the Board on its reappointment. The assessment was conducted in accordance with BNM’s Guidelines on External Auditor on principal areas covering performance, independence and objectivity.

5.5 Fraud Management and Corporate Integrity

- Reviewed and provided assurance on the governance and execution of frameworks as well as policies for Fraud Management Division and Corporate Integrity Department.
- Reviewed and deliberated the investigation reports pertaining to fraud and integrity misconducts, findings and recommendations raised on the control lapses and actions taken by Management to prevent recurrence;
- Ensured the effectiveness of independent reporting of fraud and integrity incidences including the whistleblowing reporting channel.
- Ensured that firm corrective actions taken on any fraud and integrity incidences.

5.6 Related Party Transactions

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

Audit and Examination Committee Report

6.0 TRAINING

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

7.0 INTERNAL AUDIT FUNCTION

The AEC 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 for improvement and enhancements to the existing system of internal controls and work processes.

Internal Audit Sector also conducts audits on the information systems of Bank Rakyat to ensure that the computing resources are adequately secured to protect data integrity and confidentiality, availability of adequate measures to safeguard and provide for the continued availability of the system to support business operational needs.

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 promulgated by the Institute of Internal Auditors (“IIA”).

During 2019, 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 Strategic Plan, namely BR25, 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;
- Identified and recommended potential cost savings alternatives and prevention of seepage of income from the audits performed;
- Performed reviews on the draft unaudited quarterly financial statements to ensure the Bank’s conformity with applicable accounting and financial reporting standards as well as compliance with the relevant regulatory requirements;
- Conducted periodical assessment to ensure that a sound and effective internal control system for Shariah compliance have been implemented;
- Performed independent assessment and objective assurance designed 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;

Audit and Examination Committee Report

- 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 observations and 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;
- 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;
- Attended meetings of various management committees on a consultative and advisory capacity to provide independent views pertaining to the governance and controls encompassing the Bank’s significant IT projects;
- Conducted ad-hoc assignments and special reviews as instructed by the AEC, 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 investigation into activities or matters as instructed by the AEC and Management;
- Prepared the Audit & Examination Committee Report for Bank Rakyat’s Annual Report for Financial Year ended 31 December 2018; and
- Conducted Internal Control Awareness Programmes (ICAP) for branch staff.
- Conducted Guest Auditor Programme for branch staff.

The total costs incurred for the Internal Audit Sector of Bank Rakyat for 2019 is RM8,617,878.98 million.

Risk Management Committee Report

Leaving No Risk Behind: Unlocking Values of Risk Management

2019 has seen Risk Management continuing to create values and support to the Bank in meeting its strategic and business objectives. In pursuit to drive business expansion of the Bank, Risk Management remains as strategic partner through active participation and engagement with stakeholders in maintaining risk taking activities within acceptable parameters.

As the second line of defense, Risk Management performs independent oversight and management of risk and ensure the risk policies and parameters remained accommodative for business growth without transgressing the confine of the risk appetite framework.

In promoting sound implementation of risk management at enterprise-level, Group Risk Management Framework has been augmented in accordance with the requirements by BNM Guidelines on Risk Governance. This includes establishment of risk management’s principles to ensure business activities are aligned with the nature, scale and complexities of the Bank.

Robustness of credit underwriting standard has been a core principle of credit risk. In this regard, credit policies are reviewed periodically by reflecting risk tolerance of the Bank. The Bank has strengthened the application of credit policies; among others; by empowering its approving authority with a discretionary power on Business financing.

Constant monitoring of the performance of financing portfolios continues to be conducted to provide value-added risk insights in supporting business decision-making. This could be seen through active engagements between Risk Management and respective risk owners which resulted to cautious diversification, especially to the certain vulnerable customer segments. In addition, communication between the risk owners on the know-how process and the necessary preventive measures through continuous close monitoring to ensure well-controlled risk management environment. These initiatives provide insights and values to the Bank in setting up new credit parameters which are later translated into risk strategies of the Bank.

Recognizing credit risk as crucial element towards achieving sound credit culture, the roles of post approval credit review (PACR), established within Risk Management, continues to be strengthened in providing independent assessment on the quality of credit appraisal and the effectiveness of credit processes. Knowledge sharing sessions and consultative feedbacks on credit matters are conducted periodically with the relevant stakeholders to ensure the lessons learned could be implemented into practice, thus improvising the overall credit processes and better quality of financings acquired by the Bank.

Comprehensive Capacity Building for Modelling Technique

The Bank has embarked its journey of comprehensive capacity building for modelling technique focusing on the enhancement of the Bank’s credit risk modelling. This is a continuation of the Bank’s effort to strengthen the Bank’s financial muscle by accommodating MFRS 9’s requirement to develop a robust and granular credit risk model in estimating credit risk losses on both business segments and portfolio levels.

The comprehensive capacity building has laid down a solid foundation for the Bank to steer ahead of the current banking challenges of shifts in customer demographic and firmographic together with changes in economic by having active engagements with business units and Economic Division as part of the modelling process. These engagements are to heighten the taught process, inculcate awareness on the inherent risks and appreciation of the models by the business units which would translate into commitment on risks in their business strategies.

Moving forward, the comprehensive capacity building would also equip the Bank with model validation aptitude and broaden the overall understanding on the usage and implication of the model to business units and Economic Division.

Risk Management Committee Report

Evolution of the Board Risk Committee Activism

2019 marked a new milestone for board oversight on risk management. The Board Risk Committee’s composition was further strengthened with the appointment of Tunku Dato’ Ahmad Burhanuddin bin Tunku Datuk Seri Adnan and Mr Yuri Zaharin Wahab as members.

Tunku Dato’ Ahmad Burhanuddin brings his wealth of senior leadership experience in banking industry and auditing, while Mr Yuri Zaharin, who is an accomplished leader in IT, provides the much needed strategic perspectives on technology risk and cybersecurity management. Blended with the esteemed leadership of the Chairman, Tuan Haji Abdul Rani Lebai Jaafar, who carries the wisdom of Islamic finance through his vast senior leadership experience, the Board Risk Committee is well composed to effectively discharge its oversight on the full spectrum of risks in Bank Rakyat.

The Board Risk Committee Charter has been further expanded to include oversight on technology-related matters that include IT risk and cybersecurity. The committee shall oversee the development of the Bank’s IT and cybersecurity strategic plans and the effective implementation of Technology Risk Management Framework and Cyber Resilience Framework. This includes ensuring the IT and cyber security risk profiling undertaken by management is robust and comprehensive.

Bracing for The Advent of Bank 4.0

Moving in tandem as the Bank strides towards digitalization and aspirational evolutions under BR25 Strategic Plans, an Information Security Office was established under Risk Management Sector towards the end of 2019 to drive and execute Bank-wide strategies for managing information security, technology and cyber risks.

The Information Security Office’s role as a second line of defense is streamlined to be an integral component of the Bank’s Enterprise Risk Management Framework and demarcated with authority and independence to provide oversight, advisory as well as effective checks and balances on IT and cybersecurity operations. The function shall be responsible for implementing the Technology Risk Management Framework and Cyber Resilience Framework, advising on critical technology projects as well as providing independent views to the Board and senior management on information security, technology and digital services.

Ensuring Sustainability by Alleviating Risk Exposure

In the wake of heated frauds, Macau Scam, massive fines imposed by Bank Negara Malaysia for anti-money laundering breaches and misconduct along with 'Cash Threshold Reporting' requirement that reduced from RM50,000 and above in a day to RM25,000 and above in a day, cyber-attacks, data leakages and the financial and operational impact of extreme weather events, it is widely acknowledged that operational risk is one of the most significant risks faced by the financial institutions in the year of 2019.

During the year, enhancement in operational resilience via extension of the existing embedded risk management functions to other significant Business and Supporting Units was taken in place to ensure risk management activities are well integrated across the Bank. Collaborative effort from all organs within the Bank is vital in alleviating any future people risk exposure. Continuous and developing process of operational risk management that operates in conjunction with the development and implementation of the Bank’s strategy is essential to add maximum sustainable value to the activities of the Bank.

Numerous awareness programs handled under Business Continuity Management Office were conducted in order to enhance the employees’ readiness in responding to operational disruptions that may affect the Bank. The Crisis Management Team of the Bank which consist of the senior management and business support teams participated in the Tabletop exercise which progressed as the first opportunity for the Bank to assess the quality of the crisis management plans and the effective implementation of the responsible parties. By reducing the operational risk exposure through competency assessment of management level, the Bank is preparing them to be part of the ‘High Performance Team’ as stated in BR25 Vertical 4 of People.

In sum, the year of 2019 has shown a positive trend on operational risk loss exposure as compared to the previous year. However, comprehensive support from each and every stakeholder of the Bank to comply with the regulatory requirements as well as internal policies and procedures remain as one of the core aspects to help minimise the operational risk loss to the Bank. Mitigation risk of ownership by complying with all-encompassing policies, guidelines and procedures is in line with BR25 Vertical 5 of Sustainability with the aspiration for evolution of contributing to sustainable economic growth.

Risk Management Committee Report

Fostering A Sustainable Growth and Return

Optimal structure of balance sheet growth will ensure the sustainable return for the Bank from the asset liability management standpoint. The goal is supported by a comprehensive strategy which focuses on venturing into new products and services, realigning portfolio composition and targeting a wider market. The investment portfolio strategy is directed towards return maximisation while maintaining an adequate level of high quality liquid assets in line with compliance requirement. In order to maintain a balanced portfolio, the Bank continued its effort of funding diversification and reduced dependency on wholesale deposits by increasing retail funding and Current and Savings accounts-i (CASA-i) whilst ensuring to be cost effective.

Competitive pricing will lead to a consistent increment in the Bank’s growth and income. Therefore, pricing policies are in place and reviewed in a timely manner to be reflective of the internal and external market conditions to serve as a guide in harmonising both risk and reward while focusing on growth.

Managing structural risk exposures, namely rate of return and liquidity risks will guarantee a healthy balance sheet and safeguard the return. The exposure in rate of return risk is managed through capital reserving and portfolio composition diversification, which emphasis on the growth of the floating rate financing and CASA-i. With all the plan and efforts put forward over the years, the Bank has successfully managed to ensure that the rate of return risk exposure level to be within the prescribed best practice.

Cultivating Best Practice in Liquidity Risk Management

The Bank continued to enhance its diversification in liability structure with the primary objective on stability of funding sources. The primary sources of funds include customer deposits, interbank deposits and medium-term funds. Besides, the Bank also initiates and implements strategic fund raising programmes as well as institutes standby credit lines with external parties on a need basis.

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.

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.

2020 Plan

With the change of mood and uncertainty in the global economic condition, Risk Management will continue to proactively espouse and facilitate the Bank towards its mandated role to provide financing to Small and Medium Enterprise (SME) and the underserved community namely Micro Business. Risk Management is looking into the feasibility of introducing psychometric assessment for these customer segment. Moving forward, adequate infrastructure on model risk will be inaugurated to govern the efficiency and feasibility of adopted model.

In line with the Bank’s BR25 Strategic Plan as The Sustainable Bank, the Bank will develop policy and procedures on sustainability risk management to manage the Bank’s exposure to sustainability risk. The policy and procedures on sustainability will be aligned with the key principles of United Nation’s Sustainable Development Goals and covers the Bank’s business activities and operations. An assessment tool on sustainability to identify and measure the sustainability risk will be embed as part of the Bank’s appraisal or onboarding process of customers and vendors.

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 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.
- 3.7 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.
- 3.8 Advice and assist Bank Rakyat to consult SAC/BNM and/or SAC/SECCOM when necessary in a written form.
- 3.9 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").
- 3.10 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.
- 3.11 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.
- 3.12 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.
- 3.13 Harmonise the conflict between Shariah and legal approaches to gradually lead Bank Rakyat's practices towards the best globally accepted Shariah practices.
- 3.14 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.
- 3.15 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.
- 3.16 Regularly inform the BOD on relevant Shariah matters.
- 3.17 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.
- 3.18 Act as Shariah spokesperson to respond on Shariah related inquiries during Bank Rakyat annual general meeting or any public events which involve Bank Rakyat.
- 3.19 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.
- 3.20 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.

Shariah Committee Terms of Reference

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.

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.

Shariah Committee Terms of Reference

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 2019

Name of Committee Members	Attendance at Committee Meetings	Percentage of Attendance
SS Dato’ Setia Mohd Tamyas Abd Wahid	12/13	92.31%
Prof. Dato’ Dr. Mohd Azmi Omar	13/15	86.66%
Dr. Mohammad Zaini Yahaya	15/15	100%
Ust. Md. Yunus Abd. Aziz	10/15	66.66%
Ust. Wan Rumaizi Wan Husin	14/15	93.33%
Dr. Abdullaah Jalil	13/15	86.66%
Prof. Madya Dr. Azman Mohd Noor	13/15	86.66%

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**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
BANK KERJASAMA RAKYAT MALAYSIA BERHAD
FOR THE YEAR ENDED 31 DECEMBER 2019**

Certificate 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 2019 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, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 134 to 277.

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 2019 and of their financial performance and cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standard (MFRS) and 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 certificate. 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 group and of the Bank Kerjasama Rakyat Malaysia Berhad and I have fulfilled the other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

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

The Directors of the Bank Kerjasama Rakyat Malaysia Berhad is responsible for the other information in the Annual Certificate. 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 Certificate thereon and I do not express any form of assurance conclusion thereon.

Responsibilities of the Directors for the Financial Statements

The Directors is responsible for the preparation of Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad that give a true and fair view in accordance with Malaysian Financial Reporting Standard (MFRS) and 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 the Group and of the Bank Kerjasama Rakyat Malaysia Berhad that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad, the Directors are responsible for assessing Bank Kerjasama Rakyat Malaysia Berhad's 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 the Group and of the Bank Kerjasama Rakyat Malaysia Berhad as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's certificate 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 scepticism throughout the audit. I also:

- a. Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad, 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 the Group and of the Bank Kerjasama Rakyat Malaysia Berhad’s 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 Director’s 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 of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I have to draw attention in my Auditor’s Certificate to the related disclosures in the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad 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 Certificate.
- e. Evaluate the overall presentation of the financial statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad including the disclosures, and whether the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad represents the underlying transactions and events in a manner 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 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Certificate 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 report that the subsidiaries, of which I have not acted as auditor, are disclosed in Note 15 to the Financial Statements.

Other Matters

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



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

PUTRAJAYA
17 MARCH 2020



Statement By Directors

We, **DATUK NORIPAH KAMSO** and **TUNKU DATO' AHMAD BURHANUDDIN TUNKU DATUK SERI ADNAN**, 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 2019 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



TUNKU DATO' AHMAD BURHANUDDIN TUNKU DATUK SERI ADNAN
Director

Kuala Lumpur
Date: 25 February 2020

Annual Report of Shariah Committee of Bank Rakyat 2019

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 2019.

The Management of Bank Rakyat is responsible to ensure 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 Director of Bank Rakyat.

During the financial year ended 31st December 2019, the Shariah Committee had convened 15 times including 3 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 Research and Advisory Department to approve generic Shariah related matters and the approvals by the Shariah Research and Advisory Department are duly reported to us on quarterly basis for review and confirmation.

We planned and performed our review to obtain all 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 a year of 2019 as below:
 - i. Implementation of Special Financing Package for Cooperative based on the concept of *Tawarruq (Dual Wakalah)* launched on 3rd April 2019.
 - ii. Implementation of Bank Rakyat Platinum Explorer Credit Card-i based on the concept of *Tawarruq* launched on 27th September 2019.
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, guidelines 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 branches 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.
 - 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.

Annual Report of Shariah Committee of Bank Rakyat 2019

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

- 3. 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.
- 4. 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.
- 5. Shariah Research and Advisory provide advisory on product development and day to day business operations which includes 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. They are also responsible to produce Shariah research papers on current issues related to Islamic Banking products and services as well as *Takyif Fiqhi* to support the business proposal of the bank.
- 6. 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.
- 7. Shariah Risk 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.
- 8. During the financial year of 2019, Shariah Review, Shariah Audit and Shariah Risk 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 27 Ar-Rahnu X’Change
- c. Shariah Review Report on 4 *Auto Finance Centre (AFC)*
- d. Shariah Review Report on 43 corporate financing and cooperative financing application
- e. Shariah Review Report on 17 Trade Finance application
- f. Shariah Review Report on 7 subsidiaries of Bank Rakyat:
 - i. Rakyat Management Services Sdn. Bhd (RMS)
 - ii. Rakyat Holdings Sdn. Bhd.
 - iii. Rakyat Asset Sdn. Bhd.
 - iv. Rakyat Hartanah Sdn. Bhd.
 - v. Rakyat Niaga Sdn. Bhd.
 - vi. Rakyat Facility Management Sdn. Bhd.
 - vii. Rakyat Travel Sdn. Bhd.
- g. Shariah Review Report on Cooperatives that receive financing from Bank Rakyat
- h. Shariah Review Report: Member’s Services Department
- i. Shariah Review Report: Co-operative Development & Supervision Department
- j. Shariah Review Report: Money Market Department
- k. Shariah Review Report: Foreign Exchange Department
- l. Shariah Review Report: Correspondance Banking Department
- m. Shariah Review Report: Treasury Marketing Department
- n. Shariah Review Report: Equity Department
- o. Shariah Review Report: Fixed Income Department
- p. Shariah Review Report: Retail Unsecured Financing Department (Personal Financing-i & Education-i)
- q. Shariah Review Report: Product Development (Secured Financing) Department, Mortgage Processing & Control Department, and Mortgage Financing Department.
- r. Shariah Review Report: Hire Purchase Business Development & Marketing Department
- s. Shariah Review Report: Micro & Program Financing Department
- t. Shariah Review Report: Business Banking Division
- u. Shariah Review Report: Co-operative Financing (Business Development) Department

Annual Report of Shariah Committee of Bank Rakyat 2019

Shariah Audit

- a. Shariah Audit Report: Corporate Communications Department: Review on Donation and Sponsorship
- b. Shariah Audit Report: Home Financing-i
- c. Shariah Audit Report: Auto Financing-i
- d. Shariah Audit Report: Personal Financing-i
- e. Shariah Audit Report: Term Deposit-i
- f. Shariah Audit Report: Event Management
- g. Shariah Audit Report: Strategic Marketing Department
- h. Shariah Audit Report: Delivery Channel
- i. Shariah Audit Report: Follow-up on Unresolved Audit Findings for Quarter 4, 2018
- j. Shariah Audit Report: Fixed Income Department
- k. Shariah Audit Report: Foreign Exchange Department
- l. Shariah Audit Report: Early Monitoring Department
- m. Shariah Audit Report: Money Market
- n. Shariah Audit Report: Pawn Broking-i Ar- Rahnu
- o. Shariah Audit Report: Government & Government Linked Company (Business Development) Department
- p. Shariah Audit Report: Collection Centre
- q. Shariah Audit Report: Credit Card-i: Limited Review on Acquiring Business
- r. Shariah Audit Report: Rakyat Travel Sdn Bhd
- s. Shariah Audit Report: Retail Recovery
- t. Shariah Audit Report: Follow-up on Unresolved Audit Findings for Quarter 1, 2019
- u. Shariah Audit Report: Legal (Corporate Financing & Documentation) Department
- v. Shariah Audit Report: Transaction Corporate Banking Department
- w. Shariah Audit Report: Departments and Divisions under Corporate Services Sector (Other than Transaction Corporate Banking Department)
- x. Shariah Audit Report: Departments and Division under Strategy & Transformation Sector
- y. Shariah Audit Report: Retail Banking Strategy & Performance Management Division
- z. Shariah Audit Report: Customer Service Management & Guidelines Sector
- aa. Shariah Audit Report: Follow-up on Unresolved Audit Findings for Quarter 2, 2019
- bb. Shariah Audit Report: Legal (Operation & Litigation) Department
- cc. Shariah Audit Report: Compliance & Governance Sector
- dd. Shariah Audit Report: Rakyat Management Services Sdn Bhd
- ee. Shariah Audit Report: Staff Financing
- ff. Shariah Audit Report: Trade Finance Department
- gg. Shariah Audit Report: Follow-up on Unresolved Audit Findings for Quarter 3, 2019

Shariah Risk

- a. Shariah Risk Profiling 2018

Shariah Training and Awareness

- 9. For the year of 2019, twenty-seven (27) Shariah training and briefing sessions were conducted within Bank’s internal employees covering more than 900 of participants throughout Malaysia with almost 80 training hours of total spent.
- 10. Training Academy of Bank Rakyat also retained the slot of Shariah application in Islamic Banking for half day session during the induction program which has been specifically organised for new recruitments, as one of the effort to ensure all level of the bank’s employees understand the application of Shariah in every product offered by the bank.
- 11. Bank Rakyat has also committed to strengthen the level of understanding for Shariah knowledge of its employees with the organization of International Shariah Scholars Roundtable (iSHAR) program while also extending the recognition of Bank Rakyat in the eyes of industry player. Seven (7) members of Shariah Committee together with twenty-four (24) Shariah officers has attended the two (2) days robust discussion among prominent international and local Shariah scholars of Islamic Finance industry.

12. Apart from the roundtable discussion, Bank Rakyat Shariah Committee members has also participated in various international Islamic finance and Shariah-related training programs & seminars, in which one (1) of the member has become the speaker at the 7th International Conference of Entrepreneurial Finance (CIFEMA'2019) held in Morocco. In addition, three (3) other members of Shariah Committee has also attended 13th Muzakarah Cendekiawan Shariah Nusantara and 14th International Shariah Scholars Forum (ISSF) organised by International Shariah Research Academy for Islamic Finance (ISRA).
13. With the aim to inculcate the Shariah compliance culture within Bank Rakyat, Shariah Review Department has involved in two (2) series of Zero Tolerance Clinic briefing sessions together with other compliance-related function, which was attended by employees of selected branches nationwide. On the same note, Shariah officers who conducted Shariah Review at all 147 branches were delegated to deliver a briefing session with branch employees regarding Shariah compliance. Those programs aim to provide awareness to Business & Support Unit (BSU) in order to avoid the risk of Shariah non-compliant event and to update any new Shariah rulings issued by Bank Rakyat or regulators.

Shariah Non Compliance Issue

14. For the financial year ended 31st December 2019, the Shariah non-compliance issues deliberated by us were as follows:
- a. Delay of issuance of a Gold Certificate to Rakyat Management Services Sdn Bhd (RMS).
 - b. Overcharge safekeeping fees on delay for closing customer's account after the payment received from Rakyat Management Services Sdn Bhd (RMS).
 - c. Payment via cheque / Interbank GIRO and Gold Wafer transactions delivery for Rakyat Management Services Sdn Bhd (RMS) were not conducted on spot basis (T+0).
 - d. The approval of *Aslah* Awam Personal Financing-i application signed by third party without the knowledge and consent from the customer.
 - e. Public auction process for *Ar-Rahnu* was not carried out in accordance with the requirement of *Garis Panduan Operasi Pembiayaan 215 Pajak Gadai-i*.
 - f. Closing of customer's account for *Ar-Rahnu* below reserve price.
 - g. Payment of conventional insurance coverage of Vehicle Financing-i *An-Naqlu* 2.
 - h. Overcharged of the Late Payment Charges (LPC) in the IBS System on Retail Financing-i.
15. All of the Shariah non-compliance events together with the rectification plans were presented to us and the Board of Directors for approval, and was subsequently reported to Bank Negara Malaysia in accordance with the Shariah non-compliance reporting requirements imposed by the Islamic Financial Services Act 2013 (IFSA).
16. Shariah non-compliance events experienced by the Bank were mostly due to the non-compliance to the operational guidelines detected by Shariah Review, Shariah Audit and Compliance Division. The Bank has taken the 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.
17. Within the financial year of 2019, the Bank received Shariah non-compliant income amounting of **RM336,948.14**. The amount was returned to the affected customers and part of it was disposed for charitable purposes upon Shariah Committee and Board of Director's approval.

Zakat on Business

18. In the financial year of 2019, we confirmed that the bank has fulfilled its obligation to pay zakat on its business to Majlis Agama Islam Negeri nationwide amounting **RM15,861,721.00** by adopting the computation based on capital growth method and in compliance with the Manual Pengurusan Zakat Perbankan issued by Jabatan Wakaf, Zakat dan Haji (JAWHAR).
19. For the zakat asnaf, we confirmed that business zakat of the bank was distributed accordingly for **RM17,131,034.00** to the eligible asnaf as guided by Policy and Procedure Business Zakat Management of Bank Rakyat that was approved by us.
20. In summary, we endorsed that Bank Rakyat has managed to pay zakat on business for the year of 2019 in total sum of **RM32,992,755.00**.

Bank Rakyat Waqf Initiative

21. Bank Rakyat has break new ground in Waqf industry when the Bank signed and sealed the collaboration agreement with Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM) on 24 October 2018. Under this collaboration, the bank agreed to promote, collect and manage the Waqf fund together with MAIDAM. The Bank also agrees to enable all the services that fits to the collection of Waqf.
22. The Waqf fund collected is managed by the Joint Management Committee (JMC) which comprises the representative of the bank and MAIDAM. The JMC has decided to assist MAIDAM in establishing new MAIDAM Hemodialysis Centre in Terengganu.
23. In financial year of 2019, we confirmed that the Bank has fulfilled its Waqf Corporate Social Responsibilities by helping MAIDAM achieving its target collections for the renovations and facilities cost of establishing the Hemodialysis Centre.
24. As at 30 November 2019, the Bank managed to collect **RM1,289,876.10** from various collection channel offered by the Bank. From these figures, the Bank has contributed amounting of **RM187,988.05** matching grant to match the collections from the public by the ratio of RM1: RM1.

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 events 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 on-going basis.
- 5. All earnings that have been realised from sources or by means prohibited with the Shariah principles were disposed accordingly.
- 6. The calculation and distribution of zakat on Banking Business for the year of 2019 is in compliance with Shariah principles.
- 7. The collection of waqf fund under Bank Rakyat Waqf Initiative for the year of 2019 is in compliance with Shariah principles.

Annual Report of Shariah Committee of Bank Rakyat 2019

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 2019 have been conducted in conformity with the Shariah principles.


USTAZ MD. YUNUS ABD. AZIZ
Member of Shariah Committee


USTAZ ABDULLAAH JALIL
Member of Shariah Committee


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


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


USTAZ WAN RUMAIZI WAN HUSIN
Member of Shariah Committee


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


DR. MOHAMAD ZAINI YAHAYA
Member 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 above named in Kuala Lumpur on 25 February 2020.


NOR HAIMEE ZAKARIA

Before me:



Directors’ Report

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 2019.

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 15 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	1,793,867	1,751,665
Taxation	(122,936)	(112,130)
Zakat	(39,184)	(36,459)
Profit after taxation and zakat	1,631,747	1,603,076
Statutory appropriations	(477,362)	(477,362)
Profit for the year after statutory appropriations	1,154,385	1,125,714
Other comprehensive income	504,566	504,566
Total comprehensive income for the year	1,658,951	1,630,280
Total comprehensive income for the year attributable to: Equity holders of the Bank	1,658,951	1,630,280

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.

DIVIDENDS

During the financial year ended 31 December 2019, the Bank paid a cash dividend of 13% amounting to RM379 million in regard to the previous financial year ended 31 December 2018.

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

Directors’ Report

OTHER STATUTORY INFORMATION

In the opinion of the Directors, the financial statements set out on pages 134 to 277 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 2019 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.

No contingent or other liability which has not been discharged has been undertaken by the Group and the Bank, except as disclosed in Note 39 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



TUNKU DATO' AHMAD BURHANUDDIN
TUNKU DATUK SERI ADNAN

Kuala Lumpur, Malaysia
25 February 2020

Statements of Financial Position
as at 31 December 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Cash and short-term funds	6	1,760,287	1,163,630	1,759,669	1,161,454
Financial investments at fair value through profit or loss	7	636,693	742,297	636,693	742,297
Financial investments at fair value through other comprehensive income	8	22,273,842	22,329,782	22,273,834	22,329,773
Financial investments at amortised cost	9	10,261,091	10,155,789	10,261,091	10,155,789
Financing and advances	10	70,967,646	69,003,855	71,042,565	69,003,855
Trade receivables	11	324	2,459	-	-
Other assets	12	1,139,698	1,132,604	1,121,584	1,097,380
Right-of-use assets	13	64,287	-	90,230	-
Inventories	14	6,790	8,018	-	-
Investment in subsidiaries	15	-	-	100,744	100,744
Property and equipment	16	696,761	713,862	598,167	621,876
Intangible assets	17	294,321	265,294	281,136	252,109
Investment properties	18	1,322,726	1,214,812	1,008,047	1,005,948
Prepaid lease payments	19	59,182	60,708	59,182	60,708
Tax recoverable		139,957	5,780	137,455	3,267
Deferred tax assets	20	673	86,333	-	86,000
Total assets		109,624,278	106,885,223	109,370,397	106,621,200

Statements of Financial Position
as at 31 December 2019 (Continued)

	Group			Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Liabilities					
Deposits from customers	21	83,831,405	82,735,900	83,831,405	82,735,900
Deposits and placements from banks and financial institutions	22	1,300,000	824,000	1,300,000	824,000
Trade payables		1,652	2,840	-	-
Recourse obligations on financing sold to Cagamas	23	360,770	710,335	360,770	710,335
Debt securities issued	24	2,562,786	3,143,366	2,562,786	3,143,366
Cashline facility	25	200,607	-	200,607	-
Other liabilities	26	1,732,223	1,590,976	1,897,370	1,711,453
Provision for taxation		110	18	-	-
Deferred tax liabilities	20	80,017	4,064	69,000	-
Total liabilities		90,069,570	89,011,499	90,221,938	89,125,054
Shareholders' fund					
Share capital	27	2,986,030	2,986,030	2,986,030	2,986,030
Share redemption fund		9,860	19,104	9,860	19,104
Reserves	28	16,558,818	14,868,590	16,152,569	14,491,012
Total shareholders' fund		19,554,708	17,873,724	19,148,459	17,496,146
Total liabilities and shareholders' fund		109,624,278	106,885,223	109,370,397	106,621,200
Commitments and contingencies	39	2,340,818	2,796,414	2,340,818	2,796,414

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

Statements of Profit or Loss and Other Comprehensive Income

for the Year Ended 31 December 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income	29	6,498,151	6,455,074	6,424,127	6,402,324
Expenditure	30	(3,327,879)	(3,382,670)	(3,259,395)	(3,328,724)
Net income		3,170,272	3,072,404	3,164,732	3,073,600
Allowances for impairment	31	(547,125)	(417,511)	(556,852)	(417,511)
Other operating income	32	581,182	414,637	552,677	445,026
Operating expenses	33	(1,410,462)	(1,210,351)	(1,408,892)	(1,226,113)
Profit before taxation and zakat		1,793,867	1,859,179	1,751,665	1,875,002
Taxation	34	(122,936)	(76,025)	(112,130)	(70,609)
Zakat	35	(39,184)	(25,533)	(36,459)	(24,592)
Profit after taxation and zakat		1,631,747	1,757,621	1,603,076	1,779,801
Statutory appropriations	36				
Transfer to statutory reserve: 25% (2018: 25%)		(409,882)	(451,098)	(409,882)	(451,098)
Contribution to the Co-operative Education Trust Fund: 2% (2018: 2%)		(35,033)	(37,500)	(35,033)	(37,500)
Contribution to the Co-operative Development Provident Fund: 1% (2018: 1%)		(17,517)	(18,750)	(17,517)	(18,750)
Contribution to Bank Rakyat Foundation		(14,930)	(14,930)	(14,930)	(14,930)
		(477,362)	(522,278)	(477,362)	(522,278)
Profit for the year		1,154,385	1,235,343	1,125,714	1,257,523

Statements of Profit or Loss and Other Comprehensive Income

for the Year Ended 31 December 2019 (Continued)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Net gain on revaluation of financial investments at fair value through other comprehensive income	28(iii)	504,566	48,468	504,566	48,468
		504,566	48,468	504,566	48,468
Total comprehensive income for the year		1,658,951	1,283,811	1,630,280	1,305,991
Earnings per share (RM)					
Basic	37	0.55	0.59	-	-

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

Statements of Changes In Equity

for the Year Ended 31 December 2019

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	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 38)	-	-	-	(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 27		Note 28	Note 28	

Statements of Changes In Equity

for the Year Ended 31 December 2019 (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 2019	2,986,030	19,104	6,535,696	8,332,894	17,873,724
Profit after taxation and zakat	-	-	-	1,631,747	1,631,747
Transfer to statutory reserve	-	-	-	(409,882)	(409,882)
Contribution to the Co-operative Education Trust Fund	-	-	-	(35,033)	(35,033)
Contribution to the Co-operative Development Provident Fund	-	-	-	(17,517)	(17,517)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,154,385	1,154,385
Other comprehensive income	-	-	504,566	-	504,566
Total comprehensive income for the year	-	-	504,566	1,154,385	1,658,951
Transfer from retained profits	-	-	409,882	-	409,882
Issuance to new member	13,840	-	-	-	13,840
Share withdrawal	(23,084)	-	-	-	(23,084)
Transfer to share capital	9,244	(9,244)	-	-	-
Dividends (Note 38)	-	-	-	(378,973)	(378,973)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	368	368
At 31 December 2019	2,986,030	9,860	7,450,144	9,108,674	19,554,708
	Note 27		Note 28	Note 28	

Statements of Changes In Equity

for the Year Ended 31 December 2019 (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	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 38)	-	-	-	(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 27		Note 28	Note 28	

Statements of Changes In Equity

for the Year Ended 31 December 2019 (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 2019	2,986,030	19,104	6,536,437	7,954,575	17,496,146
Profit after taxation and zakat	-	-	-	1,603,076	1,603,076
Transfer to statutory reserve	-	-	-	(409,882)	(409,882)
Contribution to the Co-operative Education Trust Fund	-	-	-	(35,033)	(35,033)
Contribution to the Co-operative Development Provident Fund	-	-	-	(17,517)	(17,517)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,125,714	1,125,714
Other comprehensive income	-	-	504,566	-	504,566
Total comprehensive income for the year	-	-	504,566	1,125,714	1,630,280
Transfer from retained profits	-	-	409,882	-	409,882
Issuance to new member	13,840	-	-	-	13,840
Share withdrawal	(23,084)	-	-	-	(23,084)
Transfer to share capital	9,244	(9,244)	-	-	-
Dividends (Note 38)	-	-	-	(378,973)	(378,973)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	368	368
At 31 December 2019	2,986,030	9,860	7,450,885	8,701,684	19,148,459
	Note 27		Note 28	Note 28	

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

Statements of Cash Flows

for the Year Ended 31 December 2019

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows generated from/(used in) operating activities				
Profit for the year	1,154,385	1,235,343	1,125,714	1,257,523
Adjustment for:				
Transfer to statutory reserve	409,882	451,098	409,882	451,098
Contribution to the Co-operative Education Trust Fund	35,033	37,500	35,033	37,500
Contribution to the Co-operative Development Provident Fund	17,517	18,750	17,517	18,750
Contribution to Bank Rakyat Foundation	14,930	14,930	14,930	14,930
Taxation	122,936	76,025	112,130	70,609
Zakat	39,184	25,533	36,459	24,592
Profit expense on debt securities issued (Note 30)	127,971	156,649	127,971	156,649
Allowance for impairment on financing and advances (Note 31)	549,627	417,769	559,354	417,769
(Writeback)/Allowance for impairment on financial investment at fair value through other comprehensive income (Note 31)	(201)	475	(201)	475
Writeback for impairment on financial investments at amortised cost (Note 31)	(2,301)	(733)	(2,301)	(733)
Depreciation of property and equipment (Note 33(ii))	58,945	63,839	55,173	60,308
Depreciation of right-of-use assets (Note 33(ii))	18,252	-	23,808	-
Amortisation of prepaid lease payment (Note 33(ii))	1,526	1,526	1,526	1,526
Amortisation of intangible assets (Note 33(ii))	24,146	22,929	24,146	22,929
Property and equipment written off (Note 33(ii))	81	6	81	6
Gain on disposal of property and equipment (Note 32(ii))	(785)	(244)	(31)	(1)
Loss on financing written off (Note 33(ii))	14,221	15,188	14,221	15,188
Impairment of trade and other receivables (Note 33(ii))	20,442	398	26,945	971
Gain on revaluation of investment properties (Note 32(ii))	(30,421)	(103,259)	(2,913)	(104,841)
Writeback for impairment on trade receivables (Note 32(ii))	(181)	(224)	-	-
Net gain on disposal of financial investments at fair value through profit or loss (Note 32(ii))	(30,702)	(9,123)	(30,702)	(9,123)
Net gain on disposal of financial investments at fair value through other comprehensive income (Note 32(ii))	(2,990)	(213)	(2,990)	(213)
Net (gain)/loss on revaluation of financial investments at fair value through profit or loss (Note 32(ii))	(26,560)	167,745	(26,560)	167,745
Profit expense on financing sold with recourse to Cagamas (Note 30)	26,844	34,313	26,844	34,313
Profit expense on cashline facility (Note 30)	607	-	607	-
Dividend from financial investments at fair value through profit or loss (Note 32(ii))	(19,406)	(12,596)	(19,406)	(12,596)
Dividend from subsidiary (Note 32(ii))	-	-	-	(34,768)
Operating profit before working capital changes	2,522,982	2,613,624	2,527,237	2,590,606

Statements of Cash Flows

for the Year Ended 31 December 2019 (Continued)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows generated from/(used in) operating activities (continued)				
Adjustment for: (continued)				
Decrease/(Increase) in assets:				
Deposits and placements with financial institutions	-	101,384	-	100,992
Financing and advances	(2,516,526)	(259,655)	(2,601,172)	(259,655)
Trade receivables	1,834	(470)	-	-
Other assets	(27,054)	(114,102)	(51,149)	(112,351)
Inventories	1,228	1,273	-	-
(Decrease)/Increase in liabilities:				
Deposits from customers	1,095,505	(499,596)	1,095,505	(499,596)
Deposits and placements from banks and financial institutions	476,000	824,000	476,000	824,000
Trade payables	(1,188)	159	-	-
Recourse obligations on financing sold to Cagamas	(376,409)	(72,312)	(376,409)	(72,312)
Other liabilities	(8,267)	121,516	19,635	130,895
Cash generated from operations	1,168,105	2,715,821	1,089,647	2,702,579
Income tax paid	(104,945)	(111,522)	(99,348)	(106,148)
Tax refund	9,537	-	8,030	-
Zakat paid	(32,143)	(39,464)	(31,059)	(38,137)
Net cash generated from operating activities	1,040,554	2,564,835	967,270	2,558,294

Statements of Cash Flows
for the Year Ended 31 December 2019 (Continued)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows generated from/(used in) investing activities				
Purchases of financial investments at fair value through profit or loss	(2,390,000)	(2,376,463)	(2,390,000)	(2,376,463)
Proceed from disposal of financial investments at fair value through profit or loss	2,552,866	2,049,873	2,552,866	2,049,401
Purchases of financial investments at fair value through other comprehensive income	(1,935,000)	(4,981,000)	(1,935,000)	(4,981,000)
Proceed from disposal of financial investments at fair value through other comprehensive income	2,498,696	2,394,659	2,498,696	2,394,659
Purchases of financial investments at amortised cost	(3,808,000)	(5,408,260)	(3,808,000)	(5,408,260)
Proceeds from disposal of financial investments at amortised cost	3,704,999	5,690,256	3,704,999	5,690,256
Purchase of investment properties	(89,567)	(46,321)	-	(43,722)
Proceeds from disposal of investment properties	1,385	-	814	-
Purchase of property and equipment	(32,163)	(81,819)	(31,647)	(81,416)
Purchase of intangible assets	(53,174)	(211,562)	(53,174)	(211,562)
Proceeds from disposal of property and equipment	1,712	324	133	1
Proceeds from disposal of intangible assets	1	-	1	-
Purchase of right-of-use assets	(24,781)	-	(31,587)	-
Dividend from financial investments at fair value through profit or loss	19,406	12,596	19,406	12,596
Dividend from subsidiary	-	-	-	34,768
Investment in subsidiaries	-	-	-	(34,768)
Net cash generated from/(used in) investing activities	446,380	(2,957,717)	527,507	(2,955,510)
Cash flows generated from/(used in) financing activities				
Proceeds from issue of shares to members	13,840	14,168	13,840	14,168
Dividend paid	(378,973)	(469,774)	(378,973)	(469,774)
Fund received from government	2,649	1,392	2,649	1,392
Payment of profit expenses on debt securities issued	(708,551)	(457,053)	(708,551)	(457,053)
Payment of financing from other financial institutions	-	(8,844)	-	-
Payment of lease liabilities	(19,242)	-	(25,527)	-
Receipt of cashline facilities	200,000	-	200,000	-
Net cash used in financing activities	(890,277)	(920,111)	(896,562)	(911,267)
Net increase/(decrease) in cash and cash equivalents	596,657	(1,312,993)	598,215	(1,308,483)
Cash and cash equivalents at beginning of the year	1,163,630	2,476,623	1,161,454	2,469,937
Cash and cash equivalents at end of the year	1,760,287	1,163,630	1,759,669	1,161,454
Cash and cash equivalents comprises:				
Cash and short-term funds (Note 6)	1,760,287	1,163,630	1,759,669	1,161,454
	1,760,287	1,163,630	1,759,669	1,161,454

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

Notes to the Financial Statements
for the Year Ended 31 December 2019

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 15.

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 2019 (2018: 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 Co-operative 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 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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Profit Rate Benchmark Reform*
- The Revised 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 of the Bank.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

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 share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 16 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 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The principal accounting policies are set out below.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and basis of consolidation (continued)

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.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Business combinations (continued)

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.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Goodwill on consolidation (continued)

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.

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.

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.

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”)

Included in Financial assets are the following:

(i) Financial assets at amortised cost

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

Notes to the Financial Statements
for the Year Ended 31 December 2019 (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)

- 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.

(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 payment of principal or amortisation of the premium/discount).

The most significant elements of profit within a placement 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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (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 (continued)

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 placement 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.

(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.

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 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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (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)

(iii) Financial assets at fair value through profit or loss (“FVTPL”) (continued)

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’.

(iv) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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.

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.

3.5.1.3 Impairment of financial assets

The MFRS 9 impairment requirements are based on an Expected Credit Loss (“ECL”) model. 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*.

The measurement of ECL 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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (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 (continued)

- (i) Determining a significant increase in credit risk since initial recognition (continued)

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

- (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”).

- a) Probability of default

PD provides an estimate of the likelihood that a customer will be unable to meet its debt obligation or default over a particular time horizon.

- b) Loss Given Default

LGD is defined as the percentage of exposure the Bank might lose in case the customer defaults. These losses are usually shown as a percentage of EAD, and depend, amongst others, on the type and amount of collateral as well as the type of customer and the expected proceeds from the work-out of the assets.

- c) Exposure at Default

EAD is an estimate of the Bank’s exposure to its counterparty at the time of default. For defaulted accounts, EAD is simply the amount outstanding at the point of default.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (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 (continued)

(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 or 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 forward 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.

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:

- Private Final Consumption (“PFC”)
- Gross Domestic Product (“GDP”)
- Consumer Sentiment Index (“CSI”)
- Unemployment Rate (“Unemployment”)
- Overnight Pricing Rate (“OPR”)
- Passenger Cars (“Passenger Cars”)
- Consumer Price Indices (“CPI”)
- House Price Indices (“HPI”)
- FTSE Bursa Malaysia Small Cap Index (“FTSE”)

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 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 placement arrangements under MFRS 9 is the same as it was under MFRS 139.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.4 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 ECL individually or collectively assessed.

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

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

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 2019.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (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 profit 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 deposit 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.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

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.

3.7 Leases

The Group and the Bank has applied MFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under MFRS 117. The details of accounting policies under both MFRS 117 and MFRS 16 are presented separately below. Leases comprise operating lease.

Policies applicable before 1 January 2019

Lease of assets is classified as operating lease where a significant portion of the risks and rewards of ownership is retained by the lessor.

Policies applicable from 1 January 2019

At inception of a contract, the Group and the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank uses the definition of a lease in MFRS 16.

(a) Group as lessor

The Group and the Bank enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group and the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(a) Group as lessor (continued)

When the Group and the Bank is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant leaseas part of ‘Other operating income’ (Note 32). 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.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s and the Bank’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s and the Bank’s net investment outstanding in respect of the leases.

(b) Group as lessee

Policies applicable from 1 January 2019

The Group and the Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liabilities.

Whenever the Group and the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease:

Buildings	1 - 10 years
Other equipments	1 - 2 years

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group and the Bank applies MFRS 136, *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.20 Impairment of non-financial assets.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(b) Group as lessee (continued)

(i) Right-of-use assets (continued)

If ownership of the leased asset transfers to the Group and the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and the Bank has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group and the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs and are included in ‘Operating expenses’ in profit or loss. The Group and the Bank presents lease liabilities in ‘Other liabilities’ (Note 26) in the statements of financial position.

In calculating the present value of lease payments, the Group and the Bank uses finance rate implicit in the lease. If this rate cannot be readily determined, the lessees use its incremental deposit rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are remeasured (and makes a corresponding adjustment to the related right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero) if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group and the Bank did not make any such adjustments during the periods presented.

(iii) Short-term leases and leases of low-value assets

The Group and the Bank applies the short-term lease recognition exemption to its short-term leases of parking space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Funding costs

Funding cost directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other funding costs are expensed in the period in which they occur. Funding costs consist of profit and other costs that an entity incurs in connection with the funding of fund.

3.9 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.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group and the Bank considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group and the Bank accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Rental income from investment property is recognised as other income on a straight-line basis over the term of the lease.

3.10 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.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Property and equipment (continued)

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.

3.11 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.

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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Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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 (2018: 8 to 864 years).

3.13 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).

3.14 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.

3.15 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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 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.

3.17 Dividend income

Dividends are recognised in profit or loss as ‘dividend income’ when the Group’s right to receive payment is established.

3.18 Income tax

3.18.1 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.

3.18.2 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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits

3.19.1 Defined contribution plan

For defined contribution plan, the Group and the Bank pays 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.

3.19.2 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.

3.20 Impairment of non-financial assets

At the end of each reporting period, the Group and the Bank reviews 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 estimates 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.

3.21 Zakat

In computing for zakat, the Group and the Bank has 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 2019 (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 reviews 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) ECL individually assessed

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.

(ii) ECL collectively assessed

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 measures 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

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Impairment of financial assets portfolio

The Group and the Bank reviews 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
- (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.

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.

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.

4.5 Determine the lease term of contracts with renewal and termination options - Group as lessee

The Group and the Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Bank has several lease contracts that include extension and termination options. The Group and the Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.5 Determine the lease term of contracts with renewal and termination options - Group as lessee (continued)

The Group and the Bank included the renewal period as part of the lease term for leases of buildings and other equipment with shorter non-cancellable period (i.e., one to three years). The Group and the Bank typically exercises its option to renew for these leases because there will be a significant negative effect on operation if a replacement asset is not readily available. The renewal periods for leases of buildings with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 13 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

5. CHANGES IN ACCOUNTING POLICIES

On 1 January 2019, 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 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*
- Annual Improvements to MFRS Standards 2015 - 2017 Cycle
- 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, *Funding Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

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 16 *Leases*

The Group and the Bank has applied MFRS 16 using the modified retrospective approach which:

- Requires the Group to recognise the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under MFRS 117 and IC Int. 4.

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 is required to account for major part of their operating leases in the balance sheet by recognising the “right-of-use” assets and the lease liabilities, thus increasing the assets and liabilities of the Group and of the Bank. Details of these new requirements are disclosed in Note 3.7. The effect of adoption of MFRS 16 on the Group’s consolidated financial statements is described below. Additionally, the disclosure requirements in MFRS 16 have not generally been applied to comparative information.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on ‘risks and rewards’ in MFRS 117 and IC Int. 4. The Group and the Bank applies the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into (or changed) before or on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

5. CHANGES IN ACCOUNTING POLICIES

5.1 MFRS 16 Leases (continued)

• Lessee

MFRS 16 changes how the Group and the Bank accounts for leases previously classified as operating leases under MFRS 117, which were off balance sheet. Applying MFRS 16, for all leases (except as noted below), the Group and the Bank:

- (a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments (discounted using the Group’s and the Bank’s incremental deposit rate at the date of initial application), with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with MFRS 16:C8(b)(ii);
- (b) Recognises depreciation of right-of-use assets and finance cost on lease liabilities in the consolidated statement of profit or loss;
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and finance cost (presented within operating activities) in the consolidated statement of cash flows.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group and the Bank has opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented in Note 33.

The Group and the Bank has used the practical expedient to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application when applying the cumulative catch-up approach to leases previously classified as operating leases applying MFRS 117.

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 MFRS 117. 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. However, MFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual profit in leased assets.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

5. CHANGES IN ACCOUNTING POLICIES

5.1 MFRS 16 Leases (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group 2018 RM’000	Bank 2018 RM’000
Asset		
Operating lease commitments as at 31 December 2018	20,301	27,431
Weighted average incremental financing rate	4.36%	4.33%
Discounted operating lease commitments as at 1 January 2019	18,743	23,057
Less:		
Commitments relating to low value leases	(6,698)	(6,568)
Add:		
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	45,713	65,963
Lease liabilities as at 1 January 2019	57,758	82,452

The effect from the adoption of MFRS 16 on 1 January 2019 is, as follows:

	Note	Group RM’000	Bank RM’000
Assets			
Right-of-use assets	13	57,758	82,452
Liabilities			
Lease liabilities	26(ii)	57,758	82,452

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

5. CHANGES IN ACCOUNTING POLICIES

5.2 IC Interpretation 23, *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112, *Income Taxes*. It does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to penalty associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatment separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group and the Bank determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group and the Bank applies significant judgement in identifying uncertainties over income tax treatments. Since the Group and the Bank operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group and the Bank considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The tax filings of the Bank and the subsidiaries in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group and the Bank determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group and the Bank.

6. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	1,060,218	833,602	1,059,600	831,426
Money at call and deposit placements maturing within one month	700,069	330,028	700,069	330,028
	1,760,287	1,163,630	1,759,669	1,161,454

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and short-term funds	1,760,287	1,163,630	1,759,669	1,161,454

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank	
	2019 RM'000	2018 RM'000
Debt instruments at fair value through profit or loss:		
Government investment issues	157,486	203,600
Islamic redeemable convertible preference shares	211,282	202,096
	368,768	405,696
Equity securities at fair value through profit or loss:		
Quoted shares	266,325	335,182
Unit trust shares	1,600	1,419
	267,925	336,601
Total financial investments at fair value through profit or loss	636,693	742,297

8. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Debt instruments at fair value through other comprehensive income:				
Islamic debt securities	4,608,879	4,766,558	4,608,879	4,766,558
Government investment issues	9,100,909	9,218,783	9,100,909	9,218,783
Government sukuk	6,134,061	5,637,781	6,134,061	5,637,781
Khazanah sukuk	229,607	217,208	229,607	217,208
Cagamas sukuk	2,153,540	2,451,645	2,153,540	2,451,645
	22,226,996	22,291,975	22,226,996	22,291,975
Equity securities at fair value through other comprehensive income:				
Unquoted shares	46,846	37,807	46,838	37,798
	46,846	37,807	46,838	37,798
Total financial investments at fair value through other comprehensive income	22,273,842	22,329,782	22,273,834	22,329,773

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

8. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movement of allowance for ECL by stage for debt instruments at fair value through other comprehensive income is as follows:

Group and Bank	12-month ECL Stage 1 RM'000
At 1 January 2018	-
Changes in credit risk (Note 31(ii))	475
At 31 December 2018/ 1 January 2019	475
Changes in credit risk (Note 31(ii))	(201)
At 31 December 2019	274

The decrease in ECL Stage 1 of RM201,000 is due to decrease in gross carrying amount during the financial year.

9. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	2019 RM'000	2018 RM'000
At amortised cost		
Islamic debt securities	735,102	701,498
Government investment issues	5,480,591	5,912,370
Government sukuk	2,900,312	2,312,408
Khazanah sukuk	304,401	340,579
Cagamas sukuk	711,149	698,173
Negotiable Islamic debt certificates	99,599	148,698
Islamic commercial papers	49,860	64,287
	10,281,014	10,178,013
Less: Allowance for ECL		
Negotiable Islamic debt certificates	(17)	-
Islamic debt securities	(19,906)	(22,224)
	10,261,091	10,155,789

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

9. FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movement of allowance for ECL by stage is as follows:

Group and Bank	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 31(ii))	55	(788)	(733)
At 31 December 2018 / At 1 January 2019	55	22,169	22,224
Changes in credit risk (Note 31(ii))	39	(2,340)	(2,301)
At 31 December 2019	94	19,829	19,923

The increase in ECL Stage 1 of RM39,000 is due to increase in gross carrying amount from additions in investments during the financial year. The decrease in ECL Stage 3 due to partial redemption of impaired sukuk.

The maturity structure of the instruments is as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Maturity within one year	1,898,226	2,658,104
More than one year to five years	4,884,628	5,527,070
More than five years	3,498,160	1,992,839
	10,281,014	10,178,013

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

10. FINANCING AND ADVANCES

(i) Financing and advances analysed by type and concept

Group 2019	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	Tawarruq RM'000	Total RM'000
At amortised cost								
Term financing								
- Personal financing	20,762,085	-	-	-	-	-	34,763,503	55,525,588
- House financing	-	1,044,913	-	-	452,902	-	5,155,839	6,653,654
- Hire-purchase receivables	-	-	-	-	-	1,845,108	9,522	1,854,630
- Syndicated financing	-	-	-	-	237,085	-	-	237,085
- Bridging financing	-	-	-	-	283,521	-	-	283,521
- Other term financing	66,250	4,979	-	18	3,233,099	-	1,333,355	4,637,701
Pawn broking	-	-	1,944,649	-	-	-	-	1,944,649
Cashline	-	-	-	-	-	-	66,503	66,503
Revolving credit	-	-	-	-	347,700	-	-	347,700
Credit card	-	-	-	-	-	-	406,699	406,699
Staff financing	-	458,250	-	-	-	-	-	458,250
	20,828,335	1,508,142	1,944,649	18	4,554,307	1,845,108	41,735,421	72,415,980
Allowance for ECL on financing and advances:								
Stage 1 - 12 month ECL								(240,167)
Stage 2 - lifetime ECL not credit impaired								(397,011)
Stage 3 - lifetime ECL credit impaired								(811,156)
Net financing and advances								70,967,646

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

10. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Group 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	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 ECL on financing and advances:								
Stage 1 - 12 month ECL								(428,090)
Stage 2 - lifetime ECL not credit impaired								(118,761)
Stage 3 - lifetime ECL credit impaired								(850,158)
Net financing and advances								69,003,855

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

10. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Bank 2019	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	Tawarruq RM'000	Total RM'000
At amortised cost								
Term financing								
- Personal financing	20,762,085	-	-	-	-	-	34,763,503	55,525,588
- House financing	-	1,044,913	-	-	537,548	-	5,155,839	6,738,300
- Hire-purchase receivables	-	-	-	-	-	1,845,108	9,522	1,854,630
- Syndicated financing	-	-	-	-	237,085	-	-	237,085
- Bridging financing	-	-	-	-	283,521	-	-	283,521
- Other term financing	66,250	4,979	-	18	3,233,099	-	1,333,355	4,637,701
Pawn broking	-	-	1,944,649	-	-	-	-	1,944,649
Cashline	-	-	-	-	-	-	66,503	66,503
Revolving credit	-	-	-	-	347,700	-	-	347,700
Credit card	-	-	-	-	-	-	406,699	406,699
Staff financing	-	458,250	-	-	-	-	-	458,250
	20,828,335	1,508,142	1,944,649	18	4,638,953	1,845,108	41,735,421	72,500,626
Allowance for ECL on financing and advances:								
Stage 1 - 12 month ECL								(249,894)
Stage 2 - lifetime ECL not credit impaired								(397,011)
Stage 3 - lifetime ECL credit impaired								(811,156)
Net financing and advances								71,042,565

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

10. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

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	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 ECL on financing and advances:								
Stage 1 - 12 month ECL								(428,090)
Stage 2 - lifetime ECL not credit impaired								(118,761)
Stage 3 - lifetime ECL credit impaired								(850,158)
Net financing and advances								69,003,855

* Assets funded under *Ijarah* financing are owned by the Bank throughout the tenure of the *Ijarah* financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the *Ijarah* financing contract.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

10. FINANCING AND ADVANCES (CONTINUED)

(ii) Financing and advances analysed by geographical distribution

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Central Region	28,874,958	28,249,446	28,959,604	28,249,446
Southern Region	10,768,864	10,264,927	10,768,864	10,264,927
Eastern Region	10,997,519	10,838,776	10,997,519	10,838,776
Northern Region	8,471,190	8,170,372	8,471,190	8,170,372
East Malaysia Region	13,303,449	12,877,343	13,303,449	12,877,343
	72,415,980	70,400,864	72,500,626	70,400,864

(iii) Financing and advances analysed by economic sector

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	1,815	45,169	1,815	45,169
Purchase of non-residential property	820,354	186,904	820,354	186,904
Consumption credit	67,508,049	65,951,587	67,508,049	65,951,587
Agriculture	62,930	100,667	62,930	100,667
Manufacturing	141,538	120,681	141,538	120,681
Electricity, gas and water	990	182	990	182
Construction	749,747	906,823	749,747	906,823
Wholesale and retail trade	232,079	167,938	232,079	167,938
Transportation and communication	85,094	80,817	85,094	80,817
Financial, takaful and business services	2,614,715	2,560,520	2,699,361	2,560,520
Community, social and personal services	198,669	279,576	198,669	279,576
	72,415,980	70,400,864	72,500,626	70,400,864

(iv) Financing and advances analysed by remaining contractual maturity

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Maturity within one year	2,688,183	2,893,708	2,688,183	2,893,708
More than one year to three years	2,126,805	1,595,693	2,211,451	1,595,693
More than three years to five years	5,139,496	3,564,192	5,139,496	3,564,192
More than five years	62,461,496	62,347,271	62,461,496	62,347,271
	72,415,980	70,400,864	72,500,626	70,400,864

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

10. FINANCING AND ADVANCES (CONTINUED)

(v) Financing and advances analysed by customer type

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Individuals	67,910,842	66,148,042	67,910,842	66,148,042
Business enterprises	1,931,899	1,928,258	2,016,545	1,928,258
Non-bank financial institutions - Co-operatives	2,426,352	2,224,996	2,426,352	2,224,996
Non-bank financial institutions - Others	319	-	319	-
Foreign entities	2,097	1,489	2,097	1,489
Other entities	144,471	98,079	144,471	98,079
	72,415,980	70,400,864	72,500,626	70,400,864

(vi) Financing and advances analysed by profit rate sensitivity

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate				
Personal financing	22,806,716	26,808,792	22,806,716	26,808,792
House financing	855,351	969,214	855,351	969,214
Others	6,070,147	5,689,323	6,070,147	5,689,323
Floating rate				
Personal financing	32,718,873	28,068,321	32,718,873	28,068,321
House financing	5,798,303	4,953,109	5,882,949	4,953,109
Others	4,166,590	3,912,105	4,166,590	3,912,105
	72,415,980	70,400,864	72,500,626	70,400,864

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

10. FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances analysed by geographical distribution

	Group and Bank	
	2019 RM'000	2018 RM'000
Central Region	1,139,062	1,216,919
Southern Region	55,161	67,541
Eastern Region	72,259	68,085
Northern Region	49,418	51,818
East Malaysia Region	80,374	86,387
	1,396,274	1,490,750

(viii) Impaired financing and advances analysed by economic sector

	Group and Bank	
	2019 RM'000	2018 RM'000
Purchase of securities	68	65
Purchase of non-residential property	25,784	111,397
Consumption credit	518,303	568,030
Agriculture	22,893	-
Manufacturing	70,185	83,723
Construction	241,195	361,126
Wholesale and retail trade	5,743	-
Transportation and communication	11,040	11,149
Financial, takaful and business services	501,063	354,982
Community, social and personal services	-	278
	1,396,274	1,490,750

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

10. FINANCING AND ADVANCES (CONTINUED)

(ix) Movements in impaired financing and advances are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
As of 1 January	1,490,750	1,575,025
Classified as impaired during the year	1,287,592	1,360,789
Amount written back in respect of recoveries	(894,879)	(972,603)
Amount written off during the year	(487,189)	(472,461)
	(94,476)	(84,275)
As of 31 December	1,396,274	1,490,750
Gross impaired financing and advances as a percentage of gross financing and advances	1.93%	2.12%

(x) Movements in allowance for ECL on financing and advances are as follows:

Group 2019	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
ECL allowance				
As of 1 January 2019	428,090	118,761	850,158	1,397,009
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	2,191	(2,099)	(5,168)	(5,076)
- Transfer to lifetime ECL not credit impaired (Stage 2)	(50,784)	112,093	(96,693)	(35,384)
- Transfer to lifetime ECL credit impaired (Stage 3)	(4,745)	(12,735)	555,456	537,976
New financial assets originated	123,344	12,566	34,175	170,085
Changes in credit risk	(65,936)	(39,143)	29,071	(76,008)
Financial assets derecognised	(77,757)	(17,440)	(44,026)	(139,223)
Changes to models used for ECL calculations	(114,236)	225,008	(24,628)	86,144
Amount written off	-	-	(487,189)	(487,189)
At 31 December 2019	240,167	397,011	811,156	1,448,334

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

10. FINANCING AND ADVANCES (CONTINUED)

(x) Movements in allowance for ECL on financing and advances are as follows: (continued)

Group 2018	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
ECL allowance				
As of 1 January 2018	398,815	176,090	876,796	1,451,701
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	65,130	201,254
Changes in credit risk	(51,150)	(86,619)	(97,237)	(235,006)
Financial assets derecognised	(40,645)	(12,201)	(85,298)	(138,144)
Amount written off	-	-	(472,461)	(472,461)
At 31 December 2018	428,090	118,761	850,158	1,397,009

Bank 2019	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
ECL allowance				
As of 1 January 2019	428,090	118,761	850,158	1,397,009
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	2,191	(2,099)	(5,168)	(5,076)
- Transfer to lifetime ECL not credit impaired (Stage 2)	(50,784)	112,093	(96,693)	(35,384)
- Transfer to lifetime ECL credit impaired (Stage 3)	(4,745)	(12,735)	555,456	537,976
New financial assets originated	133,071	12,566	34,175	179,812
Changes in credit risk	(65,936)	(39,143)	29,071	(76,008)
Financial assets derecognised	(77,757)	(17,440)	(44,026)	(139,223)
Changes to models used for ECL calculations	(114,236)	225,008	(24,628)	86,144
Amount written off	-	-	(487,189)	(487,189)
At 31 December 2019	249,894	397,011	811,156	1,458,061

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

10. FINANCING AND ADVANCES (CONTINUED)

(x) Movements in allowance for ECL on financing and advances are as follows: (continued)

Bank 2018	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
ECL allowance				
As of 1 January 2018	398,815	176,090	876,796	1,451,701
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	65,130	201,254
Changes in credit risk	(51,150)	(86,619)	(97,237)	(235,006)
Financial assets derecognised	(40,645)	(12,201)	(85,298)	(138,144)
Amount written off	-	-	(472,461)	(472,461)
At 31 December 2018	428,090	118,761	850,158	1,397,009

The following explains how significant changes in the gross carrying amount of financing and advances during the financial year have contributed to the change in the allowance for ECL on financing and advances.

Overall, the total allowance for impairment on financing and advances increased by due to the followings:

- a) 12 month ECL (Stage 1) - decrease by RM187.9 million for the Group and decrease by RM178.2 million for the Bank mainly from remeasurement of ECL due to improvement in credit quality and partially offset by financing and advances that were newly originated.
- b) Lifetime ECL (Stage 2) - increase by RM278.2 million for the Group and the Bank mainly from financing and advances that migrated into Stage 2 due to deterioration in credit quality.
- c) Lifetime ECL (Stage 3) - decrease by RM39.0 million for the Group and the Bank mainly from amount written off and partially offset by financing and advances that migrated into Stage 3 due to deterioration in credit quality.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

11. TRADE RECEIVABLES

	Group	
	2019 RM'000	2018 RM'000
At amortised cost		
Trade receivables	2,295	4,134
Less: Allowance for ECL	(1,971)	(1,675)
	324	2,459

The credit period granted for sale of goods is 30 days (2018: 30 days). No profit is charged on trade receivables.

The table below is an analysis of trade receivables at the end of the reporting period:

	Group	
	2019 RM'000	2018 RM'000
Neither past due nor impaired		
1 day to less than 1 month	143	982
Past due but not impaired		
1 month to less than 2 months	658	832
2 months to less than 3 months	38	83
3 months to less than 4 months	323	253
4 months and above	-	759
	1,019	1,927
Past due and impaired	1,133	1,225
	2,295	4,134

Movements in the allowance for ECL are as follows:

	Group	
	2019 RM'000	2018 RM'000
As of 1 January	1,675	2,251
Impairment losses recognised during the year (Note 33(ii))	482	30
Amount recovered during the year (Note 32(ii))	(181)	(224)
Amount written off during the year	(5)	(382)
As of 31 December	1,971	1,675

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

11. TRADE RECEIVABLES (CONTINUED)

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.

12. OTHER ASSETS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amount due from subsidiaries (i)	-	-	13,148	18,492
Other receivables, deposits and prepayments (ii)	1,139,698	1,132,604	1,108,436	1,078,888
	1,139,698	1,132,604	1,121,584	1,097,380

(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	
	2019 RM'000	2018 RM'000
Outstanding balances	24,576	22,657
Less: Allowance for ECL	(11,428)	(4,165)
	13,148	18,492

Movements in the allowance for ECL of amount due from subsidiaries are as follows:

	Bank	
	2019 RM'000	2018 RM'000
As of 1 January	4,165	3,201
Impairment losses recognised during the year (Note 33(ii))	7,263	964
As of 31 December	11,428	4,165

Notes to the Financial Statements

for the Year Ended 31 December 2019 (Continued)

12. OTHER ASSETS (CONTINUED)

(ii) Other receivables, deposits and prepayments

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	737,812	725,311	741,208	721,511
Allowance for ECL	(20,563)	(15,730)	(19,813)	(15,258)
Refundable deposits	717,249	709,581	721,395	706,253
Prepayments	45,440	54,991	10,185	10,004
Contribution to Central Liquidity Monetary Fund *	177,009	168,032	176,856	162,631
	200,000	200,000	200,000	200,000
	1,139,698	1,132,604	1,108,436	1,078,888

Movements in the allowance for ECL of other receivables are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
As of 1 January	15,730	15,369	15,258	15,258
Impairment losses recognised during the year (Note 33(ii))	19,960	368	19,682	7
Amount written off during the year	(15,127)	(7)	(15,127)	(7)
As of 31 December	20,563	15,730	19,813	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 2019 (Continued)

13. RIGHT-OF-USE ASSETS

(i) Group as a lessee

The Group and the Bank has lease contracts for buildings and other equipment used in its operations. Leases of buildings generally have lease terms between 1 to 10 years, with option to extend for another 1 to 3 years, while other equipment generally have lease terms between 1 to 2 years. The Group's and the Bank's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group and the Bank is restricted from assigning and subleasing the leased assets and some contracts require the Group and the Bank to maintain certain financial ratios. There are several lease contracts that include extension and variable lease payments, which are further discussed below.

The Group and the Bank also has certain leases of motor vehicle with lease terms of 12 months or less and lease of office equipment with low value. The Group and the Bank applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Buildings RM'000	Other equipment RM'000	Total RM'000
At 1 January 2019	53,386	4,372	57,758
Additions	23,462	1,319	24,781
Depreciation (Note 33(ii))	(15,526)	(2,726)	(18,252)
At 31 December 2019	61,322	2,965	64,287

Bank	Buildings RM'000	Other equipment RM'000	Total RM'000
At 1 January 2019	78,080	4,372	82,452
Additions	30,267	1,319	31,586
Depreciation (Note 33(ii))	(21,082)	(2,726)	(23,808)
At 31 December 2019	87,265	2,965	90,230

The total cash outflow for leases for the Group is RM19,242,000 and for the Bank is RM25,527,000. There are no non-cash additions to right-of-use assets and lease liabilities. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 26.

Some property leases contain extension options exercisable by the Group and the Bank up to three years before the end of the non-cancellable contract period. Where practicable, the Group and the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group and the Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group and the Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

13. RIGHT-OF-USE ASSETS (CONTINUED)

(i) Group as a lessee (continued)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation expense of right-of-use assets (Note 33(ii))	18,252	-	23,808	-
Finance cost on lease liabilities (Note 33(ii))	2,578	-	3,604	-
Expense relating to leases of low-value assets (included in administrative expenses)	3,434	-	3,391	-
Total amount recognised in profit or loss	24,264	-	30,803	-

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

(ii) Group as a lessor

The Bank has entered into operating leases on its investment property portfolio consisting of certain office buildings (Note 18). These leases have terms of between 1 and 3 years. Rental income recognised by the Bank during the year is RM20,941,435 (2018:RM26,388,924).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	Bank	
	2019 RM'000	2018 RM'000
Future rental income within :		
- 1 year	18,073	-
- 2 years	13,246	-
- 3 years	5,129	-
	36,448	-

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

14. INVENTORIES

Inventories consist of the following:

	Group	
	2019 RM'000	2018 RM'000
Trading inventories, at cost	6,790	8,018

15. INVESTMENT IN SUBSIDIARIES

	Group	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	100,744	100,744

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
	2019 %	2018 %	
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	100	Property development and project management
Rakyat Asset Management Sdn Bhd *	100	100	Management services and co-operative administrator
Rakyat Facility Management Sdn Bhd *	100	100	Building management and maintenance
Rakyat Niaga Sdn Bhd *	100	100	Trading and supply of goods
Indirectly owned through Rakyat Holdings Sdn Bhd			
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 2019 (Continued)

15. 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	
		2019	2018	2019	2018
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	7	1	1

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

16. PROPERTY AND EQUIPMENT

Group 2019	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	41,009	434,349	113,239	928	99,977	276,954	413,592	8,426	1,388,474
Additions	501	5,355	-	-	50	4,867	19,471	1,919	32,163
Disposals	-	-	-	-	-	(805)	(4,815)	(5,056)	(10,676)
Write-offs	-	-	-	-	-	(602)	(2,802)	-	(3,404)
Reclassifications	-	11,155	-	-	(14,073)	2,918	-	-	-
Transfer from investment properties (Note 18)	-	6,330	4,359	-	-	-	-	-	10,689
At 31 December	41,510	457,189	117,598	928	85,954	283,332	425,446	5,289	1,417,246
Accumulated depreciation									
At 1 January	-	42,074	23,147	709	-	246,518	355,813	6,351	674,612
Charge for the year	-	10,231	2,224	172	-	16,649	28,862	807	58,945
Disposals	-	-	-	-	-	(793)	(4,701)	(4,255)	(9,749)
Write-offs	-	-	-	-	-	(602)	(2,721)	-	(3,323)
At 31 December	-	52,305	25,371	881	-	261,772	377,253	2,903	720,485
Net book value									
At 31 December	41,510	404,884	92,227	47	85,954	21,560	48,193	2,386	696,761

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

16. PROPERTY AND EQUIPMENT (CONTINUED)

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 18)	-	(15,085)	-	-	-	-	-	-	(15,085)
Transfer from investment properties (Note 18)	-	64,797	-	-	-	-	-	-	64,797
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(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 18)	-	(1,358)	-	-	-	-	-	-	(1,358)
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(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 2019 (Continued)

16. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2019	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	39,621	377,634	78,863	928	99,977	274,108	408,738	2,865	1,282,734
Additions	501	5,355	-	-	50	4,580	19,242	1,919	31,647
Disposals	-	-	-	-	-	(620)	(4,145)	-	(4,765)
Write-offs	-	-	-	-	-	(602)	(2,802)	-	(3,404)
Reclassifications	-	11,155	-	-	(14,073)	2,918	-	-	-
At 31 December	40,122	394,144	78,863	928	85,954	280,384	421,033	4,784	1,306,212
Accumulated depreciation									
At 1 January	-	39,853	20,279	709	-	245,117	352,673	2,227	660,858
Charge for the year	-	8,817	1,354	172	-	16,197	28,349	284	55,173
Disposals	-	-	-	-	-	(620)	(4,043)	-	(4,663)
Write-offs	-	-	-	-	-	(602)	(2,721)	-	(3,323)
At 31 December	-	48,670	21,633	881	-	260,092	374,258	2,511	708,045
Net book value									
At 31 December	40,122	345,474	57,230	47	85,954	20,292	46,775	2,273	598,167

Notes to the Financial Statements

for the Year Ended 31 December 2019 (Continued)

16. 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 18)	-	(15,085)	-	-	-	-	-	-	(15,085)
Transfer from investment properties (Note 18)	-	28,187	-	-	-	-	-	-	28,187
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(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 18)	-	(1,358)	-	-	-	-	-	-	(1,358)
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(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

Land titles of certain freehold land of the Bank with carrying amount of RM3,083,674 (2018: RM3,164,088) have not yet been issued by the relevant authorities.

Notes to the Financial Statements

for the Year Ended 31 December 2019 (Continued)

17. INTANGIBLE ASSETS

Group	Goodwill RM'000	Computer software RM'000	Software in development RM'000	Total RM'000
2019				
At cost				
At 1 January	13,185	282,410	189,856	485,451
Additions	-	17,808	35,366	53,174
Disposals	-	(113)	-	(113)
At 31 December	13,185	300,105	225,222	538,512
Accumulated amortisation				
At 1 January	-	220,157	-	220,157
Charge for the year	-	24,146	-	24,146
Disposals	-	(112)	-	(112)
At 31 December	-	244,191	-	244,191
Net book value				
At 31 December	13,185	55,914	225,222	294,321
2018				
At cost				
At 1 January	13,185	-	-	13,185
Transfer from property and equipment (Note 16)	-	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 16)	-	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

Notes to the Financial Statements

for the Year Ended 31 December 2019 (Continued)

17. INTANGIBLE ASSETS (CONTINUED)

Bank	Computer software RM'000	Software in development RM'000	Total RM'000
2019			
At cost			
At 1 January	282,410	189,856	472,266
Additions	17,808	35,366	53,174
Disposals	(113)	-	(113)
At 31 December	300,105	225,222	525,327
Accumulated amortisation			
At 1 January	220,157	-	220,157
Charge for the year	24,146	-	24,146
Disposals	(112)	-	(112)
At 31 December	244,191	-	244,191
Net book value			
At 31 December	55,914	225,222	281,136
2018			
At cost			
At 1 January	-	-	-
Transfer from property and equipment (Note 16)	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 16)	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 2019 (Continued)

18. INVESTMENT PROPERTIES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
As of 1 January	1,214,812	1,116,302	1,005,948	871,845
Additions	89,567	46,321	-	43,722
Gain on revaluation (Note 32(ii))	30,421	103,259	2,913	104,841
Disposal	(1,385)	-	(814)	-
Transfer from property and equipment (Note 16)	-	13,727	-	13,727
Transfer to property and equipment (Note 16)	(10,689)	(64,797)	-	(28,187)
As of 31 December	1,322,726	1,214,812	1,008,047	1,005,948

Investment properties include the following:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Freehold land	145,192	145,132	145,160	145,100
Buildings	848,390	752,816	560,197	558,308
Long-term leasehold land	329,144	316,864	302,690	302,540
	1,322,726	1,214,812	1,008,047	1,005,948

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 2019 and 31 December 2018 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 at by using a variety of approaches such as comparison and investment method.

	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 2019	1,322,726	1,322,726	-	-	1,322,726
As at 31 December 2018	1,214,812	1,214,812	-	-	1,214,812
Bank					
As at 31 December 2019	1,008,047	1,008,047	-	-	1,008,047
As at 31 December 2018	1,005,948	1,005,948	-	-	1,005,948

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

18. INVESTMENT PROPERTIES (CONTINUED)

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 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 / 1 January 2019	145,132	752,816	316,864	1,214,812
Additions	-	88,825	742	89,567
Disposal	-	(510)	(875)	(1,385)
Remeasurement recognised in profit or loss	60	31,953	(1,592)	30,421
Transfer to property and equipment	-	(6,330)	(4,359)	(10,689)
Reclassifications	-	(18,364)	18,364	-
As at 31 December 2019	145,192	848,390	329,144	1,322,726
Bank				
As at 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 / 1 January 2019	145,100	558,308	302,540	1,005,948
Disposal	-	-	(814)	(814)
Remeasurement recognised in profit or loss	60	1,889	964	2,913
As at 31 December 2019	145,160	560,197	302,690	1,008,047

Land titles for certain freehold land and leasehold land of the Group and the Bank with fair value amounting to RM950,000 (2018: RM41,150,000) and RM950,000 (2018: RM41,150,000) 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 RM24,472,000 (2018: RM28,252,000) and RM20,921,435 (2018: RM26,388,924) has been earned during the year.

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

19. PREPAID LEASE PAYMENTS

	Group and Bank	
	2019 RM'000	2018 RM'000
Cost		
As of 1 January / 31 December	76,680	76,680
Accumulated amortisation		
As of 1 January	15,972	14,446
Charge for the year (Note 33(ii))	1,526	1,526
As of 31 December	17,498	15,972
	59,182	60,708
Group and Bank		
	2019 RM'000	2018 RM'000
Prepaid lease payments include:		
Long-term leasehold land	51,817	53,158
Short-term leasehold land	7,365	7,550
	59,182	60,708

The remaining period of the leasehold land of the Group and of the Bank ranges from 6 to 862 years (2018: 7 to 863 years).

The land titles of certain leasehold land of the Group and of the Bank amounting to RM7,815,139 (2018: RM8,005,970) have not yet been issued to the Bank by the relevant authorities.

20. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
As of 1 January	82,269	118,075	86,000	122,000
Recognised in profit or loss (net) (Note 34)				
- relating to origination and reversal of temporary differences	(157,733)	(36,046)	(155,000)	(36,000)
- (under)/over provision of net deferred tax liabilities	(3,880)	240	-	-
As of 31 December	(79,344)	82,269	(69,000)	86,000

Notes to the Financial Statements

for the Year Ended 31 December 2019 (Continued)

20. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets, net	673	86,333	-	86,000
Deferred tax liabilities, net	(80,017)	(4,064)	(69,000)	-
	(79,344)	82,269	(69,000)	86,000

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	164,634	191,910	163,000	191,000
Deferred tax liabilities	(243,978)	(109,641)	(232,000)	(105,000)
	(79,344)	82,269	(69,000)	86,000

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

Group	Financing allowances for ECL RM'000	Provision of liabilities RM'000	Other temporary differences * RM'000	Total RM'000
Deferred tax assets				
As of 1 January 2018	132,000	44,874	4,202	181,076
Recognised in profit or loss (Note 34)				
- relating to origination and reversal of temporary differences	(11,000)	21,877	(43)	10,834
As of 31 December 2018 / 1 January 2019	121,000	66,751	4,159	191,910
Recognised in profit or loss (Note 34)				
- relating to origination and reversal of temporary differences	(80,000)	27,139	25,140	(27,721)
- underprovision	-	-	445	445
As of 31 December 2019	41,000	93,890	29,744	164,634

* Mainly consist of temporary differences in respect of allowance for ECL of other receivables and lease liabilities

Notes to the Financial Statements

for the Year Ended 31 December 2019 (Continued)

20. 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 2018	(9,000)	72,001	63,001
Recognised in profit or loss (Note 34)			
- relating to origination and reversal of temporary differences	35,000	11,400	46,400
- underprovision	-	240	240
As of 31 December 2018 / 1 January 2019	26,000	83,641	109,641
Recognised in profit or loss (Note 34)			
- relating to origination and reversal of temporary differences	112,000	18,012	130,012
- underprovision	-	4,325	4,325
As of 31 December 2019	138,000	105,978	243,978

^ Mainly consist of temporary differences in respect of property and equipment, investment in properties and right-of-use assets

Bank	Financing allowances for ECL RM'000	Provision of liabilities RM'000	Other temporary differences * RM'000	Total RM'000
Deferred tax assets				
As of 1 January 2018	132,000	44,000	4,000	180,000
Recognised in profit or loss (Note 34)				
- relating to origination and reversal of temporary differences	(11,000)	22,000	-	11,000
As of 31 December 2018 / 1 January 2019	121,000	66,000	4,000	191,000
Recognised in profit or loss (Note 34)				
- relating to origination and reversal of temporary differences	(80,000)	27,000	25,000	(28,000)
As of 31 December 2019	41,000	93,000	29,000	163,000

* Mainly consist of temporary differences in respect of allowance for ECL of other receivables and lease liabilities

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

20. 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 2018	(9,000)	67,000	58,000
Recognised in profit or loss (Note 34)			
- relating to origination and reversal of temporary differences	35,000	12,000	47,000
As of 31 December 2018 / 1 January 2019	26,000	79,000	105,000
Recognised in profit or loss (Note 34)			
- relating to origination and reversal of temporary differences	112,000	15,000	127,000
As of 31 December 2019	138,000	94,000	232,000

^ Mainly consist of temporary differences in respect of property and equipment, investment in properties and right-of-use assets

21. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2019 RM'000	2018 RM'000
Savings deposits		
Qard	6,600,630	5,733,537
Term deposits		
Tawarruq	71,217,750	68,929,351
General investment deposits		
Mudarabah	-	12
Negotiable Islamic debt certificates	6,013,025	8,073,000
	83,831,405	82,735,900

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

21. DEPOSITS FROM CUSTOMERS (CONTINUED)

Deposits from customers are sourced from the following type of customers:

	Group and Bank	
	2019 RM'000	2018 RM'000
Government	36,682,261	35,013,502
Business enterprises	26,572,859	31,067,164
Co-operatives	2,286,547	1,947,233
Individuals	16,531,690	12,627,150
Others	1,758,048	2,080,851
	83,831,405	82,735,900

Maturity structure of deposits from customers is as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Maturity within six months	64,065,013	67,062,381
More than six months to one year	14,599,626	11,142,683
More than one year to five years	5,166,766	4,530,836
	83,831,405	82,735,900

22. DEPOSITS AND PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	Group and Bank	
	2019 RM'000	2018 RM'000
Licensed Islamic banks	1,300,000	824,000

23. 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 2019 (Continued)

24. DEBT SECURITIES ISSUED

	Group and Bank		
	Note	2019 RM'000	2018 RM'000
Issued under the RM9.0 billion Islamic Medium Term Notes (IMTN) Programme:			
RM425 million IMTN due in 2019	(i)(a)	-	430,099
RM150 million IMTN due in 2019	(i)(b)	-	150,579
RM350 million IMTN due in 2021	(i)(b)	351,491	351,361
RM350 million IMTN due in 2020	(i)(c)	351,391	351,374
RM850 million IMTN due in 2022	(i)(c)	853,325	853,338
RM270 million IMTN due in 2020	(i)(d)	272,491	272,462
RM430 million IMTN due in 2022	(i)(d)	433,730	433,843
Issued under the RM5.0 billion Tier II Subordinated Programme:			
RM300 million Tier II due in 2026	(ii)(a)	300,358	300,310
		2,562,786	3,143,366

- (i) On 25 October 2013, the Bank established a RM9.0 billion IMTNs Programme to issue Sukuk Musharakah via a Special Purpose Vehicle ("SPV"), Imtiaz Sukuk II Berhad with a programme tenor of 10 years.
- (a) On 24 March 2014, the Bank issued the fourth tranche of RM425 million of the IMTNs. The fourth tranche has a tenor of 5 years with profit distribution rate at 4.60% and matures on 22 March 2019. The profit is payable semi-annually each year commencing 24 September 2014. The fourth tranche has been fully redeemed on 22 March 2019.
- (b) 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. The fifth tranche has been fully redeemed on 22 November 2019.
- (c) 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% maturing 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.
- (d) 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% maturing 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 previous of the Transaction Documents and those preferred by law.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

24. DEBT SECURITIES ISSUED (CONTINUED)

- (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 tenor 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 on nominal value of the Tier II Subordinated Sukuk for a tenor of 10 years on a 10 non-callable 5 basis with profit distribution rate at 4.95% and maturing on 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.

25. CASHLINE FACILITY

The cashline facility is a committed lines provided by local banks. It is an interbank arrangement where the facility is collateralised on agreed terms and alternative source of funds.

26. OTHER LIABILITIES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amount due to subsidiaries (i)	-	-	196,557	129,703
Sundry creditors	207,017	265,305	217,285	272,765
Income payable	675,759	676,657	675,759	676,657
Other liabilities and accruals	561,203	417,904	495,972	402,265
Lease liabilities (ii)	65,875	-	92,116	-
Allowances for ECL on financial guarantee (iii)	11,113	-	11,113	-
Government fund	163,616	190,511	163,616	190,511
Zakat payable	47,640	40,599	44,952	39,552
	1,732,223	1,590,976	1,897,370	1,711,453

(i) Amount due to subsidiaries

	Bank	
	2019 RM'000	2018 RM'000
Term deposits	171,979	107,717
Savings deposits	24,578	21,986
	196,557	129,703

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

26. OTHER LIABILITIES (CONTINUED)

(i) Amount due to subsidiaries (continued)

The amount due to subsidiaries of RM196,557,000 (2018: RM129,703,000) represents deposits placed with the Bank. The average profit rate paid/payable to subsidiaries is 3.68% (2018: 3.87%) per annum.

(ii) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	57,758	-	82,452	-
Additions	24,781	-	31,587	-
Lease payments	(19,242)	-	(25,527)	-
Accretion of profit (Note 33(iii))	2,578	-	3,604	-
At 31 December	65,875	-	92,116	-

Future minimum rentals commitment under non-cancellable operating leases as at 31 December are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Future rental commitment within :				
- 1 year	3,390	-	2,927	-
- 2 years	2,643	-	2,643	-
- 3 years	17,086	-	21,540	-
- 4 years	9,314	-	20,336	-
- 5 years	15,358	-	20,195	-
6 years onwards	18,084	-	24,475	-
	65,875	-	92,116	-

The Group and the Bank does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's and the Bank's treasury function.

All lease obligations are denominated in Ringgit Malaysia.

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

26. OTHER LIABILITIES (CONTINUED)

(iii) Allowances for ECL on financial guarantee

Group and Bank	12-month ECL Stage 1 RM'000
At 1 January 2019	-
New financial guarantee originated	11,113
At 31 December 2019	11,113

27. SHARE CAPITAL

	Group and Bank	
	2019 RM'000	2018 RM'000
Issued and fully paid - Ordinary shares		
As of 1 January	2,986,030	2,986,030
Net issuance during the year	13,840	14,168
Share withdrawal	(23,084)	(31,504)
Transfer from share redemption fund *	9,244	17,336
As of 31 December	2,986,030	2,986,030

Membership as of 31 December is as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Individual	840,592	852,618
Co-operative	2,256	2,237
	842,848	854,855

* 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 2019 (Continued)

28. RESERVES

	Non-distributable					Distributable	
	Capital reserve RM'000	Statutory reserve RM'000	Fair value reserve of financial investments at FVOCI RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Retained profits RM'000	Total RM'000
Group							
At 1 January 2019	14,617	6,082,580	108,827	329,672	6,535,696	8,332,894	14,868,590
Profit after taxation and zakat	-	-	-	-	-	1,631,747	1,631,747
Transfer from retained profits	-	409,882	-	-	409,882	(409,882)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	(35,033)	(35,033)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	(17,517)	(17,517)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	(14,562)	(14,562)
Unrealised net gain on revaluation of financial investments at fair value through other comprehensive income	-	-	504,566	-	504,566	-	504,566
Dividends (Note 38)	-	-	-	-	-	(378,973)	(378,973)
At 31 December 2019	14,617	6,492,462	613,393	329,672	7,450,144	9,108,674	16,558,818
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 38)	-	-	-	-	-	(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 2019 (Continued)

28. RESERVES (CONTINUED)

	Non-distributable					Distributable	
	Capital reserve RM'000	Statutory reserve RM'000	Fair value reserve of financial investments at FVOCI RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Retained profits RM'000	Total RM'000
Bank							
At 1 January 2019	15,358	6,082,580	108,827	329,672	6,536,437	7,954,575	14,491,012
Profit after taxation and zakat	-	-	-	-	-	1,603,076	1,603,076
Transfer from retained profits	-	409,882	-	-	409,882	(409,882)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	(35,033)	(35,033)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	(17,517)	(17,517)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	(14,562)	(14,562)
Unrealised net gain on revaluation of financial investments at fair value through other comprehensive income	-	-	504,566	-	504,566	-	504,566
Dividends (Note 38)	-	-	-	-	-	(378,973)	(378,973)
At 31 December 2019	15,358	6,492,462	613,393	329,672	7,450,885	8,701,684	16,152,569
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 38)	-	-	-	-	-	(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 2019 (Continued)

28. RESERVES (CONTINUED)

(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) 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.

(iv) Regulatory reserve

The regulatory reserve is maintained as an additional credit risk buffer to ensure the robustness of the financing impairment assessment methodology.

(v) Retained profits

Included in retained profits is an amount of RM1,340,000,000 (2018: RM1,340,000,000) earmarked to improve the Rate of Return Risk (ROR) exposure as part of asset and liability management strategies.

29. INCOME

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income derived from investment of depositors' fund (i)	5,044,592	5,070,124	5,045,218	5,070,124
Income derived from investment of shareholders' fund (ii)	1,378,737	1,332,200	1,378,909	1,332,200
Income generated by subsidiaries (iii)	74,822	52,750	-	-
	6,498,151	6,455,074	6,424,127	6,402,324

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL:

	Group and Bank	
	2019 RM'000	2018 RM'000
Amortised cost before modification	676,180	496,305
Net modification loss	(40,713)	(37,613)

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

29. INCOME (CONTINUED)

(i) Income derived from investment of depositors' fund

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income from financing and advances *	3,991,155	4,025,807	3,991,781	4,025,807
Income from deposits and placements with banks and financial institutions	8,091	14,640	8,091	14,640
Income from financial investments	1,045,346	1,029,677	1,045,346	1,029,677
	5,044,592	5,070,124	5,045,218	5,070,124

(ii) Income derived from investment of shareholders' fund

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income from financing and advances *	1,090,822	1,057,801	1,090,994	1,057,801
Income from deposits and placements with banks and financial institutions	2,212	3,846	2,212	3,846
Income from financial investments	285,703	270,553	285,703	270,553
	1,378,737	1,332,200	1,378,909	1,332,200

* Included in income from financing and advances for the current year is profit accrued on impaired financing of RM69,989,354 (2018: RM83,031,216).

	Group	
	2019 RM'000	2018 RM'000
Agency income	4,811	4,668
Pawning income	58,306	37,339
Rental income	3,354	3,272
Management fee	8,023	7,149
Sale of goods	175	42
Other charges	153	280
	74,822	52,750

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

30. EXPENDITURE

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income attributable to depositors (i)	3,099,344	3,134,023	3,103,973	3,137,762
Profit expense on financing sold with recourse to Cagamas	26,844	34,313	26,844	34,313
Profit expense on debt securities issued	127,971	156,649	127,971	156,649
Profit expense on cashline facility	607	-	607	-
Cost of sales	73,113	57,685	-	-
	3,327,879	3,382,670	3,259,395	3,328,724

(i) Income attributable to depositors

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits from customers				
Non-Mudarabah	3,064,180	3,121,405	3,068,809	3,125,144
Deposits and placements from banks and other financial institutions				
Non-Mudarabah	35,164	12,618	35,164	12,618
	3,099,344	3,134,023	3,103,973	3,137,762

31. ALLOWANCES FOR IMPAIRMENT

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Allowance for impairment on financing and advances (i)	549,627	417,769	559,354	417,769
Allowance for impairment on financial investments (ii)	(2,502)	(258)	(2,502)	(258)
	547,125	417,511	556,852	417,511

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

31. ALLOWANCES FOR IMPAIRMENT (CONTINUED)

(i) Allowance for impairment on financing and advances

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Stage 1 - 12 month ECL	(176,810)	29,275	(167,083)	29,275
Stage 2 - lifetime ECL not credit impaired	278,250	(57,329)	278,250	(57,329)
Stage 3 - lifetime ECL credit impaired	448,187	445,823	448,187	445,823
	549,627	417,769	559,354	417,769

(ii) Allowance for impairment on financial investments

	Group and Bank	
	2019 RM'000	2018 RM'000
Financial investments at fair value through other comprehensive income (Note 8)	(201)	475
Financial investments at amortised cost (Note 9)	(2,301)	(733)
	(2,502)	(258)

32. OTHER OPERATING INCOME

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fees and commission (i)	159,040	82,222	159,040	82,222
Other income (ii)	422,142	332,415	393,637	362,804
	581,182	414,637	552,677	445,026

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

32. OTHER OPERATING INCOME (CONTINUED)

(i) Fees and commission

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Takaful commission	42,200	26,298	42,200	26,298
ATM service fees	15,499	16,277	15,499	16,277
Wasiat commission	7,413	1,945	7,413	1,945
Other commission	81,723	23,136	81,723	23,136
Processing fees	6	2,007	6	2,007
MEPS fees	9,540	10,001	9,540	10,001
Other fees	2,659	2,558	2,659	2,558
	159,040	82,222	159,040	82,222

(ii) Other income

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other income from financial instruments				
Dividend from financial investments at fair value through profit or loss	19,406	12,596	19,406	12,596
Net gain on disposal of financial investments at fair value through profit or loss	30,702	9,123	30,702	9,123
Net gain on disposal of financial investments at fair value through other comprehensive income	2,990	213	2,990	213
Net gain/(loss) on revaluation of financial investments at fair value through profit or loss	26,560	(167,745)	26,560	(167,745)
Others				
Rental income	20,484	24,980	20,993	26,447
Late payment charges	4,894	5,058	4,894	5,058
Charges from credit card services	10,896	12,027	10,896	12,027
Other service charges	12,248	11,681	12,248	11,681
Recoveries from financing written off	210,304	261,112	210,304	261,112
Writeback of ECL on trade receivables (Note 11)	181	224	-	-
Gain on disposal of property and equipment	785	244	31	1
Other income	52,271	59,643	51,700	52,682
Gain on revaluation of investment properties (Note 18)	30,421	103,259	2,913	104,841
Dividend from subsidiary	-	-	-	34,768
	422,142	332,415	393,637	362,804

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

33. OPERATING EXPENSES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel expenses (i)	826,597	708,048	809,144	691,078
Other overheads and expenditure (ii)	583,865	502,303	599,748	535,035
	1,410,462	1,210,351	1,408,892	1,226,113

(i) Personnel expenses

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and wages	387,144	351,006	377,858	339,498
Allowances and bonuses	257,592	212,631	251,965	209,620
Defined contribution plan - EPF	115,071	85,351	113,771	83,809
Social security contributions - SOCSO	4,898	4,573	4,713	4,339
Other staff related costs	61,892	54,487	60,837	53,812
	826,597	708,048	809,144	691,078

Total number of staff (excluding the Board of Directors) for the Group is 5,789 (2018: 5,399) and for the Bank is 5,752 (2018: 5,236).

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

33. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Establishment				
Rental	4,271	20,301	4,244	27,431
Depreciation of property and equipment (Note 16)	58,945	63,839	55,173	60,308
Depreciation of right-of-use assets (Note 13)	18,252	-	23,808	-
Amortisation of prepaid lease payments (Note 19)	1,526	1,526	1,526	1,526
Amortisation of intangible assets (Note 17)	24,146	22,929	24,146	22,929
Finance cost on lease liabilities (Note 26(ii))	2,578	-	3,604	-
Repair and maintenance	91,583	80,459	91,410	80,210
Takaful	5,931	6,172	5,858	6,030
	207,232	195,226	209,769	198,434
Promotion				
Advertisement and publicity	22,226	28,704	21,892	28,182
General expenses				
Legal and professional fees	27,977	11,818	25,335	11,076
Auditors' remuneration	1,532	3,413	1,328	3,099
Communication expenses	34,525	28,823	34,330	28,569
Utilities expenses	33,236	18,311	32,845	18,163
Printing and stationery	22,380	21,655	22,093	21,329
Postage and courier	8,746	10,046	8,668	10,010
Security expenses	29,692	28,351	29,639	28,312
Service charges	33,579	25,732	51,530	52,858
Loss on financing written off	14,221	15,188	14,221	15,188
Property and equipment written off	81	6	81	6
Commission expenses	80,869	64,854	80,869	64,854
Travelling and transportation	11,574	11,220	17,734	16,461
Others	55,995	38,956	49,414	38,494
	354,407	278,373	368,087	308,419
	583,865	502,303	599,748	535,035

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

33. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

The above expenditure includes the following statutory disclosures:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Impairment losses on:				
Trade receivables (Note 11)	482	30	-	-
Amount due from subsidiaries (Note 12(i))	-	-	7,263	964
Other receivables, deposits and prepayments (Note 12(ii))	19,960	368	19,682	7
Auditors' remuneration:				
Current year:				
Statutory audit fees	1,532	2,115	1,328	1,800
Other services	-	1,299	-	1,299
Overprovision in prior year	-	(1)	-	-
Amortisation of prepaid lease payment (Note 19)	1,526	1,526	1,526	1,526
Depreciation of property and equipment (Note 16)	58,945	63,839	55,173	60,308
Amortisation of intangible assets (Note 17)	24,146	22,929	24,146	22,929
Depreciation of right-of-use assets	18,252	-	23,808	-
Finance cost on lease liabilities	2,578	-	3,604	-
Property and equipment written off	81	6	81	6
Finance cost on financing from other financial institutions	-	204	-	-
Rental of premises	837	13,276	853	20,536
Rental of equipment	3,434	7,025	3,391	6,895

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

33. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Included in general expenses are the following Directors' remuneration:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Executive Director				
Salary and other remuneration	634	1,200	634	1,200
Bonuses	2,000	3,232	2,000	3,232
EPF contributions	501	842	501	842
Other emoluments	27	73	27	73
	3,162	5,347	3,162	5,347
Non-Executive Directors				
Fees	2,030	1,811	1,805	1,452
Other emoluments	38	17	38	17
	2,068	1,828	1,843	1,469
	5,230	7,175	5,005	6,816

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

33. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Directors is as follows:

	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	
2019								
Executive Director								
Dato' Rosman Mohamed	390	76	3	469	4	-	4	473
Non-Executive Directors								
Datuk Noripah Kamso	-	304	29	333	-	-	-	333
Datuk Wan Suraya Wan Mohd Radzi	-	190	-	190	94	-	94	284
Hj. Abd Rani Lebai Jaafar	-	249	-	249	6	-	6	255
Prof. Dr. Obiyathulla Ismath Bacha	-	162	-	162	-	-	-	162
Muhamad Shahril Othman	-	95	-	95	-	-	-	95
Tunku Dato' Ahmad Burhanuddin Tunku Datuk Seri Adnan	-	41	-	41	-	-	-	41
Yuri Zaharin Wahab	-	44	-	44	-	-	-	44
Sofiyan Yahya	-	29	-	29	-	-	-	29
	-	1,114	29	1,143	100	-	100	1,243
Former Executive Director								
Dato' Zulkiflee Abbas Abdul Hamid	2,745	-	24	2,769	-	-	-	2,769
Former Non-Executive Directors								
Edham Reza Shah	-	199	-	199	32	-	32	231
Dato' Abdul Rahman	-	149	-	149	48	-	48	197
Dato' Sri Jamil Salleh	-	128	-	128	-	-	-	128
Wan Zamri Wan Zain	-	36	9	45	-	-	-	45
Hjh. Armi Zainudin	-	103	-	103	41	-	41	144
Dato' Siti Zauyah Md. Desa	-							
	-	615	9	624	121	-	121	745
	-	1,729	38	1,767	221	-	221	1,988
	3,135	1,805	65	5,005	225	-	225	5,230

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

33. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Directors is as follows: (continued)

	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
2018								
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 2019 (Continued)

34. TAXATION

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysian income tax				
Current year (Over)/Underprovision in prior years	62,848 (101,525)	29,550 10,669	59,034 (101,904)	23,684 10,925
	(38,677)	40,219	(42,870)	34,609
Deferred tax (Note 20)				
Current year Under/(Over)provision in prior years	157,733 3,880	36,046 (240)	155,000 -	36,000 -
	161,613	35,806	155,000	36,000
Total	122,936	76,025	112,130	70,609

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation and zakat	1,793,867	1,859,179	1,751,665	1,875,002
Tax expense at statutory tax rate of 24% (2018: 24%)	430,528	446,203	420,361	449,961
Non-taxable income	(115,980)	(120,361)	(120,233)	(129,279)
Non-deductible expenses	337,979	167,186	345,852	166,434
Tax exempt under Section 65(A) of the Income Tax Act 1967	(431,946)	(416,953)	(431,946)	(416,953)
Tax implication on adoption of MFRS 9 (Over)/Underprovision in prior years:	-	(10,479)	-	(10,479)
Income tax	(101,525)	10,669	(101,904)	10,925
Deferred tax	3,880	(240)	-	-
	122,936	76,025	112,130	70,609

Notes to the Financial Statements

for the Year Ended 31 December 2019 (Continued)

35. ZAKAT

In computing for zakat, the Group and the Bank has 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Provision for current year	42,725	27,943	40,000	27,000
Overprovision in prior years	(3,541)	(2,410)	(3,541)	(2,408)
	39,184	25,533	36,459	24,592

36. 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.

37. EARNINGS PER SHARE

Basic earnings per ordinary share have been calculated based on the Group's profit after taxation and zakat of RM1,631,747,000 (2018: RM1,757,621,000) divided by the weighted average number of ordinary shares of 2,945,355,000 (2018: 2,960,691,000) of RM1 each in issue during the financial year.

38. DIVIDENDS

	Group and Bank	
	2019 RM'000	2018 RM'000
Cash dividend of 13% for the year ended 31 December 2018 (2017: 16%)	378,973	469,774

During the financial year ended 31 December 2019, the Bank paid a cash dividend of 13% amounting to RM379 million in regard to the previous financial year ended 31 December 2018.

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

Notes to the Financial Statements

for the Year Ended 31 December 2019 (Continued)

39. 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	
	2019 RM'000	2018 RM'000
Contingent liabilities		
Bank guarantee given in respect of banking facilities granted to customers	80,666	479,730
Claims for damages from litigation taken against the Bank	106,053	131,885
Commitments		
Undrawn financing	2,154,099	2,184,799
	2,340,818	2,796,414

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 6 May 2020. 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.

40. CAPITAL COMMITMENTS

Capital expenditure approved but not provided for in the financial statements are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital expenditure				
Approved and contracted for	466,560	665,529	227,625	338,279

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

41. 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:

41.1 Subsidiaries

Details of the subsidiaries are shown in Note 15.

41.2 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefits				
Fees	2,030	1,811	1,805	1,452
Salary	4,060	4,728	3,550	4,124
Allowances	442	514	442	514
EPF contribution	1,585	1,914	1,497	1,776
Bonuses	3,854	4,891	3,854	4,739
Other emoluments	123	188	66	90
	12,094	14,046	11,214	12,695

Included in the total compensation for key management personnel are the following items:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration				
From the Bank	5,005	6,816	5,005	6,816
From subsidiaries	225	359	-	-
	5,230	7,175	5,005	6,816

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

41. RELATED PARTY TRANSACTIONS (CONTINUED)

41.3 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	
	2019 RM'000	2018 RM'000
Income earned		
Rental income	(524)	(1,482)
Expenditure incurred		
Profit expenses	4,629	3,738
Management fee expenses	17,653	26,444
Rental expenses	6,496	6,145
Purchase of goods and services	152	2,078
Travelling and transportation	6,305	5,616
	34,711	42,539

42. FINANCING FACILITIES WITH CONNECTED PARTIES

	Group and Bank	
	2019 RM'000	2018 RM'000
Outstanding exposures with connected parties	1,177,375	2,347,292
% of outstanding exposures to connected parties as a proportion of total exposure	1.14%	2.25%
% of outstanding exposures financing exposures with connected parties which is non-performing or in default	0.00%	0.00%

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT

43.1 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

43.2 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.

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.”

43.2.1 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 risk-taking 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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Risk management framework (continued)

43.2.1 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.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Risk management framework (continued)

43.2.1 Risk governance (continued)

Roles and responsibilities of the oversight Committee: (continued)

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, minimise credit loss and maximise recoveries.
- (d) Review and recommend any enhancement of credit related policies, process and procedures.

43.3 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 emphasizes on individual accountability with clear lines of responsibility where credit administration, early monitoring and recovery are independent from Business Units.

43.3.1 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.

43.3.2 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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Credit risk (continued)

43.3.3 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.

43.3.4 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.

43.3.5 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).

43.3.6 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.

43.3.7 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.

43.3.8 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.

43.3.9 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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Credit risk (continued)

43.3.10 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.

43.3.11 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.

43.3.12 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.

43.3.13 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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Credit risk (continued)

43.3.13 Maximum exposure to credit risk (continued)

	Group	
	2019 RM'000	2018 RM'000
Assets		
Cash and short-term funds	1,760,287	1,163,630
Financial investments at fair value through profit or loss	636,693	742,297
Financial investments at fair value through other comprehensive income	22,273,842	22,329,782
Financial investments at amortised cost	10,261,091	10,155,789
Financing and advances	70,967,646	69,003,855
Trade receivables	324	2,459
Other receivables	717,249	709,581
	106,617,132	104,107,393
Commitments		
Undrawn financing	2,154,099	2,184,799
Total maximum exposure to credit risk	108,771,231	106,292,192

	Bank	
	2019 RM'000	2018 RM'000
Assets		
Cash and short-term funds	1,759,669	1,161,454
Financial investments at fair value through profit or loss	636,693	742,297
Financial investments at fair value through other comprehensive income	22,273,834	22,329,773
Financial investments at amortised cost	10,261,091	10,155,789
Financing and advances	71,042,565	69,003,855
Other receivables	734,543	724,745
	106,708,395	104,117,913
Commitments		
Undrawn financing	2,154,099	2,184,799
Total maximum exposure to credit risk	108,862,494	106,302,712

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Credit risk (continued)

43.3.14 Credit risk exposure on financing and advances

	Group	
	2019 RM'000	2018 RM'000
At amortised cost		
Neither past due nor impaired 0 month	67,623,085	64,956,424
Past due but not impaired		
1 month	2,214,803	2,670,707
2 months	778,867	881,237
3 months	402,951	401,746
	3,396,621	3,953,690
Past due and impaired		
Less than 4 months	216,283	224,230
4 months to 6 months	253,879	279,687
7 months to 9 months	166,903	233,644
More than 9 months	759,209	753,189
	1,396,274	1,490,750
Gross financing and advances	72,415,980	70,400,864
Less:		
Stage 1 - 12 month ECL	(240,167)	(428,090)
Stage 2 - lifetime ECL not credit impaired	(397,011)	(118,761)
Stage 3 - lifetime ECL credit impaired	(811,156)	(850,158)
Net financing and advances	70,967,646	69,003,855

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Credit risk (continued)

43.3.14 Credit risk exposure on financing and advances (continued)

	Bank	
	2019 RM'000	2018 RM'000
At amortised cost		
Neither past due nor impaired 0 month	67,707,731	64,956,424
Past due but not impaired		
1 month	2,214,803	2,670,707
2 months	778,867	881,237
3 months	402,951	401,746
	3,396,621	3,953,690
Past due and impaired		
Less than 4 months	216,283	224,230
4 months to 6 months	253,879	279,687
7 months to 9 months	166,903	233,644
More than 9 months	759,209	753,189
	1,396,274	1,490,750
Gross financing and advances	72,500,626	70,400,864
Less:		
Stage 1 - 12 month ECL	(249,894)	(428,090)
Stage 2 - lifetime ECL not credit impaired	(397,011)	(118,761)
Stage 3 - lifetime ECL credit impaired	(811,156)	(850,158)
Net financing and advances	71,042,565	69,003,855

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Credit risk (continued)

43.3.15 Credit risk exposure on investment securities

Group 2019	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	-	3,210,072	386,641	3,596,713
Grade AA+	-	65,956	5,206	71,162
Grade AA	-	200,231	5,272	205,503
Grade AA-	-	188,407	85,590	273,997
Grade AA1	-	304,514	153,740	458,254
Grade AA2	-	382,463	20,801	403,264
Grade AA3	-	257,236	57,947	315,183
	-	4,608,879	715,197	5,324,076
Cagamas sukuk Grade AAA	-	2,153,540	711,148	2,864,688
Negotiable Islamic debt certificates Grade AA3	-	-	99,582	99,582
	-	6,762,419	1,525,927	8,288,346
Unrated securities				
Government investment issues	157,486	9,100,909	5,480,591	14,738,986
Government sukuk	-	6,134,061	2,900,312	9,034,373
Khazanah sukuk	-	229,607	304,401	534,008
Islamic commercial paper	-	-	49,860	49,860
Islamic redeemable convertible preference shares	211,282	-	-	211,282
	368,768	15,464,577	8,735,164	24,568,509
Shares				
Quoted and unit trust shares	267,925	-	-	267,925
Unquoted shares	-	46,846	-	46,846
	267,925	46,846	-	314,771
	636,693	22,273,842	10,261,091	33,171,626

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Credit risk (continued)

43.3.15 Credit risk exposure on investment securities (continued)

Bank 2019	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	-	3,210,072	386,641	3,596,713
Grade AA+	-	65,956	5,206	71,162
Grade AA	-	200,231	5,272	205,503
Grade AA-	-	188,407	85,590	273,997
Grade AA1	-	304,514	153,740	458,254
Grade AA2	-	382,463	20,801	403,264
Grade AA3	-	257,236	57,947	315,183
	-	4,608,879	715,197	5,324,076
Cagamas sukuk Grade AAA	-	2,153,540	711,148	2,864,688
Negotiable Islamic debt certificates Grade AA3	-	-	99,582	99,582
	-	6,762,419	1,525,927	8,288,346
Unrated securities				
Government investment issues	157,486	9,100,909	5,480,591	14,738,986
Government sukuk	-	6,134,061	2,900,312	9,034,373
Khazanah sukuk	-	229,607	304,401	534,008
Islamic commercial paper	-	-	49,860	49,860
Islamic redeemable convertible preference shares	211,282	-	-	211,282
	368,768	15,464,577	8,735,164	24,568,509
Shares				
Quoted and unit trust shares	267,925	-	-	267,925
Unquoted shares	-	46,838	-	46,838
	267,925	46,838	-	314,763
	636,693	22,273,834	10,261,091	33,171,618

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Credit risk (continued)

43.3.15 Credit risk exposure on investment securities (continued)

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
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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Credit risk (continued)

43.3.15 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
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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Credit risk (continued)

43.3.16 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.

	2019 RM’000	2018 RM’000
Group		
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	1,760,287	1,163,630
Financial investments portfolio *	32,896,974	32,876,158
Financing and advances	61,055,665	60,007,394
Trade receivables	324	2,459
Other assets	1,139,698	1,132,604
Credit exposure for off-balance sheet financial assets:		
Undrawn financing	2,154,099	2,184,799
Total maximum credit risk exposure	99,007,047	97,367,044
Bank		
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	1,759,669	1,161,454
Financial investments portfolio *	32,896,974	32,876,158
Financing and advances	61,055,665	60,007,394
Other assets	1,121,584	1,097,380
Credit exposure for off-balance sheet financial assets:		
Undrawn financing	2,154,099	2,184,799
Total maximum credit risk exposure	98,987,991	97,327,185

* 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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 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.

43.4.1 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.

43.4.2 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	
	2019 RM’000	2018 RM’000
At 31 December	34.50%	33.99%
Average for the year	34.17%	34.42%
Maximum for the year	34.55%	34.94%
Minimum for the year	33.72%	33.79%

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.3 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.

43.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities

Group 2019	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	1,760,287	-	-	-	-	-	-	1,760,287
Investment securities	-	100,878	224,476	2,269,587	2,612,383	27,438,249	526,053	33,171,626
Financing and advances	411,667	1,131,136	2,563,706	3,806,796	5,557,351	58,945,324	(1,448,334)	70,967,646
Trade receivables	-	-	-	-	-	-	324	324
Other assets	-	-	-	-	-	-	3,724,395	3,724,395
	2,171,954	1,232,014	2,788,182	6,076,383	8,169,734	86,383,573	2,802,438	109,624,278
Liabilities								
Deposits from customers	12,299,801	15,957,176	21,974,506	13,833,530	14,599,627	5,166,765	-	83,831,405
Deposits and placements from banks and financial institutions	-	1,200,000	100,000	-	-	-	-	1,300,000
Recourse obligations on financing sold to Cagamas	-	1,735	3,498	5,321	10,910	339,306	-	360,770
Debt securities issued	-	-	-	362,786	270,000	1,930,000	-	2,562,786
Cashline facility	-	200,607	-	-	-	-	-	200,607
Trade payables	-	-	-	-	-	-	1,652	1,652
Other liabilities	-	-	-	-	-	-	1,812,350	1,812,350
	12,299,801	17,359,518	22,078,004	14,201,637	14,880,537	7,436,071	1,814,002	90,069,570
Shareholders' fund	-	-	-	-	-	-	19,554,708	19,554,708
Net maturity mismatch	(10,127,847)	(16,127,504)	(19,289,822)	(8,125,254)	(6,710,803)	78,947,502	(18,566,272)	-

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group 2019	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	80,666	-	-	-	-	-	-	80,666
Claims for damages from litigation taken against the Bank	-	-	-	-	-	106,053	-	106,053
Undrawn financing	2,154,099	-	-	-	-	-	-	2,154,099
	2,234,765	-	-	-	-	106,053	-	2,340,818

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.4 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
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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.4 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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2019	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	1,759,669	-	-	-	-	-	-	1,759,669
Investment securities	-	100,878	224,476	2,269,587	2,612,383	27,438,249	526,045	33,171,618
Financing and advances	411,667	1,131,136	2,563,706	3,806,796	5,557,351	59,029,970	(1,458,061)	71,042,565
Other assets	-	-	-	-	-	-	3,396,545	3,396,545
	2,171,336	1,232,014	2,788,182	6,076,383	8,169,734	86,468,219	2,464,529	109,370,397
Liabilities								
Deposits from customers	12,299,801	15,957,176	21,974,506	13,833,530	14,599,627	5,166,765	-	83,831,405
Deposits and placements from banks and financial institutions	-	1,200,000	100,000	-	-	-	-	1,300,000
Recourse obligations on financing sold to Cagamas	-	1,735	3,498	5,321	10,910	339,306	-	360,770
Debt securities issued	-	-	-	362,786	270,000	1,930,000	-	2,562,786
Cashline facility	-	200,607	-	-	-	-	-	200,607
Other liabilities	-	-	-	-	-	-	1,966,370	1,966,370
	12,299,801	17,359,518	22,078,004	14,201,637	14,880,537	7,436,071	1,966,370	90,221,938
Shareholders' fund	-	-	-	-	-	-	19,148,459	19,148,459
Net maturity mismatch	(10,128,465)	(16,127,504)	(19,289,822)	(8,125,254)	(6,710,803)	79,032,148	(18,650,300)	-

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2019	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	80,666	-	-	-	-	-	-	80,666
Claims for damages from litigation taken against the Bank	-	-	-	-	-	106,053	-	106,053
Undrawn financing	2,154,099	-	-	-	-	-	-	2,154,099
	2,234,765	-	-	-	-	106,053	-	2,340,818

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.4 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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.4 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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.5 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 2019 and 31 December 2018. 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 manages profit liquidity risk based on discounted expected cash flows.

Group 2019	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	13,718,848	16,102,310	22,219,322	13,793,380	13,291,312	7,591,557	-	86,716,729
Deposits and placements from banks and financial institutions	-	1,204,414	100,583	-	-	-	-	1,304,997
Recourse obligations on financing sold to Cagamas	-	3,244	6,495	9,760	19,587	291,843	-	330,929
Debt securities issued	-	-	-	408,717	321,285	2,125,068	-	2,855,070
Trade payables	-	-	-	-	-	-	1,652	1,652
Cashline facility	-	200,921	-	-	-	-	-	200,921
Other liabilities	-	-	-	-	-	-	1,732,223	1,732,223
	13,718,848	17,510,889	22,326,400	14,211,857	13,632,184	10,008,468	1,733,875	93,142,521

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.5 Contractual maturity of financial liabilities on an undiscounted basis (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
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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank 2019	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	13,718,848	16,102,310	22,219,322	13,793,380	13,291,312	7,591,557	-	86,716,729
Deposits and placements from banks and financial institutions	-	1,204,414	100,583	-	-	-	-	1,304,997
Recourse obligations on financing sold to Cagamas	-	3,244	6,495	9,760	19,587	291,843	-	330,929
Debt securities issued	-	-	-	408,717	321,285	2,125,068	-	2,855,070
Cashline facility	-	200,921	-	-	-	-	-	200,921
Other liabilities	-	-	-	-	-	-	1,897,370	1,897,370
	13,718,848	17,510,889	22,326,400	14,211,857	13,632,184	10,008,468	1,897,370	93,306,016

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

43.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank 2018	Up to 1 week RM'000	More than 1 week- 1 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
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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.5 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.

43.5.1 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.

43.5.2 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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.5 Market risk (continued)

43.5.2 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				
2019				
Year ended 31 December	(7,669)	(2,858)	(3,850)	3,880
Average for the year	(69,608)	59,225	(34,815)	35,001
Maximum for the year	(123,022)	(2,858)	(61,523)	3,880
Minimum for the year	(7,669)	112,658	(3,850)	61,546
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

43.5.3 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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.5 Market risk (continued)

43.5.4 Exposure to profit rate risk on profit-bearing financial instruments

Group 2019	Non-trading book							Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	
Assets								
Cash, deposits and placements with financial institutions	700,069	-	-	-	-	1,060,218	-	1,760,287
Financial investments at fair value through profit or loss	-	-	-	-	-	-	636,693	636,693
Financial investments at fair value through other comprehensive income	51,018	35,433	3,242,493	12,994,107	5,903,945	-	46,846	22,273,842
Financial investments at amortised cost	49,860	189,043	1,639,477	4,884,577	3,498,134	-	-	10,261,091
Financing and advances - Non-impaired - Impaired, net of allowances	41,629,583	45,929	60,308	2,725,789	24,618,250	1,939,847	-	71,019,706
Other non-profit sensitive balances	-	-	-	-	-	(52,060)	-	(52,060)
	-	-	-	-	-	3,724,719	-	3,724,719
	42,430,530	270,405	4,942,278	20,604,473	34,020,329	6,672,724	683,539	109,624,278
Liabilities								
Deposits from customers	25,560,707	22,015,162	26,666,378	7,423,383	2,165,775	-	-	83,831,405
Deposits and placements from banks and financial institutions	1,200,000	100,000	-	-	-	-	-	1,300,000
Recourse obligations on financing sold to Cagamas	-	-	-	360,770	-	-	-	360,770
Debt securities issued	-	-	623,882	1,638,546	300,358	-	-	2,562,786
Cashline facility	200,607	-	-	-	-	-	-	200,607
Other non-profit sensitive balances	-	-	-	-	-	1,814,002	-	1,814,002
	26,961,314	22,115,162	27,290,260	9,422,699	2,466,133	1,814,002	-	90,069,570

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.5 Market risk (continued)

43.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued) 2019	Non-trading book							Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	
Shareholders' fund	-	-	-	-	-	19,554,708	-	19,554,708
On-balance sheet profit sensitivity gap	15,469,216	(21,844,757)	(22,347,982)	11,181,774	31,554,196	(14,695,986)	683,539	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	15,469,216	(21,844,757)	(22,347,982)	11,181,774	31,554,196	(14,695,986)	683,539	-

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.5 Market risk (continued)

43.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book							
Group 2018	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total 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
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

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.5 Market risk (continued)

43.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book							
Group (continued) 2018	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.5 Market risk (continued)

43.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book							
Bank 2019	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	700,069	-	-	-	-	1,059,600	-	1,759,669
Financial investments at fair value through profit or loss	-	-	-	-	-	-	636,693	636,693
Financial investments at fair value through other comprehensive income	51,018	35,433	3,242,493	12,994,107	5,903,945	-	46,838	22,273,834
Financial investments at amortised cost	49,860	189,043	1,639,477	4,884,577	3,498,134	-	-	10,261,091
Financing and advances	41,629,583	45,929	60,308	2,810,435	24,618,250	1,939,847	-	71,104,352
- Non-impaired	-	-	-	-	-	-	-	-
- Impaired, net of allowances	-	-	-	-	-	(61,787)	-	(61,787)
Other non-profit sensitive balances	-	-	-	-	-	3,396,545	-	3,396,545
	42,430,530	270,405	4,942,278	20,689,119	34,020,329	6,334,205	683,531	109,370,397
Liabilities								
Deposits from customers	25,560,707	22,015,162	26,666,378	7,423,383	2,165,775	-	-	83,831,405
Deposits and placements from banks and financial institutions	1,200,000	100,000	-	-	-	-	-	1,300,000
Recourse obligations on financing sold to Cagamas	-	-	-	360,770	-	-	-	360,770
Debt securities issued	-	-	623,882	1,638,546	300,358	-	-	2,562,786
Cashline facility	200,607	-	-	-	-	-	-	200,607
Other non-profit sensitive balances	-	-	-	-	-	1,966,370	-	1,966,370
	26,961,314	22,115,162	27,290,260	9,422,699	2,466,133	1,966,370	-	90,221,938

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.5 Market risk (continued)

43.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Non-trading book								
Bank (continued) 2019	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Shareholders' fund	-	-	-	-	-	19,148,459	-	19,148,459
On-balance sheet profit sensitivity gap	15,469,216	(21,844,757)	(22,347,982)	11,266,420	31,554,196	(14,780,624)	683,531	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	15,469,216	(21,844,757)	(22,347,982)	11,266,420	31,554,196	(14,780,624)	683,531	-

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.5 Market risk (continued)

43.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book							
Bank 2018	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total 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
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

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.5 Market risk (continued)

43.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book							
Bank (continued) 2018	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
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 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.6 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.

43.7 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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.7 Capital management (continued)

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.

43.7.1 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	
	2019 RM'000	2018 RM'000
Before proposed dividend		
Core capital ratio	22.64%	21.87%
Risk-weighted capital adequacy ratio	24.12%	23.25%
After proposed dividend		
Core capital ratio	22.12%	21.33%
Risk-weighted capital adequacy ratio	23.60%	22.72%

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.7 Capital management (continued)

43.7.1 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	
	2019 RM'000	2018 RM'000
Tier I capital		
Paid-up share capital	2,986,030	2,986,030
Retained profits	8,701,684	7,954,575
Other reserves	6,507,820	6,097,938
Total Tier I capital (core)	18,195,534	17,038,543
Tier II capital		
Subordinated sukuk	300,000	300,000
Collective impairment *	658,018	546,851
Regulatory reserve	329,672	329,672
Total Tier II capital	1,287,690	1,176,523
Total capital	19,483,224	18,215,066
Less: Investment in subsidiaries	(100,744)	(100,744)
Total capital base	19,382,480	18,114,322

* This is a surplus amount allowable after taking into account the collective impairment allowance on impaired financing of the Bank.

Assets in various categories are risk-weighted as follows:

	Bank	
	2019 RM'000	2018 RM'000
Total assets assigned 20% risk-weighted	732,872	725,709
Total assets assigned 50% risk-weighted	2,613,334	2,890,810
Total assets assigned 100% risk-weighted	75,696,226	72,926,532
Off-Balance Sheet claims assigned 100% risk-weighted	1,320,418	1,353,289
	80,362,850	77,896,340

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

44. 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.

44.1 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 determines 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 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.2 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					
2019					
Financial investments at fair value through profit or loss					
Government investment issues	157,486	157,486	-	157,486	-
Islamic redeemable convertible preference shares	211,282	211,282	-	211,282	-
Quoted shares	266,325	266,325	266,325	-	-
Unit trust shares	1,600	1,600	-	1,600	-
	636,693	636,693	266,325	370,368	-
Financial investments at fair value through other comprehensive income					
Islamic debt securities	4,608,879	4,608,879	-	4,608,879	-
Government investment issues	9,100,909	9,100,909	-	9,100,909	-
Government sukuk	6,134,061	6,134,061	-	6,134,061	-
Khazanah sukuk	229,607	229,607	-	229,607	-
Cagamas sukuk	2,153,540	2,153,540	-	2,153,540	-
Unquoted shares	46,846	46,846	-	-	46,846
	22,273,842	22,273,842	-	22,226,996	46,846

Notes to the Financial Statements

for the Year Ended 31 December 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.2 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					
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 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.2 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					
2019					
Financial investments at fair value through profit or loss					
Government investment issues	157,486	157,486	-	157,486	-
Islamic redeemable convertible preference shares	211,282	211,282	-	211,282	-
Quoted shares	266,325	266,325	266,325	-	-
Unit trust shares	1,600	1,600	-	1,600	-
	636,693	636,693	266,325	370,368	-
Financial investments at fair value through other comprehensive income					
Islamic debt securities	4,608,879	4,608,879	-	4,608,879	-
Government investment issues	9,100,909	9,100,909	-	9,100,909	-
Government sukuk	6,134,061	6,134,061	-	6,134,061	-
Khazanah sukuk	229,607	229,607	-	229,607	-
Cagamas sukuk	2,153,540	2,153,540	-	2,153,540	-
Unquoted shares	46,838	46,838	-	-	46,838
	22,273,834	22,273,834	-	22,226,996	46,838

Notes to the Financial Statements

for the Year Ended 31 December 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.2 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 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.2 Valuation of financial instruments at fair value (continued)

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments which are recorded at fair value:

	Group	
	2019 RM'000	2018 RM'000
Financial investments at fair value through other comprehensive income		
Unquoted shares		
At 1 January	37,807	8,064
Addition of unquoted shares	-	3
Unrealised gains recognised in other comprehensive income	9,039	29,740
At 31 December	46,846	37,807

	Bank	
	2019 RM'000	2018 RM'000
Financial investments at fair value through other comprehensive income		
Unquoted shares		
At 1 January	37,798	7,583
Addition of unquoted shares	-	3
Unrealised gains recognised in other comprehensive income	9,040	30,212
At 31 December	46,838	37,798

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.3 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 2019 RM'000	Fair value 2019 RM'000	Carrying amount 2018 RM'000	Fair value 2018 RM'000
Group				
Financial assets				
Cash and short-term funds	1,760,287	1,760,287	1,163,630	1,163,630
Financial investments at amortised cost	10,261,091	10,329,590	10,155,789	10,072,444
Financing and advances	70,967,646	74,754,053	69,003,855	73,479,723
Trade receivables	324	324	2,459	2,459
Other receivables and deposits	962,689	962,689	964,572	964,572
Financial liabilities				
Deposits from customers	83,831,405	84,466,510	82,735,900	82,905,425
Deposits and placements from banks and financial institutions	1,300,000	1,300,000	824,000	824,000
Recourse obligations on financing sold to Cagamas	360,770	457,181	710,335	702,741
Debt securities issued	2,562,786	2,595,294	3,143,366	3,140,978
Trade payables	1,652	1,652	2,840	2,840
Cashline facility	200,607	200,607	-	-
Other liabilities	1,449,722	1,449,722	1,409,003	1,409,003
Bank				
Financial assets				
Cash and short-term funds	1,759,669	1,759,669	1,161,454	1,161,454
Financial investments at amortised cost	10,261,091	10,329,590	10,155,789	10,072,444
Financing and advances	71,042,565	74,828,972	69,003,855	73,479,723
Other receivables and deposits	931,580	931,580	916,257	916,257
Financial liabilities				
Deposits from customers	83,831,405	84,466,510	82,735,900	82,905,425
Deposits and placements from banks and financial institutions	1,300,000	1,300,000	824,000	824,000
Recourse obligations on financing sold to Cagamas	360,770	457,181	710,335	702,741
Debt securities issued	2,562,786	2,595,294	3,143,366	3,140,978
Cashline facility	200,607	200,607	-	-
Other liabilities	1,618,252	1,618,252	1,531,376	1,531,376

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.3 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					
2019					
Financial assets					
Cash and short-term funds	1,760,287	1,760,287	-	-	1,760,287
Financial investments at amortised cost:					
Government sukuk	2,900,312	2,909,649	-	2,909,649	-
Government investment issues	5,480,591	5,536,057	-	5,536,057	-
Islamic debt securities	715,196	712,410	-	712,410	-
Khazanah sukuk	304,401	309,173	-	309,173	-
Cagamas sukuk	711,149	712,842	-	712,842	-
Negotiable Islamic debt certificates	99,582	99,599	-	-	99,599
Islamic commercial paper	49,860	49,860	-	49,860	-
Financing and advances	71,042,565	74,754,053	-	-	74,754,053
Trade receivables	324	324	-	-	324
Other receivables and deposits	962,689	962,689	-	-	962,689
	84,026,956	87,806,943	-	10,229,991	77,576,952
Financial liabilities					
Deposits from customers	83,831,405	84,466,510	-	-	84,466,510
Deposits and placements from banks and financial Institutions	1,300,000	1,300,000	-	-	1,300,000
Recourse obligations on financing sold to Cagamas	360,770	457,181	-	-	457,181
Debt securities issued	2,562,786	2,595,294	-	2,595,294	-
Trade payables	1,652	1,652	-	-	1,652
Cashline facility	200,607	200,607	-	-	200,607
Other liabilities	1,449,722	1,449,722	-	-	1,449,722
	89,706,942	90,470,966	-	2,595,294	87,875,672

Notes to the Financial Statements for the Year Ended 31 December 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.3 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
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 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.3 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					
2019					
Financial assets					
Cash and short-term funds	1,759,669	1,759,669	-	-	1,759,669
Financial investments at amortised cost:					
Government sukuk	2,900,312	2,909,649	-	2,909,649	-
Government investment issues	5,480,591	5,536,057	-	5,536,057	-
Islamic debt securities	715,196	712,410	-	712,410	-
Khazanah sukuk	304,401	309,173	-	309,173	-
Cagamas sukuk	711,149	712,842	-	712,842	-
Negotiable Islamic debt certificates	99,582	99,599	-	-	99,599
Islamic commercial paper	49,860	49,860	-	49,860	-
Financing and advances	71,042,565	74,828,972	-	-	74,828,972
Other receivables and deposits	931,580	931,580	-	-	931,580
	83,994,905	87,849,811	-	10,229,991	77,619,820
Financial liabilities					
Deposits from customers	83,831,405	84,466,510	-	-	84,466,510
Deposits and placements from banks and financial Institutions	1,300,000	1,300,000	-	-	1,300,000
Recourse obligations on financing sold to Cagamas	360,770	457,181	-	-	457,181
Debt securities issued	2,562,786	2,595,294	-	2,595,294	-
Cashline facility	200,607	200,607	-	-	200,607
Other liabilities	1,618,252	1,618,252	-	-	1,618,252
	89,873,820	90,637,844	-	2,595,294	88,042,550

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.3 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
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 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.3 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:

44.3.1 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.

44.3.2 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.

44.3.3 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.

44.3.4 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.

44.3.5 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.

44.3.6 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.

44.3.7 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.

44.3.8 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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (Continued)

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

44.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

44.3.9 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.

44.3.10 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 and 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
Facebook/Twitter/Instagram :
/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
No. 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. 21 & 22, Jalan Jati 1/11
Pusat Perniagaan Amanjaya
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

SERI 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

TAPAH
No. 56 & 57, Jalan Besar
35000 Tapah, 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 Dagang 1/1A
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

Corporate Office and Branches

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

BANDAR TUN 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

JALAN TANGSI, 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 and 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. 13, Plaza KLTS
Kuala Lumpur Traders Square
Block A, 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

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

No. 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

No. 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

Corporate Office and Branches

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

Lot 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 & 543
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 Baitulmal
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

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

SHAH ALAM
No. 9 & 11
Jalan Tuanku Ampuan Zabedah H/9H
Seksyen 9
40000 Shah Alam, 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 Sejangbak 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 Ar-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 Yamud
Jalan Kebun Sultan
15350 Kota Bharu, Kelantan

SARAWAK

SATOK
Lot 497, Seksyen 6
KTLD Jalan Kulas Tengah
93400 Kuching, Sarawak

Rakyat Xcess and Ar-Rahnu X'Change

KEDAH	SELANGOR
AR-RAHNU X’CHANGE SIMPANG KUALA No. 33 & 34, Jalan SPK 1 Pekan Simpang Kuala 05400 Alor Setar, Kedah	AR-RAHNU X’CHANGE BANDAR TASIK PUTERI No. 69-G & 1, Jalan 7A/3 Bandar Tasik Puteri 48020 Rawang, Selangor
AR RAHNU X’CHANGE SUNGAI PETANI No. 21-F, Jalan Ibrahim 08000 Sungai Petani, Kedah	AR-RAHNU X’CHANGE BANGI Lot 1.01, Tingkat Bawah Wisma UNIKEB 43609 Bangi, Selangor
AR RAHNU X’CHANGE SIK No. 1A & 1B, Susur Alamanda 2 Pusat Perniagaan Alamanda 08200 Sik, Kedah	AR-RAHNU X’CHANGE BERANANG No. 27-G & 1, Jalan TPS 2/1 Taman Pelangi Semenyih 2 43700 Beranang, Selangor
RAKYAT XCESS SIMPANG KUALA No. 33 & 34, Jalan SPK 1 Pekan Simpang Kuala 05400 Alor Setar, Kedah	AR-RAHNU X’CHANGE TANJUNG KARANG No.1 & 3, Jalan Makmur 1 Taman Makmur, Batu 7 45500 Tanjung Karang, Selangor
RAKYAT XCESS SUNGAI PETANI No. 21-F, Jalan Ibrahim 08000 Sungai Petani, Kedah	AR-RAHNU X’CHANGE SAUJANA UTAMA No. 1-G-52, Jalan Bidara 6/3 Saujana Utama 3 47000 Sungai Buloh, Selangor
RAKYAT XCESS SIK No. 1A & 1B, Susur Alamanda 2 Pusat Perniagaan Alamanda 08200 Sik, Kedah	RAKYAT XCESS BANDAR TASIK PUTERI No. 69-G, Jalan 7A/3 Bandar Tasik Puteri 48020 Rawang, Selangor
PERAK	RAKYAT XCESS BANGI Lot 1.01, Tingkat Bawah Wisma UNIKEB 43609 Bangi, Selangor
AR RAHNU X’CHANGE KAMPAR No 7 & 8, Jalan Siswa 1 Taman Kampar Siswa 31900 Kampar, Perak	RAKYAT XCESS BERANANG No. 27-G, Jalan TPS 2/1 Taman Pelangi Semenyih 2 43700 Beranang, Selangor
RAKYAT XCESS KAMPAR No 7 & 8, Jalan Siswa 1 Taman Kampar Siswa 31900 Kampar, Perak	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 71800 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 71800 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 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

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

Rakyat Xcess and Ar-Rahnu X’Change

TERENGGANU	KELANTAN
AR-RAHNU X’CHANGE CHABANG TIGA No. 2 & 3, Tingkat Bawah Wisma KY, Kg. Chabang 3 Simpang Tok Ku 21000 Kuala Terengganu, Terengganu	AR-RAHNU X’CHANGE JELI Lot 6491, Tingkat Bawah & Atas Hadapan Balai Bomba & Penyelamat Taman Haji Hamat 17600 Jeli, Kelantan
RAKYAT XCESS CHABANG TIGA No. 2 & 3, Tingkat Bawah Wisma KY, Kg. Chabang 3 Simpang Tok Ku 21000 Kuala Terengganu, Terengganu	RAKYAT XCESS JELI Lot 6491, Tingkat Bawah & Atas Hadapan Balai Bomba & Penyelamat Taman Haji Hamat 17600 Jeli, Kelantan
PAHANG	SARAWAK
RAKYAT XCESS CAMERON HIGHLANDS No. 6-1, Marigold Square Tanah Rata 39000 Cameron Highlands, Pahang	RAKYAT XCESS SERIAN No. 11, Tingkat Bawah Louis Junction, Batu 39 Jalan Kuching-Serian 94700 Serian, Sarawak

Rakyat Xcess

Subsidiaries

RAKYAT FACILITY MANAGEMENT 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 7661 / 7662
Fax : 03-2265 7663

RAKYAT HARTANAH SDN BHD
Level 12, 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 MANAGEMENT SERVICES SDN BHD
Level 11, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur
Email : rms@rakyatravel.com.my
Website : www.arrahnuxchange.com.my
Tel : 03-2265 7566 / 67 / 68 / 69
Fax : 03-2265 7571

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 12, 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 ASSET MANAGEMENT SDN BHD
Level 12, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur
Tel : 03-2265 7633 / 7628
Fax : 03-2265 7629

RAKYAT NIAGA 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 : 03-2276 4516 / 4517 / 4518
Fax : 03-2276 5332

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 Setar, 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

Bank Rakyat
Service Agents

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) Lebuhr Paduka
Bandar Seberang Perak
36800 Kampung 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

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
No. 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

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
No. 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 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
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JOHOR

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