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www.bankrakyat.com.my

BANK KERJASAMA RAKYAT MALAYSIA BERHAD (Reg No. 2192)

ANNUAL REPORT 2016



Your Choice Bank



A SUSTAINABLE FUTURE

ANNUAL REPORT 2016



A Sustainable Future

Bank Rakyat's 2016 Annual Report takes its inspiration from the narrative artwork of Arif Adil Isham, an 11-year old autistic child. Children with autism are able to express themselves through beautiful narratives in the form of creative drawings.

Unlike a normal person, they have the ability to see the world from a variety of perspectives and that obstacles are simply challenges that drive them to continue moving forward.

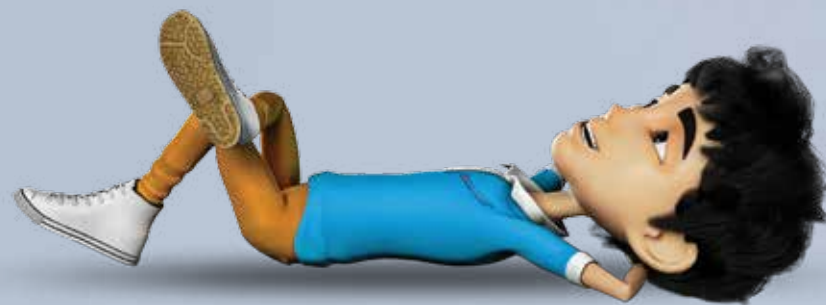
This Annual Report serves to narrate Bank Rakyat's role as a dynamic, modern, and caring Islamic co-operative bank that takes upon itself to advocate autism as a social responsibility.

Bank Rakyat consistently breaks through all challenges and obstacles beyond what is considered as normal and looks at the business environment from a different spectrum, based on Sharia principles and Islamic norms, by providing a solid foundation today for tomorrow's younger generation.

Like the robust tree that serves as an umbrella to prosper its members, customers, and the community, Bank Rakyat operates on the co-operative principle and Islamic banking with a commitment to carry out the mandate of the co-operative sector as the third engine of economic growth, and strengthen Malaysia's position as a global Islamic financial hub.

#anak kita

The colourful images **distract**
my focus of **attention**...
but they talk to me for
inspirational wonders



The vibrant colours
always captivate the
focus of an Autistic Child.



ARIF ADIL ISHAM, 11

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VALUES, VISION and Mission

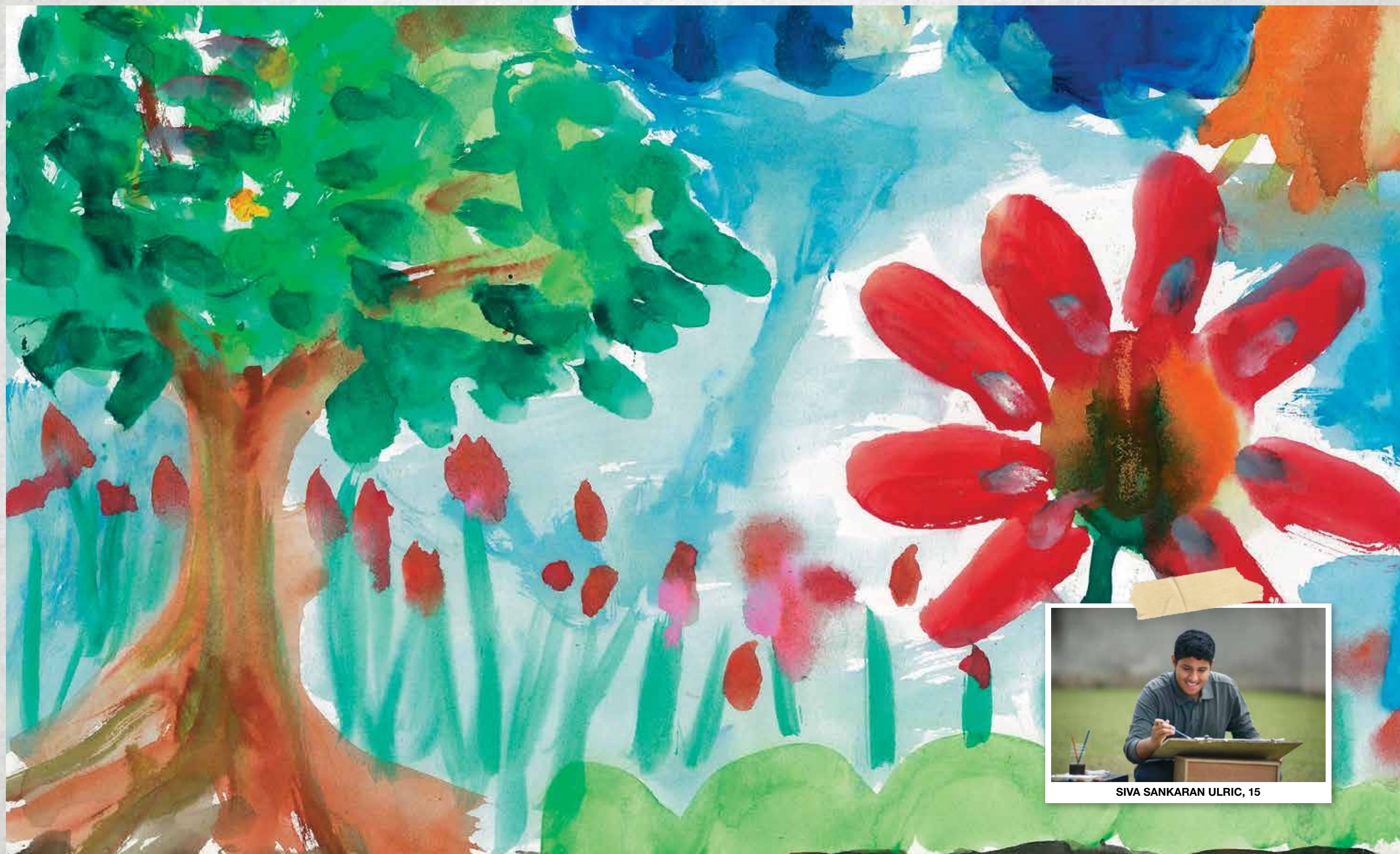


VALUES, VISION AND MISSION

A watercolor illustration of a boy with black hair and glasses, wearing a grey shirt and red shoes, sitting on a large tree stump. He is looking up at a large, vibrant red flower with many petals. The background is a soft, painterly landscape with green foliage and a blue sky. The text is written in a white, cursive font on a white, torn-paper-like background.

I process information which
people find **unimaginable**...
that is why I am **unique**

Disorder of neural
information processing
affects the synapses
connection of the mind.



SIVA SANKARAN ULRIC, 15

CORPORATE
Information

Chairman
TAN SRI SHUKRY MOHD. SALLEH

Managing Director/President
DATO' ZULKIFLEE ABBAS BIN ABDUL HAMID

Board of Directors
TAN SRI SHUKRY MOHD. SALLEH
DATO' ZULKIFLEE ABBAS BIN ABDUL HAMID
DATO' SRI JAMIL SALLEH
DATO' SITI ZAUYAH MD. DESA
DATO' SRI ALIAS HAJI AHMAD
DATUK HAJI ABDUL RAHMAN KASIM
DATUK HAJI MOHD. IDRIS HAJI MOHD. ISA
DATO' HAJI ISMAIL NORDIN
RAZALEE AMIN
DATIN DR. NIK SARINA LUGMAN HASHIM

Bank Secretary
LIZA ROS DAMSI

CORPORATE
INFORMATION

Registered Office
Bank Kerjasama Rakyat Malaysia Berhad
Tingkat 35, Menara 1
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur

Auditor
Ketua Audit Negara
Jabatan Audit Negara 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





ISLAMIC PRINCIPLES

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.

MEMBERS (SHAREHOLDERS)

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.

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.



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.

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 **obsession** with things I love
might agitate you...but I feel more
relaxed and **calm** this way



The compulsion and fixation on certain objects and thoughts are caused by brain abnormality and disorder.



MUHAMMAD SYAHMI SAIFUL ANWAR, 14

CHAIRMAN'S Statement

A Sustainable Future

Dear Stakeholders,

Welcome to Bank Kerjasama Rakyat Malaysia Berhad's (Bank Rakyat or the Bank) annual report for 2016. I consider it a great privilege to be writing to you for the first time as Chairman of what is undoubtedly an enduring Malaysian financial institution. Although I am a newcomer, having only been appointed effective 3 January 2017, I have been impressed by the progress made by Bank Rakyat, reassured by its commitment to deliver results and proud of its determination to serve the nation's interest. By always putting its stakeholders at the heart of its activities, the Bank is ensuring the sustainability of its businesses.

The year in review ended 31 December 2016, marked the penultimate year of Phase 3 of the Bank's Strategic Directions 2016-2017, where the emphasis was on Maintaining Growth. In an environment the Bank we faced considerable headwinds, a raft of measures was put in place to mitigate the challenging macro-economic conditions.

With its sights set high, the Bank's business model and the strategies adopted have proven effective in both concept and execution. I am pleased to report that we have achieved most, if not all the targets outlined in our Focused Strategy to chalk up another outstanding year of business performance. Our ability to deliver sustained top and bottom-line growth underscores the underlying strength of Bank Rakyat to deliver results and fulfil our mandate.

The theme adopted for this year's report, "A Sustainable Future" is testament once again to our long-held mission of balancing profitability with a social conscience. In fulfilling its role as a corporate citizen, Bank Rakyat supports many worthy causes and charitable institutions. This year, the main focus of our corporate responsibility and outreach efforts is to champion the cause of autism in Malaysia. According to the National Autism Society of Malaysia (NASOM), autism is one of the fastest growing disorders and approximately 9,000 children in Malaysia are born with autism each year.

We are crafting a sustainable future for the Bank. In doing so, we are like the sheltering tree on our cover depicted through the eyes of an autistic child. Like the tree, we are spreading our branches to prosper our members, customers and society at large to create a sustainable future for all.

CHAIRMAN'S STATEMENT

**TAN SRI SHUKRY
MOHD. SALLEH**
Chairman



CHAIRMAN'S
STATEMENT



“WE ARE CRAFTING A SUSTAINABLE FUTURE FOR THE BANK. IN DOING SO, WE ARE LIKE THE SHELTERING TREE ON OUR COVER DEPICTED THROUGH THE EYES OF AN AUTISTIC CHILD. LIKE THE TREE, WE ARE SPREADING OUR BRANCHES TO PROSPER OUR MEMBERS, CUSTOMERS AND SOCIETY AT LARGE TO CREATE A SUSTAINABLE FUTURE FOR ALL.

”

STRATEGIC CONTENT

During the year under review, geopolitical and economic uncertainties continued to dominate the global economy. Oil and commodity prices remained volatile, while global financial markets were caught off guard by the United Kingdom's vote (BREXIT) to leave the European Union (EU). There were also concerns about growing economic weaknesses in the Eurozone and China's slowing economy. The post-Brexit uncertainty and a more subdued outlook for advanced economies has prompted the International Monetary Fund (IMF) to trim its global growth estimate for 2016 to 3.1%, down 0.1% point. (Source : International Monetary Fund, World Economic Outlook, October 2016, Page XV)

As an open economy, Malaysia was not spared the heightened volatility in global financial markets. Although the contribution of oil and gas to the Malaysian economy is around 30%, what was traded at USD110 per barrel in mid-2014 dipped to under USD30 per barrel at its trough towards the end of 2015. A dim global economic outlook has also depressed another major Malaysian export commodity – palm oil – as its price follows global

oil gyrations. In January 2016, the Malaysian Government announced a Budget revision to take into account lower oil prices. The revised budget was based on the benchmark Brent crude trading at USD30 to USD35 a barrel instead of USD48 when Budget 2016 was prepared. Another development includes the depreciation of the Ringgit against the US Dollar, which declined from 3.77 in June 2015 to 4.25 on 27 January 2016. (Source : Prime Minister's Speech on the Revised Budget 2016)

For financial institutions with exposures in the vulnerable sectors of the economy, this scenario has resulted in a rise of non-performing corporate loans. Bank Rakyat is fortunate in that our exposure to these sectors is negligible.

Meanwhile, the demand for our growing spectrum of financial products and services remained robust. Our customer base has always been focused on the government sector, where past experience supported by analysis has shown that in economically challenging times, the security of a government job has no match. Over the years, we have established a strong foothold in providing personal financing facilities to civil servants. In 2016, the government sector accounted for about 70% of our personal financing portfolio.

MITIGATING STRATEGIES

While we have already developed the resilience to compete in even the most difficult circumstances, during the year, we put in place a raft of measures designed to produce near-term results and reinforce the foundations we have established for future success.

Credit underwriting. We recognise credit underwriting as a priority and an integral part of our risk management

CHAIRMAN'S
STATEMENT



CHAIRMAN'S
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process in order to assess the credit worthiness or risk of potential customers. In adopting a prudent stance, we have therefore minimised our risk profile and exposure to certain sectors of the economy most vulnerable to recent developments.

Leveraging on our strengths. Bank Rakyat has established a leadership position in the personal financing business, where most of our customers are from the Government sector. By offering our customers a suite of innovative products to meet their financial needs, we successfully recorded a net increase in the disbursement of funds.

Diversification of products. We continued to diversify our product offerings to ensure a more balanced portfolio and to grow our business sustainably.

Adopting the best standards. The Bank has worked closely with Bank Negara Malaysia to ensure compliance with the Capital Adequacy Framework For Islamic Banks (CAFB). The framework has been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. It ensures that risk exposures of an Islamic Financial Institution are backed by an adequate amount of high quality capital to absorb losses on a going concern basis, whilst maintaining the confidence of customers, depositors and other stakeholders.

DELIVERING SUSTAINABLE GROWTH

If anything, the operating environment in 2016 was even tougher than the previous year because of factors such as the volatility of the Malaysian Ringgit and the continuing fallout from the imposition of the Goods and Services Tax (GST) regime in April 2015. According to Bank Negara, Malaysia also has one of the highest household debts in the region.

Notwithstanding the tougher macro-economic conditions, the year under review was a very positive one for Bank Rakyat and this was reflected in both top and bottom line growth. The results we achieved in 2016 were actually better than our forecasts and put the Bank on a strong and stable growth trajectory to achieve the targets outlined under Phase 3 of its Strategic Directions.



CHAIRMAN'S
STATEMENT

For the financial year ended 31 December 2016, the Bank Rakyat Group posted a total operating revenue of RM6.66 billion, representing a 3.5% increase or RM226.70 million from RM6.43 billion recorded in the previous year. The improved performance was mainly attributed to a pick-up in financing growth, driven by the Group's aggressive marketing and promotional campaigns carried out throughout the year. Bank Rakyat's Group achieved a profit before taxation and zakat of RM1.74 billion.

Bank Rakyat Group total assets grew 7.4% to RM6.82 billion as at year-end 2016, consolidating our position as the biggest Islamic cooperative bank in Malaysia. The Group's strong asset growth was attributed mainly by aggressive disbursement on financing and increased placement of treasury assets in line with the surge in deposits. For the year, our return on asset remained strong at 1.8%, which is higher than the industry's average of 1.3%.

Meanwhile, total deposits surged 9.8% or RM6.92 billion, to stand at RM77.90 billion as at the end of 2016. The healthy numbers bodes well in supporting the Group's financing growth strategy as well as its objective to maintain a healthy liquidity position. Retail deposits, which accounted for 18.8% of total deposits, remained strong at RM14.64 billion.

The Group's Shareholders' Fund stood at a healthy RM15.23 billion. The 8.6% increase from RM14.02 billion recorded in the previous year was attributed to an increase in net profits and in line with the Group's strategy to maintain a strong capital base.



On the back of a commendable financial performance and in line with Bank Rakyat's dividend policy, the Bank has announced a cash dividend of 15%, approximately amounting RM450 million. This represents an improvement from 13% declared the preceding year. When approved by the relevant authorities, the dividend will be paid out on 5 May 2017.

PERFORMANCE OVERVIEW

When it comes to our operating segments, I am pleased with the progress made in line with our Focused Strategies. In projecting ourselves as "Your Choice Bank", the Bank's footprint extends to every state in Malaysia. As at the end of 2016, our extensive network comprised of 147 branches, 43 Ar-Rahnu X'Change outlets, equipped with a total of 960 Automated Teller and Cash Deposit Machines (ATMs and CDMs) for the convenience of our banking customers.



Notwithstanding the tough macro-economic conditions, we set our sights high and I am pleased to report that all of our four main lines of businesses have met, if not surpassed, their targets and expectations for the year. Our retail banking business continued to be the growth engine for the Bank, accounting for around 73.7% of total revenue and 116.9% of our profitability. As part of our ongoing transformation journey, we continued to increase our suite of products and services offered to our expanding base of individual retail consumers.

CHAIRMAN'S STATEMENT

Our corporate banking sector also continued to hold its own, offering an innovative range of products and services catering specifically to the needs of both large and small corporations and businesses. In line with our business pillars, many of our corporate customers are cooperatives. We provide financing schemes on attractive terms to micro-enterprises and traders, helping them grow their businesses. In 2016, corporate banking accounted for 6.4% of Bank Rakyat's total revenue.

Bank Rakyat also offers a comprehensive range of Treasury products and services, where our specialist knowledge and access to in-depth market research and technical analysis equips us to provide proactive liquidity management and tailor-made currency solutions.

Meanwhile, banking has come a long way since the days of regular visits to the teller. The Internet is revolutionising the banking industry as online banking increasingly becomes mainstream. We are proud to be among the pioneers in offering internet banking services in Malaysia. Since the launch of i-Rakyat in 2007, we now have more than 185,290 retail as well as corporate customers who have discovered the ease and convenience of using this service. The Bank also blazed a trail with the launch of its innovative 1Pay and eCurrent Account-i (eCA-i). Moving forward, we plan to focus more on developing our online banking services with the roll-out of more products and services targeted at the millennials and the so-called Gen Y banking customers.

ENHANCING CORPORATE GOVERNANCE

In a year of accomplishments, there was also controversy when two of the Bank's top officials were detained by the Malaysian Anti Corruption Commission (MACC). In spite of having a robust corporate governance framework in place, what took place was an isolated incident involving individuals who acted on their own. In no way at all, could the actions of individuals be a reflection on the Bank, what we stand for, our culture and the values we espouse.

When the news broke in August, the Bank took immediate action, one of which resulted in the appointment of Dato' Sri Alias Haji Ahmad as the Bank's Acting Chairman after getting the approval from the Minister of Domestic Trade, Co-operatives and Consumerism. At the same time, a Board Oversight Committee (BOC) was also set up, with the management of the Bank reporting to it. Among the duties of the BOC were to ensure the smooth operations of the Bank and compliance with the standards set by Bank Negara Malaysia in its banking processes. The swift actions taken helped ensure that Bank Rakyat was able to operate its businesses as usual and continue to serve its customers with no disruption to its services.

The Bank also organised a series of town halls for employee at the headquarters and regional offices to address the incident, answer questions to clear the air and reinforce the values and ethics that define who we are as a Bank. These town halls were conducted by the Chief Operating Officer, other Senior Management and Board Members. By being very transparent, the Bank's objective was to put the matter at rest quickly and move on.

I believe that this objective has largely been met and I am gratified that our brand and reputation remains intact.

“BANK RAKYAT HAS ALWAYS BELIEVED THAT GOOD CORPORATE GOVERNANCE IS ULTIMATELY THE FOUNDATION OF THE BANK'S LONG-TERM SUSTAINABILITY. WE HAVE ALWAYS BEEN COMMITTED TO THE MOST STRINGENT CORPORATE GOVERNANCE PRACTICES PRESCRIBED BY THE REGULATORY AUTHORITIES TO ACHIEVE THE HIGHEST STANDARDS OF BUSINESS INTEGRITY, PROFESSIONALISM AND ETHICS TO SAFEGUARD THE INTERESTS OF OUR SHAREHOLDERS AND OTHER STAKEHOLDERS.”

If anything, public support for the bank has continued to grow. This is reflected in higher deposits, which expanded by 9.8% over the last quarter of 2016 as well as reaffirmation of the Bank's AAR rating with a stable outlook by RAM Ratings.

Bank Rakyat has always believed that good corporate governance is ultimately the foundation of the Bank's long-term sustainability. We have always been committed to the most stringent corporate governance practices prescribed by the regulatory authorities to achieve the highest standards of business integrity, professionalism and ethics to safeguard the interests of our shareholders and other stakeholders.

We are also considering the introduction of a Whistle Blower Programme, where significant issues and concerns can be raised and escalated to Management. Corporate Governance remains very much a work in progress and will be reviewed and strengthened from time to time to improve accountability, probity and transparency.

CHAIRMAN'S STATEMENT



AWARDS AND ACCOLADES

Bank Rakyat takes great pride in everything it does and in 2016, it had the privilege to be among a select group of recipients to be honoured in a variety of areas. This latest accomplishment follows a growing list of prestigious awards and accolades that we have received over the years.

Internationally, the International Finance Magazine (IFM) Awards honoured Bank Rakyat in three categories : Best Islamic Bank Malaysia 2016, Best Islamic Retail Bank Malaysia 2016 and the Best Managed Bank Malaysia 2016. The IFM Awards celebrate excellence in

its purest form, recognising individuals and corporations in the international finance industry that herald the highest standards of innovation and performance.

Bank Rakyat also secured the Islamic Retail Banking Awards (IRBA) for being 'The Strongest Islamic Retail/Cooperative Financial Institution in the World 2016'. The IRBA's own research team conducts its own efficiency analysis to rank over 170 Islamic Banks from all over the world. Another feather in our cap, was the much coveted Global Islamic Finance Awards (GIFA) for being 'The Best Islamic Pawn Broking Services 2016'. The GIFA Awards is one of the most respected market-led awards in Islamic banking.

We were also humbled and gratified to earn the accolade from HR Asia of being among the 'Best Companies To Work For In Asia 2016'. Now into its third year, this award recognises the achievements of companies in both the public and private sectors across Asia.

Within Malaysia, Bank Rakyat was awarded the 'Anugerah Kesatuan Sekerja Harmoni 1 Malaysia (Sektor Swasta)'. This was an initiative from the Ministry of Human Resources in conjunction with Labour Day.

We were also honoured to win the 'Brand Laureate Corporate Branding Award 2015/2016', the international epitome of branding success. The Brand Laureate Foundation was established with the aim to improve branding practices and standards worldwide.

Each year, a great deal of effort and resources is channeled to produce Bank Rakyat's annual report. In 2016, our efforts paid off when we won the NACRA Gold Award – Best in Bahasa Malaysia. The National Annual Corporate Reports Award (NACRA) is the collaborative effort of Bursa Malaysia Berhad, Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA).

Bank Rakyat also made it to the list of The Banker's Top 1,000 World Banks 2015, being ranked 12th in Southeast Asia and 237th in the world. In November 2016, RAM Ratings reaffirmed the Bank's AA2/Stable/P1 financial institution ratings. The favourable rating was assigned on the strength of the Bank's asset quality and its comfortable gross impaired-financing (GIF) ratio.

CHAIRMAN'S
STATEMENT

APPRECIATION

The Board and I would like to convey our deepest appreciation and gratitude to YB Dato' Seri Hamzah Zainudin, Minister of the Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC). We are also grateful for the guidance and supported extended to us by the Malaysia Cooperative Societies Commission (SKM), the Ministry of Finance (MOF), Bank Negara Malaysia (BNM) and the various regulatory authorities with whom we enjoy a good working relationship.

Dedicated employees are a vital component of any successful organisation and in 2016, our people were called upon to do more than ever. The results achieved reflect their high levels of commitment, professionalism and not forgetting hard work. Our people are the ones growing this great Bank – and we are not finished yet.

The Bank's support group also comprises our growing customer base as well as our business partners. As always, I thank you, our shareholders, for believing in us and sharing my confidence in the future of the Bank. Many of us have come a long way together and I hope you will continue to journey with us as we strive to take the Bank to the next level.

The Board and I would like to express our gratitude and appreciation to Dato' Sri Alias Haji Ahmad who took over to helm the Bank at a critical period. As we stand now, we have a strong Board, equipped with the knowledge, experience and corporate oversight to take us to where we want to be.

With solid foundations laid, I believe that Bank Rakyat's future has never been brighter. The momentum we have established will continue into 2017 and well beyond.

I thank all of you.

TAN SRI SHUKRY MOHD. SALLEH
Chairman

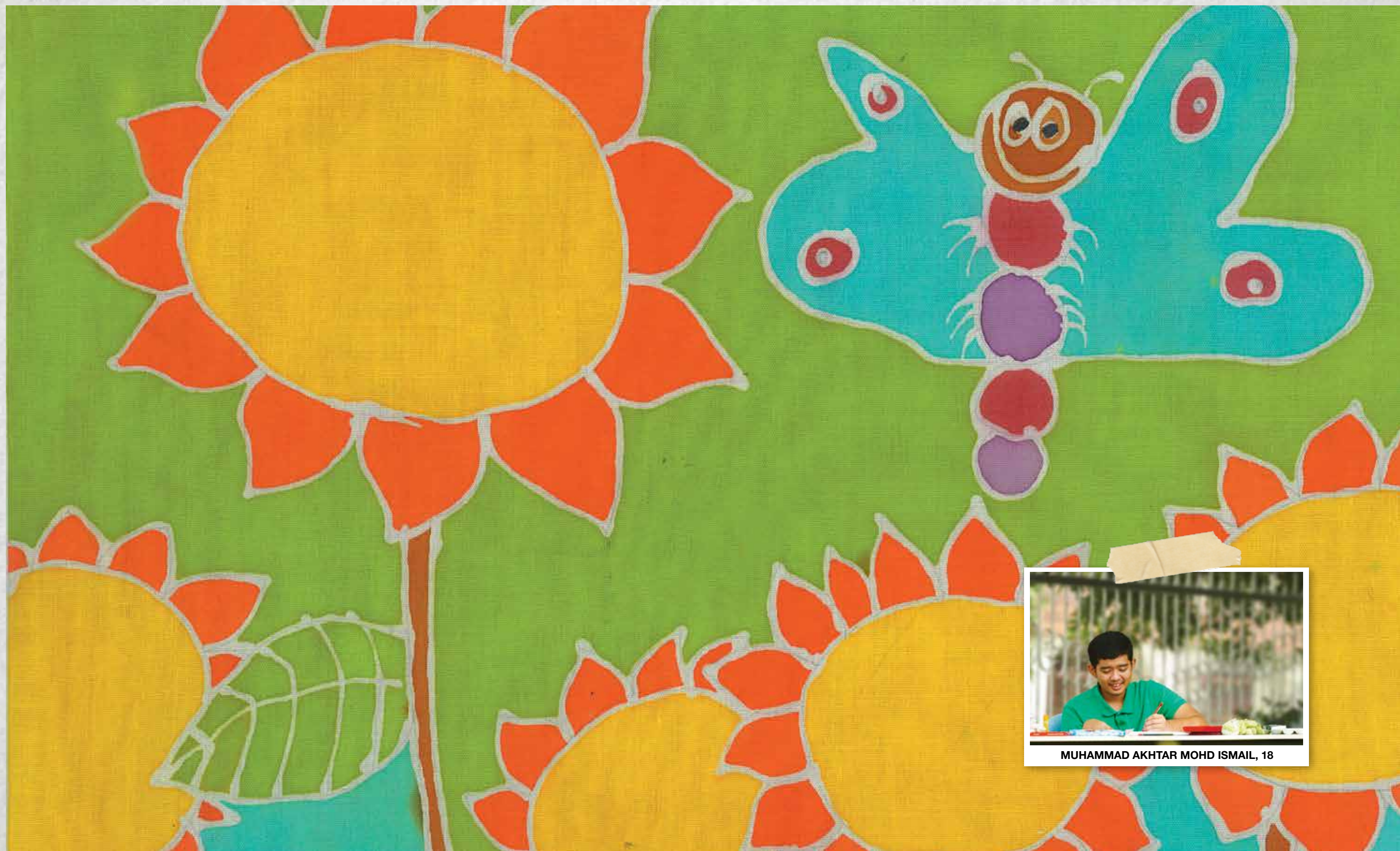
CHAIRMAN'S
STATEMENT





I might **space out** and look
distant...but you will discover
that I am **unwinding** or
dreaming ahead

Neurodevelopment
disability also causes
Autistic Children to stare
into space.



MUHAMMAD AKHTAR MOHD ISMAIL, 18

MANAGEMENT DISCUSSION and Analysis



Dear Stakeholders,

Bank Rakyat has changed how it is reporting its performance for the financial year ended 31 December 2016. We include in this annual report, a Management Discussion and Analysis (MD&A), which is among the key amendments issued by Bursa Malaysia in March 2016 to raise the standards of disclosure and corporate governance practices. In prescribing the inclusion of the MD&A, the objective of the Exchange is to help stakeholders make informed investment decisions. Although the amendments will be implemented on a staggered basis, commencing from 30 April 2016, Bank Rakyat has decided to make a head start in fulfilling Bursa's MD&A disclosure requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Insight into Future Performance and Prospects

The primary objective of our maiden MD&A is to give a meaningful and comprehensive narrative explanation through the eyes of management, of how Bank Rakyat has performed over the past year. By focusing on information that is material to the Bank in light of the economic climate in 2016, we hope to provide stakeholders with a balanced view of the Bank's operations and communicate the effectiveness of its stewardship of resources. It includes an overview of how our businesses performed over the past one year, our financial fundamentals as well as insights into the Bank's future performance and prospects.

Embracing Bursa's new disclosure requirements is for us a journey, one of several Bank Rakyat has embarked to take to the next level. As a Bank that has always set its sights high, we are unlikely to achieve perfection in our first year of reporting under the new format. There is always room for improvements and we welcome feedback from all our stakeholders. Your comments and feedback are important to us and will help us shape our reporting for future

years. We can be reached through our Integrated Call Centre 1-300-80-5454.

BUSINESS AND ECONOMIC ENVIRONMENT

The year under review was another volatile and challenging year. The global environment was dominated by the unexpected result of the European Union (EU) referendum in the United Kingdom (UK) resulting in Brexit and the outcome of the United States (US) presidential elections. Amidst increasing signs of moderating growth in the major economies, there were also concerns about China as a global engine of growth. Commodity-exporting emerging economies also faced the prospects of faltering growth as over-supply and weaker emerging market prospects weighed on demand. Oil prices fell by 47% in 2015 and hit a low of USD26.39 per barrel in January 2016, a level not seen since 2003. (Source: Economic Report 2016/17, page 3). All these developments created new uncertainties and volatility in the global economy. The International Monetary



“Return on Assets (ROA)
Ranked 6th
among the **world's top 100 commercial banks** that are
Shariah-compliant and have
posted minimum profits of
USD100 million.”

MANAGEMENT DISCUSSION
AND ANALYSIS

Fund (IMF) revised its global growth forecast for 2016 to 3.1%, the weakest since 2008-2009, owing to a challenging first half marked initially by turmoil in the world financial markets.

Malaysia could not remain isolated by developments in its external environment. As investors shifted their focus away from emerging markets, the Ringgit and other regional currencies weakened against the US Dollar (USD) as a result of capital outflows. Against the US Dollar, the Ringgit was the second worst performer among the Association of Southeast Asian Nation (ASEAN) countries, depreciating by 4.5%. Following a recalibration of the 2016 Budget in January 2016, the Malaysian economy has been projected to grow by 4% - 4.5% in 2016. (Source: Economic Report 2016/2017, page 3). Integral to the recalibration, the Government introduced various revenue enhancement measures to cushion the loss of oil revenue.

The country's banking industry had to contend with the rise in the cost of capital and changes in domestic liquidity. Banks were compelled to adjust the pricing of their financial products to remain competitive in a changing operating environment. In a highly regulated industry, banks were also required to adhere to policy changes set by Bank Negara Malaysia (BNM). Confronted with a more challenging environment, BNM remained focused on preserving monetary and financial system stability with the introduction of the following key regulatory changes:

- Effective January 2016, banks were required to hold a higher Liquidity Coverage Ratio (LCR) of 70%, which will be further raised to 80% by the end of 2017. The rationale for the new ruling is to protect Malaysian banks from any liquidity stress.

- BNM also reduced the Statutory Reserve Requirement (SRR) from 4.00% to 3.50% effective February 2016 to ensure sufficient liquidity in the domestic financial system.
- In July 2016, BNM reduced the Overnight Policy Rate (OPP) from 3.25% to 3.00%, intended for the degree of monetary accommodation to remain consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid stable inflation, supported by continued healthy financial intermediation in the economy.

Against the backdrop of a challenging environment, intense competition for deposits has resulted in funding cost pressure. The banking sector has responded by placing more emphasis on cost optimisation and productivity efficiency. Through these pre-emptive measures, the banking sector as a whole was able to continue to register growth in total financing and deposits placements, albeit at a moderate level:

- As of December 2016, the overall financing growth for the industry grew by 4 -5.3% year-on-year (y-o-y), indicating a further slowdown from a previous growth of 7.9% in 2015 and 9.3% in 2014. The slowdown was attributed mainly to ongoing moderation in financing to the household sector.
- Throughout 2016, deposit growth temporarily has slipped into negative territory during the first half of the year. Overall, the banking system's deposits growth continued to moderate, after registering growth of 1.5% in December, compared to 1.8% and 7.6% in 2015 and 2014 respectively.

MANAGEMENT DISCUSSION
AND ANALYSIS



STAYING ON TRACK

Bank Rakyat has remained on track to deliver on the Bank's Strategic Directions, 2013-2017. In our penultimate year of Phase 3, where the focus is on sustaining, our strategic targets and objectives have largely been met. Bank Rakyat offers the Malaysian financial market a unique value proposition and this has contributed towards positive growth in 2016, in terms of overall financing as well as assets.

By following the strategies and action plans, our performance in 2016 has consolidated Bank Rakyat's position as one of the largest Islamic financial institutions and the largest Islamic cooperative in Malaysia. We have established our niche in the retail segment as a prime source of financing. The retail segment accounts for 90% of the Bank's portfolio and is a main contributor to revenue.

Compared to the industry, Bank Rakyat recorded a stronger growth in the residential property financing and hire purchase segments. This was achieved despite weaker consumer sentiments

in the face of a slowdown in the housing and automotive markets in 2016. The personal financing and credit card segments also registered positive growth for the whole year.

In terms of asset growth, Bank Rakyat was able to outpace or be on par with some of the larger banking institutions operating in Malaysia. According to The Banker, a United Kingdom-based global financial intelligence magazine, Bank Rakyat was ranked 6th in terms of Return on Assets (ROA) among the world's top 100 commercial banks that are Shariah-compliant and have posted minimum profits of USD100 million. The same source has ranked Bank Rakyat 6th in terms of pre-tax profits among the top 25 Shariah-compliant institutions, both financial and non-financial.

The Bank's achievements for 2016 are also reflected in terms of our mandated outputs, where we have met if not exceeded most of our targets. Notable examples of our success were the schemes we have set up to assist cooperatives, franchises and budding entrepreneurs, where we achieved the targets set in terms of financing approved.



MANAGEMENT DISCUSSION
AND ANALYSIS

	DEC 2016 (TARGETS)	DEC 2016 (ACHIEVEMENTS)
Ar-Rahnu X'Change (Franchise)	• 5	• 10
Wakil Khidmat Bank Rakyat	• 5	• 4
Kad CO-OP	• 50,000 cards	• 117,135 cards
Rakan Dagang Kad CO-OP	• 10	• 11
Kad Skuad Pengguna	• 50,000 cards	• 69,312 cards
Kad Diskaun Siswa 1 Malaysia (KADS1M)	• 50,000 cards	• 234,554 cards
Transformasi Kedai Runcit (TUKAR-i)	• 150 Stores transformed	• 151 stores transformed
Projek Pemodenan Bengkel Automotif (ATOM-i)	• 100 workshops transformed	• 100 workshops transformed
Special Funding Scheme to Eligible Cooperatives	• RM250 million financing approved	• RM546.54 million financing approved
Program Pembangunan Usahawan Francais Dan Skim Pembiayaan	• RM1.29 billion financing approved	• RM1.98 billion financing approved
Skim Penyewaan dan Pemilikan Hartanah (SPPH) Bumiputera	• RM50 million financing approved	• RM187.26 million financing approved
Skim Pembiayaan Ekonomi Desa (SPED-i)	• RM9 million financing approved	• RM9.12 million financing approved
Skim Jaminan Usahawan MARA (SJUM)	• N/A	• RM3.76 million financing approved
Micro-financing Scheme-i (MUsK-i)	• RM52 million financing disbursed	• RM42 million financing disbursed
Skim Bazar Ramadan	• N/A	• RM10.18 million financing disbursed
Agent Banking Programme : Number of Agents	• 100 agents	• 120 agents

MITIGATING STRATEGIES

In an environment of declining margins, we remained focused on our areas of strength where we have two distinct advantages. Bank Rakyat has a strong foot-hold in the personal financing segment, where we have captured a 34% share of the civil servants market. Given that the government sector has remained largely intact in terms of employment, we were able to minimise the Bank's exposure to impaired financing through the non-discretionary salary deduction and transfer mechanism.

Our other distinct advantage is in our Islamic pawn-broking business, where we were among the pioneers on the local scene. Traditionally, the Ar-Rahnu business has always delivered top margins and is also highly collateralised. During the year, we extended the opening hours of our flagship stores to Saturdays in a bid to attract more customers. The response to this initiative so far has been positive.

MANAGEMENT DISCUSSION
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Although the Bank has already chalked up strong numbers from its retail sector, where our financing growth was above the industry average, we left no stone unturned in exploiting opportunities for new growth. Aggressive campaigns were conducted throughout the year to market our products and bolster sales performance.

Since 2014, Bank Rakyat has revamped and strengthened its credit underwriting standards and processes for its corporate portfolio to improve quality for new accounts. This move has helped the Bank to minimise its exposure on the impairment provision under this segment.

FINANCIAL HIGHLIGHTS

Despite the constrained economic environment, Bank Rakyat delivered a strong underlying financial performance for the financial year ended 31 December 2016 (FY 2016). As a Tier 1 Cooperative Bank, this is consistent with our performance of recent years and in line with the stated objectives of our Strategic Directions to maintain growth and sustain the future profitability of our businesses. The consistency of our capacity to deliver results, even under volatile and uncertain economic conditions is evidence that the fundamental pillars of our businesses are strong and that we have developed the resilience to compete in a tough environment. The fiscal policies that have been put in place have also contributed to the stability and growth of the Bank.

The Group's commendable performance was underscored by total operating revenue of RM6.66 billion, a 3.5% y-o-y increase from RM6.43 billion recorded in FY 2015. This was only marginally lower than our budget expectations of RM7.55 billion. Accordingly, profit before taxation and zakat also declined to RM1.74 billion, compared to RM2.01 billion achieved the previous year. Our retail banking sector remained the largest contributor to our revenue and profitability, delivering RM4.81 billion or 72.7% of the Group's revenue in 2016. This was followed by the investment sector, which accounted for another 16.52% of revenue, while corporate banking and credit sectors contributed the remaining 6.31% and 1.65% respectively.

The improved top and bottom line results were attributed mainly to a pick-up in financing growth and operational profits, driven by aggressive marketing and promotional campaigns carried out throughout 2016. Other contributing

factors include the Bank's tight cost management policies.

Bank Rakyat's Group total assets grew 7.4% to stand at RM99.22 billion at year-end 2016, compared to RM92.40 billion in the previous corresponding period. Strong asset growth was achieved on the back of aggressive disbursement on financing and increased placement of treasury assets in line with the surge in deposits. The Bank achieved a Return On Assets (ROA) of 1.8%, which was higher than the industry's average of 1.3%.

Despite a more subdued economic backdrop, total deposits grew 9.8% to stand at RM77.90 billion as at the end of FY 2016. These strong numbers will support the Bank's financing growth strategy as well as its objective to maintain a healthy liquidity position. Retail deposits totaling RM14.64 billion, accounted for 18.8% of all deposits.

The Group's financing and advances activities remained at a healthy level, growing by 7.4% in FY 2016. This was achieved in spite of a more constrained economic environment and rising household debts. The growth is indicative of consumers' preference for the Bank's products and service offerings. During the year, personal financing grew 5.1% to RM55.65 billion, from RM52.97 billion in FY 2015.

RAM RATINGS

On 15 November 2016, RAM Ratings Services Berhad (RAM) reaffirmed Bank Rakyat's AA2/Stable/P1 financial institution rating as well as its sukuk ratings, issued through the Bank's funding conduits. Bank Rakyat's strong personal financing franchise and robust loss-absorbing capacity underpin the rating reaffirmation.

MANAGEMENT DISCUSSION
AND ANALYSIS

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INNOVATION HELPS US DISCOVER THE OPPORTUNITIES THAT EXIST, OR WHICH ARE LIKELY TO EMERGE IN THE FUTURE. IT IS IMPERATIVE THAT WE NOT ONLY RESPOND TO OUR CURRENT CUSTOMER OR ORGANISATIONAL NEEDS, BUT ALSO ANTICIPATE FUTURE TRENDS AND DEVELOP IDEAS, PRODUCTS AND SERVICES THAT WILL ALLOW US TO MEET FUTURE DEMAND RAPIDLY AND EFFECTIVELY.

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9.75%

Deposit &
Savings

7.40%

Financing and
Advances

According to RAM, Bank Rakyat's asset quality is supported by a sizeable personal finance (PF) portfolio that benefits from payments via salary deduction/transfer mechanisms, which is balanced by a weak corporate-financing portfolio. As at end-June 2016, the Bank's gross impaired-financing (GIF) ratio remained satisfactory at 2.11%. Thanks to strong recoveries, Bank Rakyat recorded a net impairment write-back in the first-half of 2016. As at end-June, the Bank's GIF ratio (inclusive of regulatory reserves) stood at a comfortable 108%.

RAM noted that Bank Rakyat's Return on Assets (ROA) remained healthy at 1.9% (annualised), thanks to a lucrative net financing margin of 2.9% (annualised). However, in the face of keen competition, the Bank's profitability has been tapering off and this has eroded its margins over the years. Backed by healthy internal capital generation and the periodic issuance of new shares, Bank Rakyat's capitalisation is robust. The Bank's entity-level Basel 1 core capital and risk-weighted capital adequacy ratio stand at 19.4% and 20.4% respectively as at end-June 2016.

BUSINESS SEGMENT OPERATIONS

Bank Rakyat's heritage, diversity and scale make us unique. Our operating model consists of four business segments that serve the full range of banking customers, while supporting a strong capital and funding base, reduces our risk profile and volatility and generates stable shareholder returns in a difficult market environment.

We operate in an era of increasing competition. With customers now spoilt for choice and more mobile, they are demanding specialised products and high quality service. Mindful of our responsibilities to multiple stakeholders, we are developing our network of businesses to capture opportunities and achieve profitable scale arising from social mobility, wealth creation, and long-term demographic changes in our targeted markets.

Living up to the Bank's promise as "Your Choice Bank", we provide solutions that meet our customers' evolving needs, growing and deepening existing client relationships whilst adding new clients. Above all, we use our core capabilities as a Bank to support sustainable economic growth.

MANAGEMENT DISCUSSION
AND ANALYSIS

Retail Banking Sector

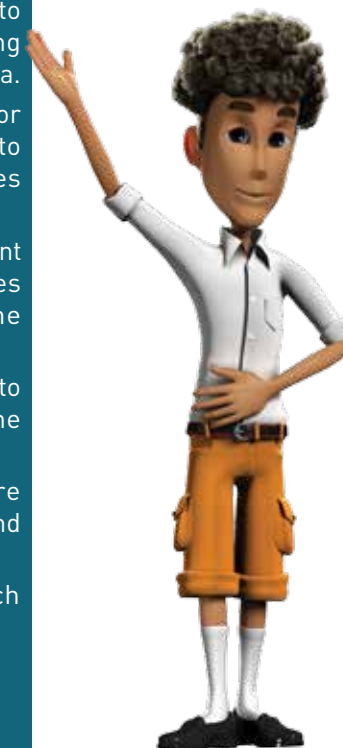
Bank Rakyat's Retail Banking operations provide customers with a full spectrum of banking products and services, including savings and current account, term deposit, personal financing, property financing and other financing facilities, debit and credit cards, fund transfers and other selective transactions with regard to Tabung Haji, SSPN-i (Skim Simpanan Pendidikan Nasional-i) and SSM (Suruhanjaya Syarikat Malaysia).

2016 was a challenging year for Bank Rakyat's retail banking business. The economic downturn has had a profound impact on many of our banking customers. Due to the economic condition, there is a limitation in human capital recruitment which affects operational turnaround. However, business continues to run as usual by having multi-talented personnel.

Plan Of Action

In responding to the new realities of the marketplace, Retail Banking has embarked on adopting measures on multiple fronts to retain customer loyalty and continue expanding its customer base:

- The base financing rate was revised in a bid to attract more customers, while still enforcing the Bank's stringent credit assessment criteria.
- With automation pointing the way forward for the retail banking business, we continued to invest in enhancing our automation processes for greater efficiency and convenience.
- Retail Banking has strategised the development of new and enhanced products and services to meet public demand and maintain the competitive edge.
- Synergised the efforts of all stakeholders to deliver a quality marketing solution for the Bank's products and services.
- Engaged third-party consultants to explore the viability of new business opportunities and undertake promotional activities.
- Mentored the Bank's regional and branch offices in a concerted marketing campaign.



MANAGEMENT DISCUSSION
AND ANALYSIS

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WHILE WE EXPECT THE ECONOMIC CONDITIONS IN THE MARKETS IN WHICH THE BANK OPERATES TO REMAIN CHALLENGING, WE HAVE THE UTMOST CONFIDENCE THAT THE BANK’S MANAGEMENT AND EMPLOYEES WILL CONTINUE TO DELIVER SUPERIOR PERFORMANCE AND MAINTAIN THE BANK’S STRONG FINANCIAL.

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Highlights of 2016

With the raft of strategies and mitigating measures in place, 2016 was ultimately a successful one for retail banking, having met most of its targets and strategic priorities.

Deposit

- Our deposit consists of Savings Account-i (SA-i), electronic Current Account-i (eCA-i) and Term Deposit-i Account (TD-i).
- Salary transfer program to increase SA-i and eCA-i balance:
 - i. Collaboration with KPDNKK, agencies under KPDNKK, local councils and GLCs; and
 - ii. The Bank offers commission to the institutions/ agencies whenever their employees subscribe to the program.
- Continuous special rate promotion for TD-i to increase its balance.
- Performance as at Dec 2016:
 - i. SA-i = RM3.73 billion which marks an increase of 3.5% from 2015.
 - ii. eCA-i = RM409.30 million which marks an increase of 154.2% from 2015. Tremendous growth is recorded despite small balance as product is just offered in third quarter, 2013.
 - iii. TD-i = RM64.90 billion which marks an increase of 11.7% from 2015.

Personal Financing-i. The personal financing segment continues to be the mainstay of the Bank’s retail banking business, with an 88% share and it accounted for a 43.31% market share for personal financing within the dual banking industry. During the year the Bank launched its Smart Cash Personal Financing-i as a hassle-free alternative to Personal Financing-i. The new product only requires Employees Provident Fund Statement as income proof and the time needed for approval is also reduced.

Retail banking is also taking steps to broaden the customer base, diversifying from its present dependency on civil servants to other employees in the private sector and business owners. At the same time, we are also diversifying the payment channels to include the Biro Perkhidmatan Angkasa (BPA), salary deductions and transfers as well as accepting cash.

Property Financing-i. Retail Banking is also in collaboration with various housing development programmes such as PR1MA, PPA1M (Perumahan Penjawat Awam 1Malaysia), RUMAWIP (Rumah Mampu Milik Wilayah Persekutuan), RMMJ (Rumah Mampu Milik Johor) and Rumah Selangorku in making available its Home Financing-i facility. The product rides on the existing My 1st Home Financing Scheme and is integral to the Bank’s financial inclusion initiatives, which aims to deliver financial services at affordable costs to sections of disadvantaged and low-income segments of society. Retail banking has seen a 23.76% growth in its share of the residential property financing market as at the second quarter of 2016.

MANAGEMENT DISCUSSION
AND ANALYSIS



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WE PLAN TO EXTEND OUR PRODUCT OFFERING TO NON FIXED INCOME EARNERS TO INCREASE OUR CUSTOMER BASE AND DIVERSIFY OUR TARGETED MARKETS.

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Auto Financing-i. This is a flexible installment scheme for customers to purchase new local as well as imported cars with a maximum financing tenure of up to nine years. The year in review also saw the establishment of a pilot Auto-Finance Centre (AFC) at Jalan Ipoh office for the Central Region to increase market share and enhance the knowledge and expertise of our personnel.

Ar-Rahnu X’Change. An alternative to conventional pawn broking, Ar-Rahnu X’Change offers instant and easy cash financing of up to RM100,000 based on Shariah principles. Bank Rakyat via

its 43 Ar-Rahnu X’Change outlets are operating on Saturday, contributing towards 2.3% or RM31 million of the total amount disbursed under the Ar-Rahnu portfolio.

Pawn Broking-i Ar-Rahnu did the Bank proud when it won the “Perkhidmatan Pajak Gadai Islam Terbaik 2016” at the Global Islamic Finance Awards (GIFA) held on 29 September 2016.

Access Banking. As part of its financial inclusion initiatives, Bank Rakyat has appointed 196 bank’s agents to serve the under-privileged areas throughout the country.

MANAGEMENT DISCUSSION AND ANALYSIS

Moving Forward

In anticipating that the challenging macro-economic conditions will extend into 2017, Retail Banking will be adopting the following strategies and action plans:

- Effectively manage its assets and liabilities to ensure an optimal composition.
- Increase fee-based income in anticipation of the economy growing at a slower pace.
- Increase the proposition of financial inclusion activities.
- Widen the coverage of agent banks and offer additional services through this channel.
- Embrace digitalisation as the way forward in a departure from the traditional retail banking business model.

In the Personal Financing-i segment, we plan to extend our product offering to non-fixed income earners to increase our customer base and diversify our targeted markets. Education Financing-i will be rebranded and marketed in collaboration with reputable educational institutions.



In Property Financing-i, 2017 will see the roll-out of Home Financing-i, which is specially designed for the Middle 40 (M40) and Bottom 40 (B40) groups. Retail banking will make it easier for new graduates to own motor vehicles with the launch of its Graduate Scheme Vehicle Financing-i. More tie-ups with potential dealers are also in the pipeline to expand market opportunities and widen market coverage.

For the Bank's pawn broking-business, Ar-Rahnu X'Change will also be accepting gemstones as collaterals. The financing margin and limit will be increased to attract new customers and as a reward to the existing loyal customers.

In access banking, we will widen the coverage of the appointed agent banks in addition to providing more services. We will also be enlisting more institutions to join our team of JomPAY billers.

Corporate Banking Sector

Corporate banking is another core activity of the Bank and it plays a pivotal role in the economy in which we serve. We provide an array of financing products and services such



as Term Financing-i, Working Capital Financing-i, Revolving Credit-i, Bridging Financing-i, Contract Financing-i, Trade Financing and other products offered under government-funded schemes. Our client base comprises cooperative entities, medium to large-scale companies, small and medium enterprises (SMEs) and government-linked corporations engaged in the manufacturing, services, agriculture and rural tourism industries.

The sector also functions as an intermediary in disbursing funds under various government schemes such as the Automotive Workshop Modernisation Programme (ATOM), one of the Entry Point Projects (EPPs) identified in the Government's Economic Transformation Programme. Corporate banking also participates in the Rural Economy Financing Scheme (SPED) under the auspices of the Ministry of Rural and Regional Development (KKLW).

MANAGEMENT DISCUSSION AND ANALYSIS



Mitigating Strategies

While struggling with anemic economic growth, increasing price competition amongst market players has resulted in lower net profit margins due to the higher cost of funds. In this environment, corporate banking continued to focus on low-risk financing portfolios that include cooperatives, assets-backed financing and government-sponsored projects under the Perumahan Penjawat Awam 1Malaysia (PPA1M). It continued to capitalise on rapport established with regulatory bodies and various government agencies.

To achieve its business targets and objectives, Corporate Banking also embarked on the following strategies:

- Rejuvenating corporate banking by actively recouping and retaining selected corporate clients, selectively growing our business in targeted sectors and the launch of a Cooperative Optimisation Programme.
- Supporting the Government's initiatives under the Bumiputera Empowerment Agenda (BEA) to enhance various entrepreneurship financing programmes and promoting financing for cooperatives in high-impact sectors under the High Performing and Enhancement Cooperative Programme (HIPER).



Meeting Expectations

With these strategies in place, corporate banking was able to achieve an increase in the quantum and number of cooperatives financing approvals. For the year 2016, a sum of RM546.54 million was approved for 27 cooperatives as against RM969.98 million and 11 cooperatives recorded in 2015. The introduction of the Business Premise Financing and HIPER programmes were also well received, as evidenced by the higher financing approvals achieved in 2016.

In terms of our bottom-line results, profits recorded was 69.5% lower at RM67.35 million, compared to RM221.06 million achieved the previous year. The decline was due to significant higher assets provision and lower financing income earned during the year. Financing income was also lower at RM307.78 million compared to RM339.24 million recorded previously.

A Moderate Forecast

Sluggish economic growth will continue to prevail in the 2017 operating environment and Corporate Banking anticipates a moderate growth in its asset portfolio. Moving ahead, it will continue to focus on its mandated roles and provide financing to government-sponsored projects.

- The year ahead will see corporate banking deepen its relationship with both existing and new cooperatives, and in particular the country's top 100 cooperatives.
- It will also continue with efforts to nurture the development of SMEs by structuring products and services to meet their specific financial requirements.
- Corporate Banking will work closely with various government agencies, especially the fund guarantee providers, to enable SMEs that are lacking in collateral gain access to funds.
- To maintain asset quality, the Bank will focus on selective low-risk financing portfolios, while closely monitoring and continuing with rehabilitation efforts to enhance earnings for the sector.

MANAGEMENT DISCUSSION
AND ANALYSIS



MANAGEMENT DISCUSSION
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Treasury Sector

Treasury has been described as the pulsating heart of the Bank. The primary role of treasury sector is to manage funding activities for the Bank, while at the same time, maximise potential income arising from financial market activities. The sector consists of three main business divisions : (i) Funding & Currency Management; (ii) Portfolio Investment Management and (iii) Treasury Sales & Distribution. In turn, these three divisions oversee six critical departments taking charge of the following areas : (i) Money Market,(ii) Foreign Exchange,(iii) Fixed Income, (iv) Equity Investment, (v) Treasury Sales & Distribution and (vi) Investment Account.

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

Operating Environment

In 2016, the external environment has become more challenging on the back of a slowdown in global economic growth. This was exacerbated by heightened volatility in financial markets, which influenced the movement of rates and investment strategies.

In the face of these challenges, treasury has put in place the following strategies:

- Recalibrate and reorganise our sector’s internal structure into three main divisions.
- Spearhead the Bank’s strategic investments in companies focused on enhancing value creating activities across the portfolio.
- Assume the right risk posture and rigorous assets allocation strategies to balance the expansion of its financial asset base.

Treasury’s portfolio in 2016 has grown to RM28.20 billion, an increase by more than 9.55% compared to 2015. We achieved better synergies through our internal investment philosophies and recorded RM1.10 billion as revenue, an increase of 8.82% from 2015.

Moving Forward

Looking to 2017, external developments, notably the United States Federal Reserve’s decision on policy rates will likely dominate market movements, given the lack of domestic catalysts. The Malaysian trading market is in for a challenging period against a protracted scenario of slower global economic growth and a low investment yield environment.

For treasury sector, we recognise that our achievements of 2016 can only be sustained by a multi-pronged course of actions that include continuing our long-standing engagements with depositors and interbank counter-parties, complying with all internal targets/ratios as well as focusing on enhancing the strengths and talents of our people.

Virtual Banking Sector

Preliminary figures for 2016 indicate that 68.6% of the Malaysian population is connected to the Internet, (Source: Internet Live Stats, Elaboration of Data by International Telecommunication Union {ITU}, World Bank and United Nations Population Division). Young Malaysians born between 1970 and 1990, also known as Generation Y and millennials born between 1982 and 2002, are driving the growing trend of online and mobile banking.

Bank Negara Malaysia (BNM) continues to play an active role in shaping the development of electronic-based payment systems and has issued guidelines on e-payment services and introduced a newly regulated fees model for Instant Interbank Fund Transfers and Interbank Giro facilities. Since the implementation of the Pricing Reform Framework by BNM to align the prices of payment services closer to their production costs, this has impacted the fee-based income of virtual banking sector.

As system owner, Virtual Banking has established an e-payment framework and governance as regulated by Bank Negara Malaysia and provides the expertise to implement and support mandated e-payment initiatives. It also serves as a catalyst for implementing e-services via the i-Rakyat and i-Rakyat Commerce platforms. The department also spearheads Bank Rakyat’s drive to engage the digital generation, promoting internet banking as the way forward for banking customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Virtual Banking ended the year 2016 on a positive note, having met most of its Key Performance Indicators (KPIs) in terms of transaction growth and revenue services. In transaction growth, the department achieved a 356% growth in the Instant Interbank Fund Transfer (IBFT) segment, while other segments such as Prepaid Reloads, Interbank GIRO (IBG), Direct Debit and Financial Process Exchange all recorded triple digit growth.

New Products and Services

For many of our tech-savvy customers, banking has never been easier or more convenient with the suite of innovative products and services offered through the i-Rakyat and i-Rakyat Commerce platforms. During 2016, the list of offerings was expanded with the roll-out of the following products and services:

- **Tabung Haji (TH) Online Services.** A collaboration between Bank Rakyat and Tabung Haji, the new service allows i-Rakyat customers with TH accounts to transfer funds, register for Hajj and check on status and view their TH account balances and statements online.
- **Financial Process Exchange (FPX).** An online payment option, the FPX allows customers to make real-time payments for online purchases (such as airline tickets, government services, instalment financing, bill payments among others) from registered merchants through their current or savings account.
- **JomPay.** This is a national bill payment scheme that allows customers to pay bills conveniently and securely via i-Rakyat. It addresses the limitations of the current bank-centric model through an electronic bill payments platform that leverages on the combined infrastructure and network of the entire banking industry.

Challenges and Opportunities

As we look to the future, there are both challenges and opportunities. The revenue generated from Virtual Banking is presently insignificant due to a low customer base. Looking at our customer profile, most of the Bank's customers who are members and those with fixed deposit accounts do not require the services offered by i-Rakyat. With collaboration with Tabung Haji and the launch of TH Online, we are hopeful that it will boost the subscription rate to i-Rakyat.

Another challenge is the growing threat fraudulent activities through electronic fraud, identity theft or credit/debit card fraud. The threat of internet banking fraud emphasises the need for a more rigorous risk management system to be in place. Meanwhile, the marketplace has also seen the emergence of FINTECHs, as players in financial technology are known. Although still in its infancy, FINTECHs pose a looming threat to banks in taking over their bread and butter financing business. Some banks are already beginning to fight back by creating new platforms or partnering with some of the new challengers.

On the flip side, there are also fresh opportunities on the horizon, notably with the advent of Digital Banking, which is a progression from online banking. The digital proposition allows banks to improve and adapt customer experience fast and to keep pace with the new highly competitive market-place. Another opportunity stems from BNM's initiative to urge banking customers to migrate to electronic bill payments, and reduce the usage of cheques. The JomPay electronic payment initiative would lower transaction costs as well as the cheque handling costs, besides giving customers the increased convenience

of making bill payments via this new channel. BNM has set a target of reducing cheque usage in Malaysia to 100 million per year by 2020 from 149 million at the end of 2015. (Source : Keynote Address by Deputy Governor of BNM at the Payment System Forum and Exhibition 2015, 3 November 2015).

Proactive Strategies

As we look forward to another busy year ahead, Virtual Banking will put in place the following measures to address the challenges of its operating environment:

- Aggressive promote salary payments through Autopay to increase its eCurrent Account and Savings Account (CASA) customer base.
- Introduce Corporate Internet Banking in the third quarter of 2017, as a new platform for corporate customers to carry banking activities anytime and anywhere.
- Implement a Fraud Management System (FMS) and an Enterprise Risk Management (ERM) Framework by the end of 2017 to further improve our defences against fraudulent activities.
- Collaborate with FINTECHs to undertake research and development (R&D) activities.
- Collaborate with Tabung Haji to promote TH Online and access its 6.5 million depositors to increase subscription to i-Rakyat.
- Introduction of Mobile Responsive Apps by year-end 2017 to address the growing demand for multi-device applications.
- Broaden our customer base by providing services to subscribers of the National Education Savings Scheme-i (SSPN-i).

MANAGEMENT DISCUSSION AND ANALYSIS

HARNESSING TECHNOLOGY

Increasingly, the banking business is technology-driven. More specifically, Information technology (IT) has changed and is continuing to change the way we serve our customers through our products and services. Over the last three years, with the formulation of our IT Blueprint, Bank Rakyat has prioritised IT initiatives that have a direct impact on its businesses whilst strengthening its Infrastructure, Systems and Processes.

Over the last two years, the Bank's most significant IT achievements include the following:

- Establishment and start-up of the Project Management Office and Enterprise Architecture Department.
- Transformation of the IT Service Deck in terms of its support structure, process and system enhancement.
- Establishment of a new MyHR platform.
- Creation and setting up of a new Enterprise Content Management System.
- Establishment of Vendor and IT Contract Management Framework.



- IT Risk Control Self Assessment (RCSA) and Risk Management Inculcation within IT Sector via Embedded Risk Unit (ERU) in IT Strategy And Policies Department (STPL).
- Completion of Data Loss Prevention (DLP) project, continuous awareness and E-Learning module on DLP.
- Integration to external agencies such as PTPTN, Suruhanjaya Syarikat Malaysia and Tabung Haji.



MANAGEMENT DISCUSSION
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The Bank has increasingly channeled its budget to focus on technology and systems enhancement, the two areas deemed critical to drive the effectiveness and efficiency of business operations via the Digital Platform, Virtual Banking and other new delivery channels. A sum of RM490.2 million was approved for the IT Budget in 2016 and this will increase to RM558.8 million in 2017. About 73% of the total allocation in 2016 went towards new technology and systems enhancements. More than RM300 million was allocated for Core Banking Replacement, which is the catalyst to Bank Rakyat’s business transformation over the next 10 years.

Most of the initiatives completed and embarked upon in 2016 will serve to strengthen the foundation for the roll-out of new initiatives in 2017. The 2017 landscape will see the Bank embark on Technology and Digital related initiatives aimed at providing diversified delivery channels and contribute towards an enhanced overall customer experience.

The Bank has identified both short and long-term initiatives that will be rolled out. Short term initiatives will see the introduction of new applications to in a number of areas, which include Mobile Banking, Mobile Workforce Transformation, Self Service Terminal Transformation, Business Process Management and Agent Banking Transformation and Expansion.

Long-term initiatives include Core Banking Replacement and a 10-Year Delivery Channel Roadmap focusing on developing a customer-centric business model, optimising distribution and customer segmentation, simplifying business and operating models and innovation enablers and the capabilities required. Other initiatives will include increasing channel usage for both Internet and Mobile Banking and improvements in Customer Relationship Management (CRM). Bank Rakyat will continue to drive digital innovation and transformation in Bank Rakyat by capitalizing on the latest technology.

REINFORCING OUR BRAND

Our brand is who we are, what we do and how we do it. It is what we stand for and in the 60-odd years that we have been around, we have been progressively building our brand. Today, Bank Rakyat is Malaysia’s largest Islamic cooperative bank with assets of RM99.22 billion as at the end of December 2016. In an increasingly transparent and accessible world driven by social media, Bank Rakyat has grown into a strong recognisable brand that evokes a sense of trust and an expectation of high quality among our banking customers.

Successful brands deliver on their promises. From our brand messaging, visual identity, print collateral, products and services, marketing materials and advertising campaigns, it revolves around our brand promise – to be Your Choice Bank – which is what our customers expect of us and deserve. No one knows or understands our brand better than our own employees, who embody our values and what we stand for. Each and every staff member is a brand ambassador acting as advocates on the Bank’s behalf.

To be “Your Choice Bank” is a promise to serve our constituencies better, offering our customers a range of products and services that not only meets but exceeds expectations. We are continually expanding our portfolio of superior branded products into the most promising markets and by innovating to expand product categories and create new ones. It is about fulfilling societal obligations – to the cooperatives who are the raison d’être of our establishment and planting roots in the communities in which we work, earning their trust and respect as a good corporate citizen. Above all, it is about serving the interests of the nation.

MANAGEMENT DISCUSSION
AND ANALYSIS

Our brand presence was enhanced when we moved to the Bank Rakyat Twin Towers. At a ceremony officiated by the Malaysian Prime Minister, he announced that the road fronting our headquarters would be renamed Jalan Rakyat. We also participated in Prasarana Malaysia Berhad’s station naming rights programme by adopting a station nearest to our office complex. As the Bank Rakyat-Bangsar LRT Station, it has undergone a major transformation to reflect the Bank’s corporate identity. The Bank has also lent its name to the Skypark domestic departure hall at Subang Airport under a 15 months sponsorship deal. The Bank Rakyat-SkyPark Domestic Departure Hall is equipped with an Electronic Banking Centre offering ATM and CDM services as well as information on the Bank’s latest products and services.

For all our efforts, we were delighted to receive the Brand Laureate Corporate Branding Award 2015/2016. This award is the epitome of brand success and seeks to improve branding practices and standards throughout the world.

STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders in a proactive way and on a continual basis is central to our strategy of achieving sustainable growth. Executed effectively, the engagement process can improve communications, exchange views and ideas, ensure stakeholder buy-in, enhance brand reputation, build long-standing relationships and ultimately, attain the desired results in organisational goals and objectives.

As a business entity, our stakeholders are many and varied. We have identified our main groups of stakeholders to include employees, customers, regulatory bodies, media and society at large, including non-government organisations (NGOs) and charities.

Stakeholder Engagement Activities In 2016

Stakeholders	Platforms	Issues Discussed
Employees	Intranet, Web communities, town halls	Employment conditions, strategy updates, management’s directions
Customers	Social media, Biro Aduan Awam	Areas of improvement, Conflict resolution, service downtime
Cooperatives	Seminars, workshops, Annual General Meeting, K.E.N.A.L.	Financing, dividends, mentoring programme , cooperative aid programmes
Regulatory Bodies	Meeting and briefing	Regulatory changes, performance of Bank Rakyat
Media	Meetings, Press Releases, briefing, events, visits	Key announcements, performance or progress of the Bank
NGOs	Briefings and meetings	Areas of collaboration, community development, grants, scholarships, programme development

MANAGEMENT DISCUSSION
AND ANALYSIS



Through a materiality assessment, we systematically engage our stakeholders and the feedback we receive from these exercises is taken very seriously. Employees are our most important asset, and are key drivers of the Bank's success, present and in the future. Various platforms have been established for a two-way communication between Management and staff. At regular town hall sessions, employees can raise any topic, concerns or suggestion. Studies have indicated that engaged employees also perform better. In an Employee Engagement Survey conducted recently, our overall

employee engagement index stood at 73%, which is better than the country average and the financial services industry.

Client focus is one of our guiding principles. Our goal to build a sustainable future is anchored on the long-term relationships we have with our clients. Understanding their expectations and interests creates opportunities for making our business better. We therefore seek to solicit feedback from our customers at every opportunity.

We maintain strong and open relationships, with our regulators, other supervisory bodies and various Government agencies, especially the Ministry of Domestic Trade, Cooperatives and Consumerism (MDTCC). Over the years we have established close ties with our cooperative members to play a meaningful role in supporting the nation's cooperative sector. Through a long-established mentoring programme, we guide members to become successful entrepreneurs in their own rights.

MANAGEMENT DISCUSSION
AND ANALYSIS

Over the years, Bank Rakyat has cultivated a positive relationship with members of the local media through regular press briefings, meetings and visits. We also meet them at many of our product launches or events. Developing mutually beneficial media relationships is a key component of our engagement strategy in projecting the Bank in a positive light.

Bank Rakyat strives to make a difference in addressing environmental and social issues in the communities where we operate. We work closely with various NGOs in a wide range of initiatives in building a sustainable society for generations of Malaysians, present and future.

CORPORATE GOVERNANCE AND
RISK MANAGEMENT

Strong governance is a hallmark of enduring companies and the Board is determined that Bank Rakyat be known for the highest standards of corporate governance and ethical leadership. In embracing good governance as a driver of performance over the long-term, a key priority is to ensure the Bank is run in a responsible, transparent and sustainable manner. We are continually upgrading our governance structures and controls, with a particular focus on risk and compliance procedures.

Like all business entities, Bank Rakyat is affected by a variety of risks and uncertainties. As a financial institution, the most common are credit, market, operational, liquidity, business and systemic risks. Nearly every aspect of our business calls for sound judgement and a commitment to act in the best interest of the Bank, our customers and stakeholders. The Risk Management

Framework that we have in place is critical to our ability to manage risks, run our business efficiently and grow responsibly. Given the rapid growth of our business over the past few years, we are continually reviewing how far the framework continues to meet our needs and facilitate the proactive assessment of emerging risks.

During the year in review, additional measures were adopted to strengthen corporate governance and risk management in Bank Rakyat. Firstly, the Bank has reviewed the approving authorities for all levels of staff to mitigate the misuse of power by the approving authority. Given the heightened liquidity requirement on Liquidity Coverage Ratio (LCR), the Bank aims to improve diversification in implementing strategic fund raising activities, specifically to increase the Bank's Current Accounts and Savings Account (CASA) via introducing cash management facility as well as salary transfer programmes.

In 2017, the Bank is expected to face a higher exposure to liquidity risk, given the higher minimum requirement level for LCR. This will increase the competition for stable deposits (retail depositors). As a mitigating measure, the Bank will seek to increase its share of these stable deposits via strategic fund-raising activities, maintaining high quality liquid assets as well as strategise on the Bank's asset creation on stable funding.

OUTLOOK AND PROSPECTS

According to the IMF, the global economic recovery is expected to pick up in 2017 as the outlook improves for emerging markets and developing economies as well as the United States economy regains some momentum. Downside risks, however, remain high arising from the uncertainties over the timing and outcome of the UK-EU negotiations following the UK's EU referendum.

Key developments. In November 2016, members of the Organisation of Exporting Countries (OPEC) reached out to some non-OPEC members to strike a deal to take out 1.2 million barrels per day from global oil production. This is part of a collective effort by major oil producers to stabilise oil prices. The size of the proposed cut, the first since 2008, caused a surge in the benchmark Brent crude to above USD50 a barrel. Following the OPEC pact, Petroliaam Nasional Berhad (PETRONAS), Malaysia's national petroleum corporation will voluntarily cut production of crude in 2017 by up to 20,000 barrels per day. The move will pose minimal impact on government reserves as it will be compensated by the rise in crude oil prices. Meanwhile, expectations on interest rate hikes by the US Federal Reserve have put a downward pressure on Asian currencies towards year-end 2016. The Ringgit briefly touched a 19-year low since January 1998, as the greenback continued to strengthen on expectations of further US interest rate hikes later in 2017.

MANAGEMENT DISCUSSION
AND ANALYSIS



Sovereign Rating. Meanwhile, RAM Ratings has reaffirmed Malaysia’s respective global and ASEAN-scale sovereign ratings of gA2/stable. The ratings reflect the country’s resilient economic growth and the Government’s fiscal consolidation efforts. According to RAM Ratings, although Malaysia’s external-resilience parameters have worsened amid a sustained decline in commodity prices and in view of the country’s reduced forex reserves, they are still supportive of its current ratings. [Source : RAM Ratings Announcements, 4 January 2017] Given the country’s strong economic fundamentals, reinforced by the 2017 Budget strategies and programme, the Malaysian economy is projected to expand by between 4% and 5% in 2017. [Source : Economic Report 2016/17, page 23].

Downside risks. As we turn to 2017, one of the key challenges for the Malaysian industry and for Bank Rakyat, is to manage asset quality. Although the ratio of non-performing financing for the industry has remained at around 1.6% of total outstanding financing, it could rise to 2.0%. Persistent slow growth in deposits may also contribute towards funding cost pressure, posing risks to profit margins. An increased focus on cost efficiency as well as increased innovation in digital payments will be some of the key trends that will shape the financial services industry in 2017. Since 2015, the Bank has invested more than RM195 million on new technologies and maintaining current IT infrastructure to meet the involving needs of the market.

MANAGEMENT DISCUSSION
AND ANALYSIS



According to BNM, the Malaysian financial system as a whole is expected to remain resilient in 2017, supported by strong capital and liquidity positions. Malaysia’s financial institutions are well-capitalised with combined capital buffers of RM160.8 billion. For banks, more than 90% of total capital consists of retained earnings, paid-up capital and reserves that have strong loss-absorbing capabilities. [Source: BNM Quarterly Bulletin, Third Quarter 2016]. This augurs well for a nation in transition from an upper-middle to a high-income and advanced nation.

Business Plan 2017. Bank Rakyat enters 2017 with a clear plan of action and well-thought out strategies already underway. Our diversified business model and balance sheet strength form the foundation for our future progress and position Bank Rakyat strongly to deal with an increasingly complex and challenging operating environment. We will maintain our momentum by continuing to exercise fiscal discipline, by delivering on the potential within our pipeline of businesses and by exercising our business plans and strategies while maintaining the highest standards of compliance and ethics. Despite the considerable headwinds, we expect 2017 to be another positive year for Bank Rakyat.

A strategic priority for Bank Rakyat in 2017 is to ensure its main lines of businesses remain competitive to achieve annual targets and drive revenue streams. The focus will be on sustainability, liquidity, profitability and strong corporate governance. Our Business Plan will be supported by our human capital competency, advancements in information technology and ongoing investments in infrastructure development.

As Malaysia transitions towards a high value-added, high-income economy, the financial sector will become more competitive with a greater diversity of intermediaries and innovative channels. In this new age of change, customers are increasingly mobile and

MANAGEMENT DISCUSSION
AND ANALYSIS

are demanding specialised products and high quality service. Services will be rolled out faster, and more of them will be executed on mobile devices. The banking industry needs to keep pace with the changes with increased innovation and complex financial products and services being offered to meet the different consumer demands and profiles.

Delivering more. As we move forward, what we need to do now is to unlock the potential that exists within the Bank. To do that, we need to do some key things differently. This calls for more than just delivering a suite of products and services to keep up with the competition or simply increasing customer satisfaction. We will need to deepen existing client relationships and add new ones, understanding their specific needs by drawing on deep local knowledge to find opportunities to put their capital at work or helping them to raise funds to grow and prosper. As we move deeper into the Digital Age, we will invest more resources into our digital strategies, platforms and capabilities.

Plans are in the pipeline to diversify our products and services offering. Among others, the Bank will become an agent to sell gold wafers, which has traditionally been considered a safe haven investment. We will also be collaborating with foreign counterparts to provide remittance services. The following year will also see the roll out of our Shariah-compliant Cash Line-i financing facility to cater to the working capital requirements for business customers. Also in the pipeline is our Muslimah Credit Card-i, which will be

the market's first Shariah-compliant credit card for women. Through our Waqf initiatives, we plan to empower communities with an endowment of cash or in kind. The Bank is also aspiring to become a financial conglomerate by exploring opportunities in the fast-growing Takaful industry, where Malaysia has a leading position.

The past six decades have taught us that businesses that thrive over the long-term are the ones that have a purpose that is simply beyond making money. At Bank Rakyat, sustainability underpins our strategic priorities and enables us to fulfill our promises of our Vision and Mission Statements. This means building the Bank's businesses by balancing Economic, Environmental and Societal (EES) considerations in the decisions we make.

Bank Rakyat is undoubtedly a great Malaysian success story. A great deal has been achieved but we have more to do to make the most of the vast opportunities we continue to see in the marketplace. We will be raising our ambitions in contributing towards the Islamic banking sector. With strong fundamentals in place, and given our footprint, the positive momentum, our skills and capabilities, Bank Rakyat is in a strong position to seize meaningful opportunities for top and bottom-line growth. In short, the best years are still ahead.

MANAGEMENT DISCUSSION
AND ANALYSIS



I see **drawings** in the air...
They form **unspoken** words



Autistic Children are
visual and not language
based thinkers.



IRSYAD IZZUDDIN SAIFUL NIZAM, 11

2016
Accolades



Best Companies To
Work For in Asia 2016
28 Oktober 2016



Best Annual Report in
Bahasa Malaysia
26 November 2016



Best Islamic Retail Bank
Malaysia
16 Disember 2016



Best Islamic Bank
Malaysia
16 Disember 2016



Best Islamic Pawn
Broking 2016
28 September 2016



Strongest Islamic Retail
Bank in Asia Pacific 2015
17 November 2015



Best Managed Bank
Malaysia
16 Disember 2016



Regulatory Capital
Deal of the Year
Mumtaz MYR300
million Subordinated
Sukuk Murabahah



The BrandLaureate
BestBrands Award
Corporate Branding
Banking Islamic
Co-operative Bank
2015-2016



2016
ACCOLADES

ACCOLADES

2015

- Most Outstanding Islamic Retail Banking – Kuala Lumpur Islamic Finance Forum 2015 (KLIFF)
- Most Outstanding Islamic Pawn Broking – Kuala Lumpur Islamic Finance Forum 2015 (KLIFF)
- Most Innovative Islamic Banking in Malaysia 2015 – International Finance Magazine (IFM)
- Strongest Islamic Retail Bank in Asia Pacific 2015 – 7th Islamic Retail Banking Conference (IRBA)
- Industry Excellence in Corporate Social Responsibility - Utusan Business Awards 2015
- Islamic Banker of the Year 2015 - Global Islamic Finance Award (GIFA)

2014

- Best Shariah Program – MasterCard Innovation Forum 2014
- Best Domestic Commodity Trading Participant 2014 – Bursa Malaysia
- Global Islamic Bank 2014 - Global Islamic Finance Award (GIFA)

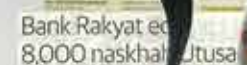
ACCOLADES

2013

- 1st Runner Up Bursa Suq Al-Sila' Top CTP 2013 – Bursa Malaysia
- Most Outstanding Islamic Retail Bank – Kuala Lumpur Islamic Finance Forum (KLIFF)
- Global Leadership Award 2013 – The Leaders International
- Best Islamic Bank, Malaysia 2013 (Islamic Finance Awards) - World Finance Magazine
- No. 1 – Bank for Return on Asset (ROA) in Malaysia - The Asian Banker

2012

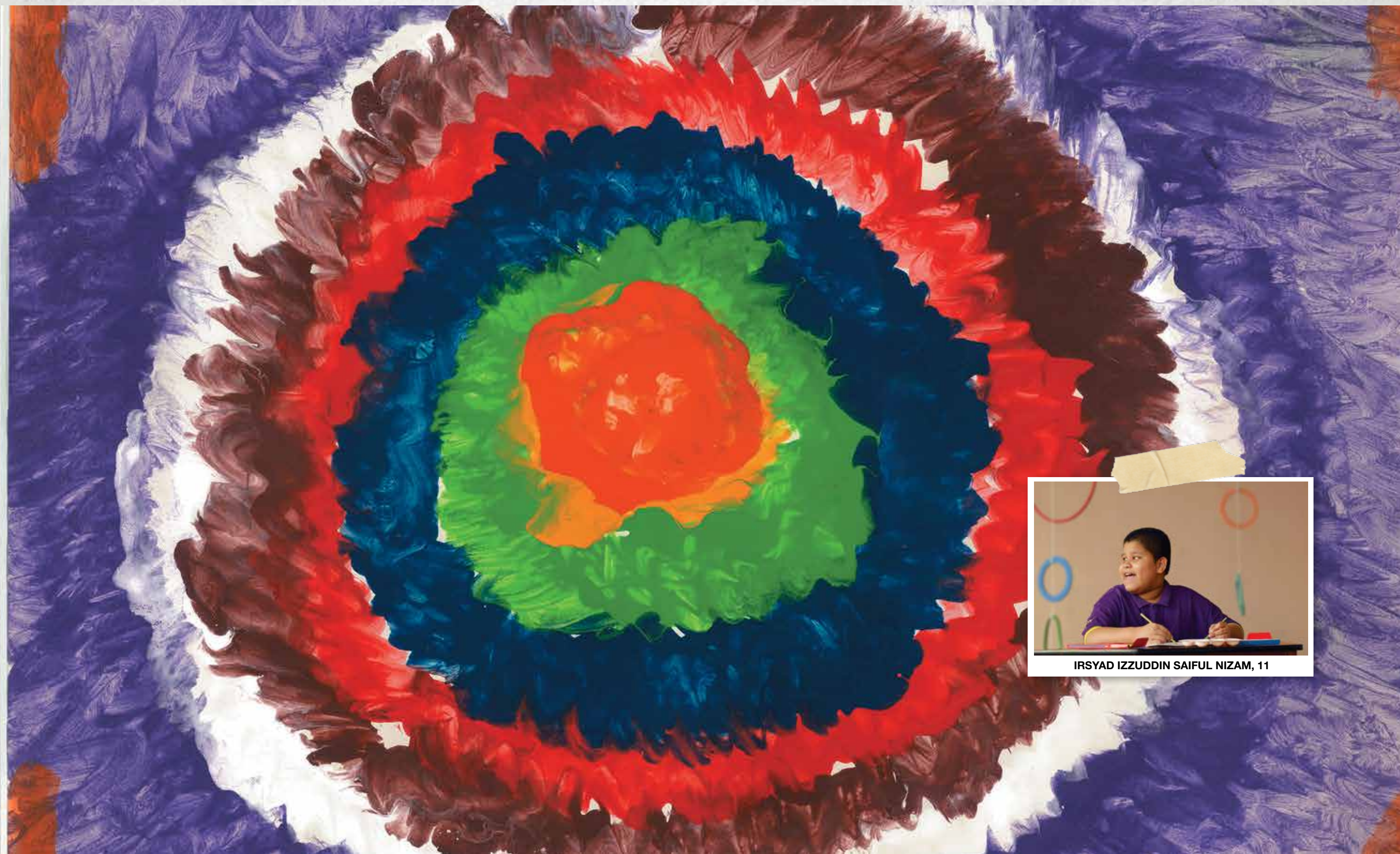
- Most Outstanding Islamic Retail Banking Award 2012 - Kuala Lumpur Islamic Finance Forum (KLIFF)
- Return On Asset : No. 1 (Malaysia); No. 59 (World) – The Banker
- Capital Asset Ratio : No. 2* (Malaysia); No. 190 (World) – The Banker



The **lights** are overwhelming...
but they always **illuminate**
my path



Bright lights may heighten sensory perception resulting in view distortion and image manipulation.



IRSYAD IZZUDDIN SAIFUL NIZAM, 11

GROUP



BANK RAKYAT AND



Bank Kerjasama Rakyat Malaysia Berhad Act
(Special Provision) 1978



The Development Financial
Institutions Act 2002



(Agency under MDTCC)
Cooperative Act 1993

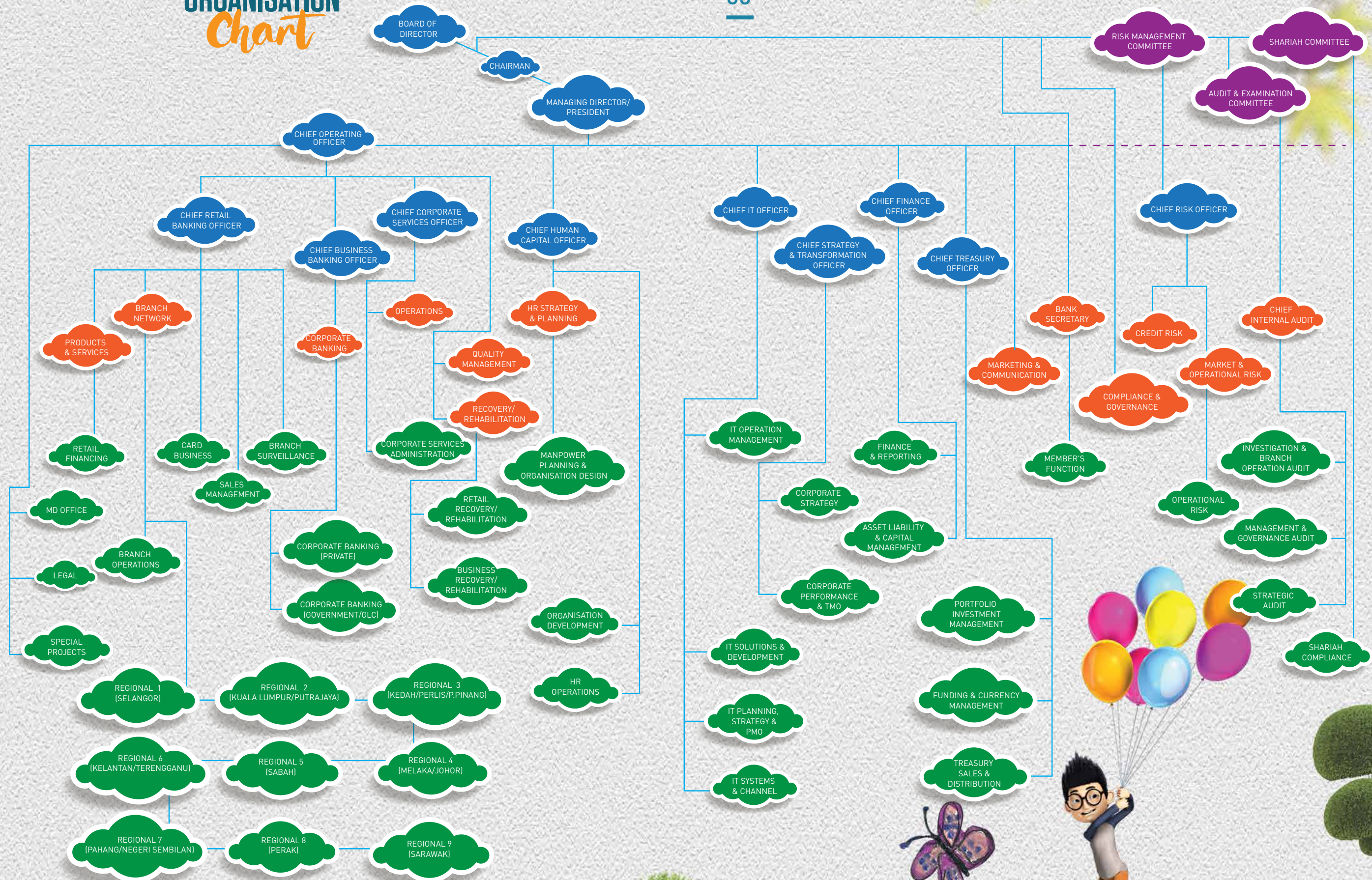


BANKRAKYAT
بیٹکے و عیہ

Your Choice Bank

By-Law

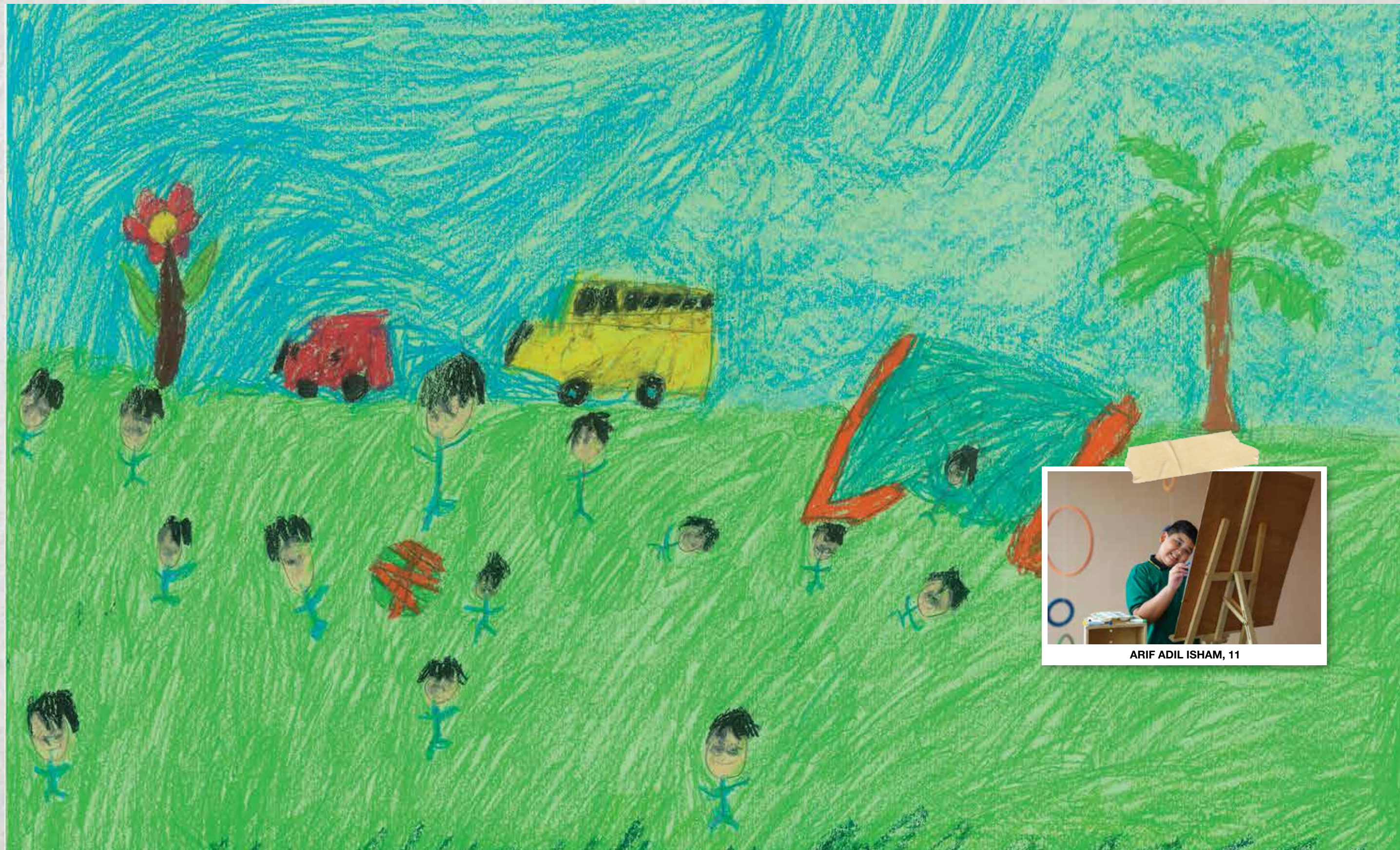
ORGANISATION Chart





I may **stumble** and sometimes
fall...but I will persistently get
up to **persevere**

Motor coordination disorder and differences in brain wiring are ingrained in Autistic Children.



ARIF ADIL ISHAM, 11

Snapshot

**Best Annual Report
in Bahasa Malaysia -**
National Corporate Report
Award (NACRA) 2016



**Best Islamic Bank
Malaysia 2016 -**
International Finance
Magazine

**Best Islamic Pawn
Broking Award 2016**
- (GIFA)



**Best Companies
To Work For In Asia
2016 - HR Asia**



**Best Islamic
Retail Bank
Malaysia 2016**
- International
Finance
Magazine

Best Managed Bank Malaysia 2016 -
International Finance Magazine



**Deals of the Year
2016 - IFN Awards**

The Brand Laureate Corporate Branding Award 2016



**The Strongest
Islamic Retail/
Cooperative
Financial
Institution in
the World 2016**
- Islamic Retail
Banking Awards
(IRBA)

Branches



147

Shareholders



892,468



**ATM/CDM
Terminals**
960



**Total Assets
in 2016**
RM99.2b



**Zakat
Allocation**
RM36.7m



**Ar- Rahnu
X'Change**
110

**Members'
Share Capital**
RM2.98b



Customers
6.26m



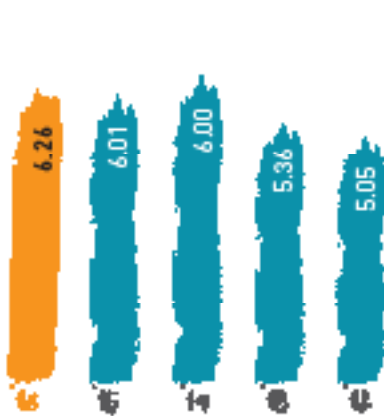
Employees
5,036

FIVE YEAR Performance (Non-Financial)

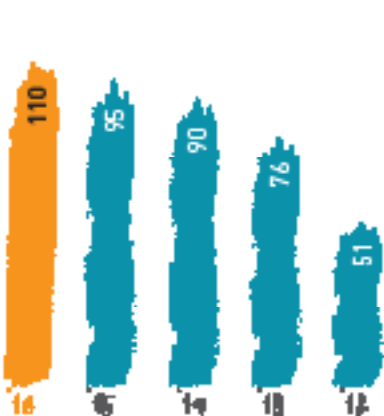
Branches



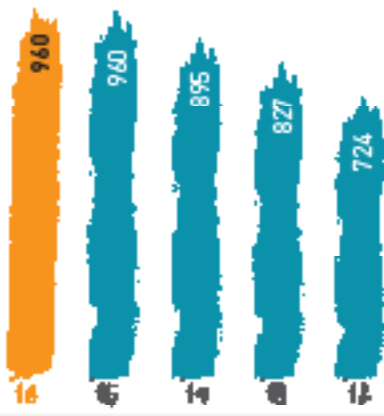
Customers



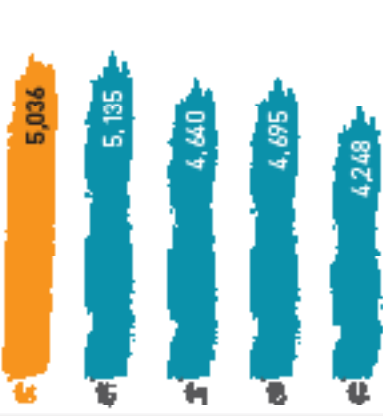
Ar-Rahnu X'Change



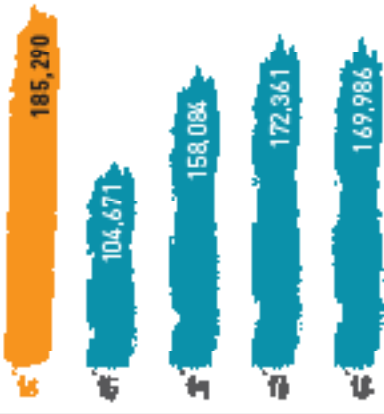
ATM/CDM



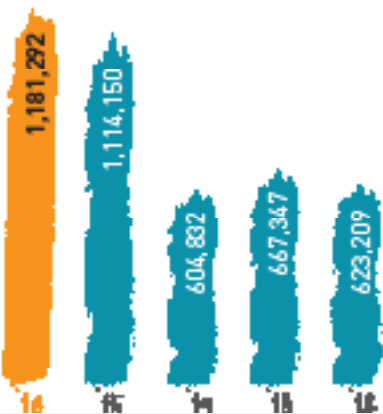
Employees



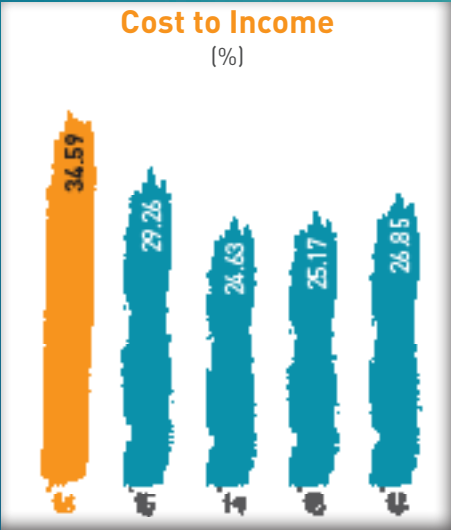
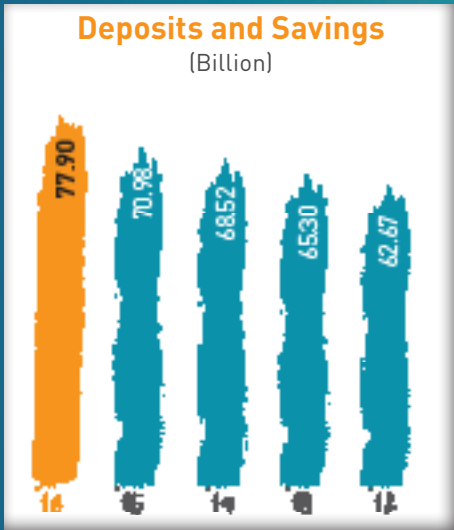
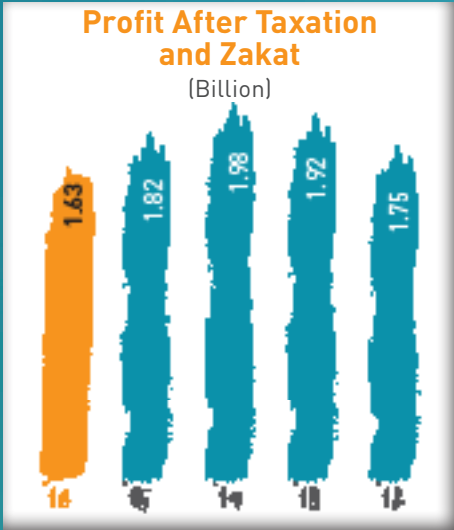
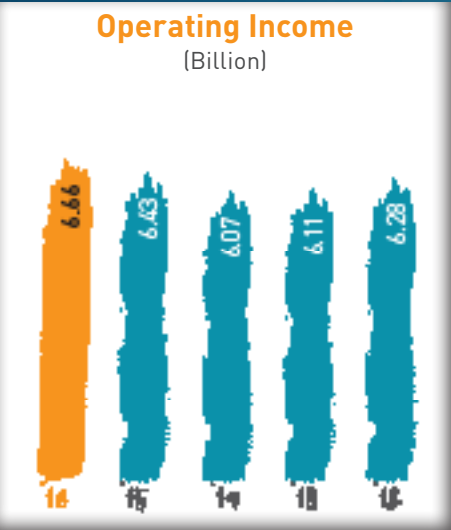
i-Rakyat Customers



Contact Centre Enquiries



FIVE YEAR
PERFORMANCE
(Financial)



QUARTERLY
PERFORMANCE

2016

	Q1	Q2	Q3	Q4
Income	RM1.47bil	RM1.50bil	RM1.52bil	RM1.52bil
Expenditure	RM0.80bil	RM0.81bil	RM0.80bil	RM0.77bil
Net Income	RM0.67bil	RM0.69bil	RM0.72bil	RM0.75bil
Profit Before Taxation and Zakat	RM0.45bil	RM0.45bil	RM0.54bil	RM0.29bil
Profit After Taxation and Zakat	RM0.41bil	RM0.39bil	RM0.49bil	RM0.35bil

2015

	Q1	Q2	Q3	Q4
Income	RM1.39bil	RM1.41bil	RM1.44bil	RM1.45bil
Expenditure	RM0.67bil	RM0.74bil	RM0.74bil	RM0.76bil
Net Income	RM0.72bil	RM0.67bil	RM0.69bil	RM0.69bil
Profit Before Taxation and Zakat	RM0.55bil	RM0.57bil	RM0.56bil	RM0.32bil
Profit After Taxation and Zakat	RM0.48bil	RM0.46bil	RM0.59bil	RM0.29bil

ASSET

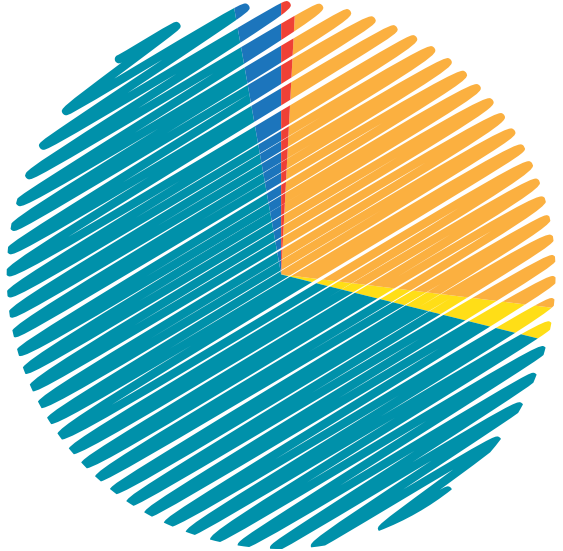
2016

- Deposits and Placements with Financial Institutions
- Financial Investments Portfolio
- Cash and Short-Term Funds
- Financing and Advances
- Other Assets



0.2% 26.6% 2.4%
68.4% 2.4%

2015



1.0% 26.0% 2.1%
68.3% 2.6%

LIABILITIES &
EQUITY

2016

- Deposits from Customers
- Deposits and placements from banks and financial institutions
- Debt Securities Issued and Other Fund Sources
- Other Liabilities
- Share Capital
- Other Reserves



78.5% 0.9% 3.9%
1.3% 3.0% 12.4%

2015

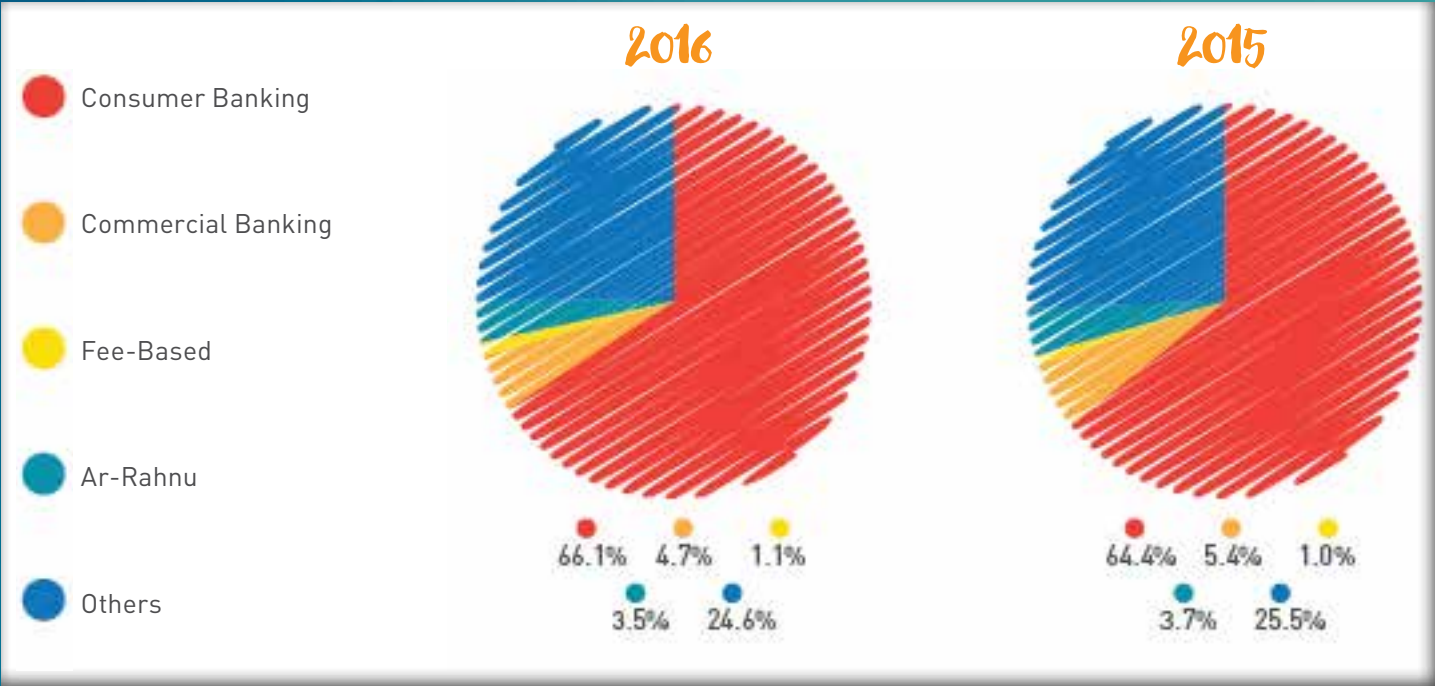


76.8% 2.1% 4.5%
1.4% 3.2% 12.0%

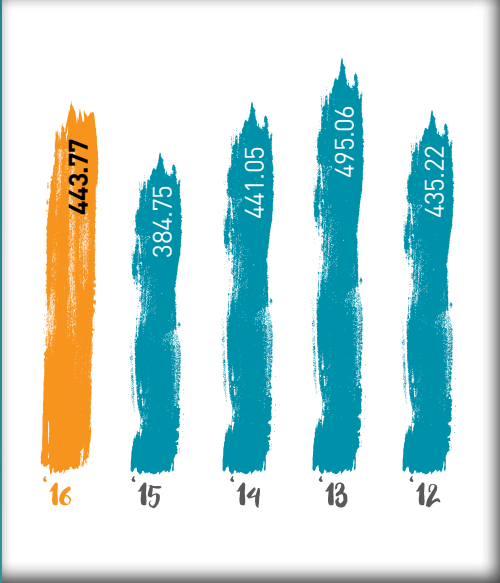
Segmental Analysis for Bank Earnings

	2016		2015	
	Percentage	RM'000	Percentage	RM'000
Consumer Banking	66.1%	4,361,906	64.4%	4,073,972
Commercial Banking	4.7%	307,781	5.4%	339,241
Fee Based	1.1%	70,483	1.0%	63,600
Ar-Rahnu	3.5%	233,237	3.7%	231,862
Others	24.6%	1,625,549	25.5%	1,617,305

Banking Operation Performance



Dividend



Our Members

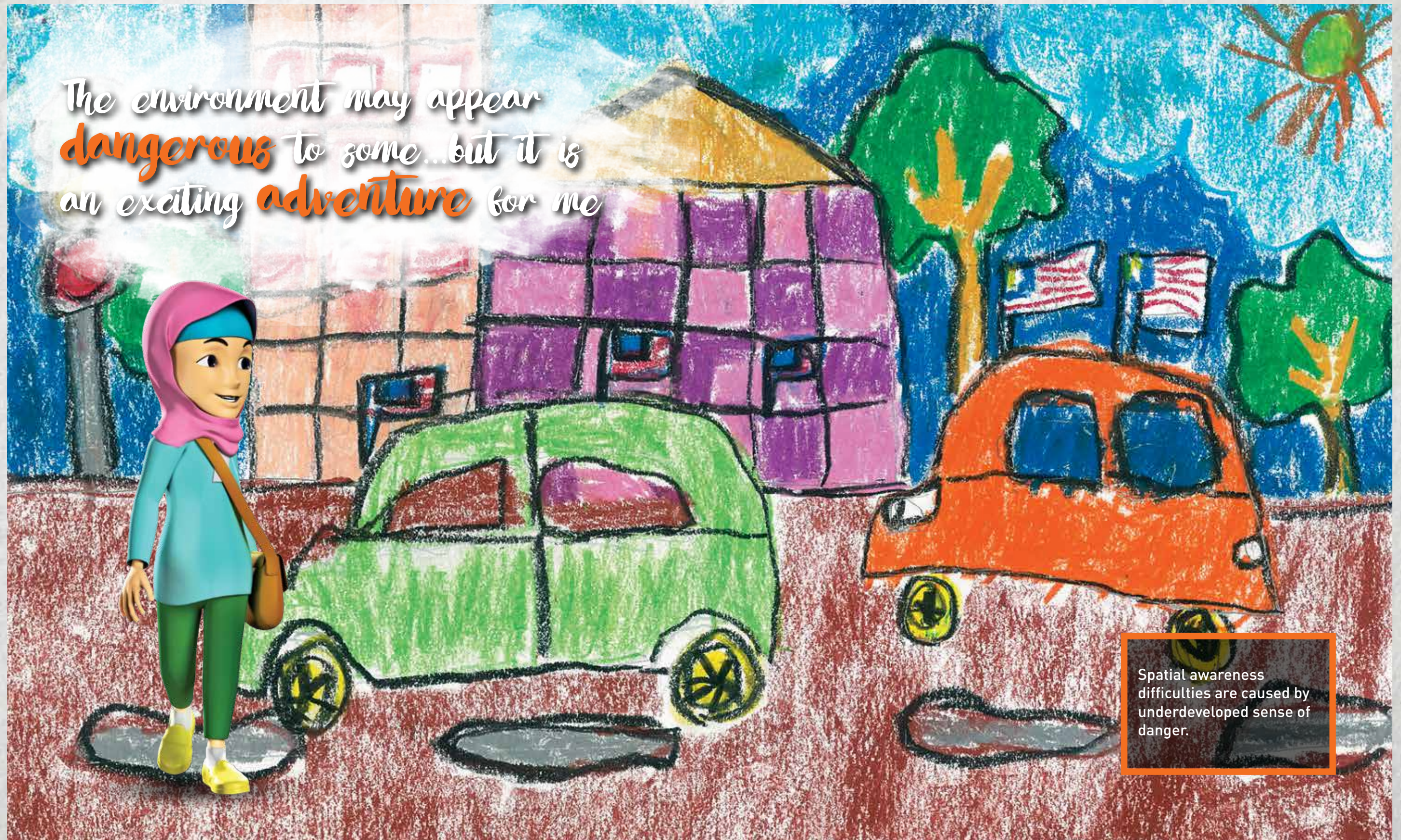
Total Members (Individual and Cooperative): 2012-2016

Year	Category		Total
	Individual	Cooperative	
2016	892,468	2,154	892,468
2015	905,790	2,128	907,918
2014	922,452	2,099	924,551
2013	941,383	2,081	943,464
2012	945,522	2,019	947,541

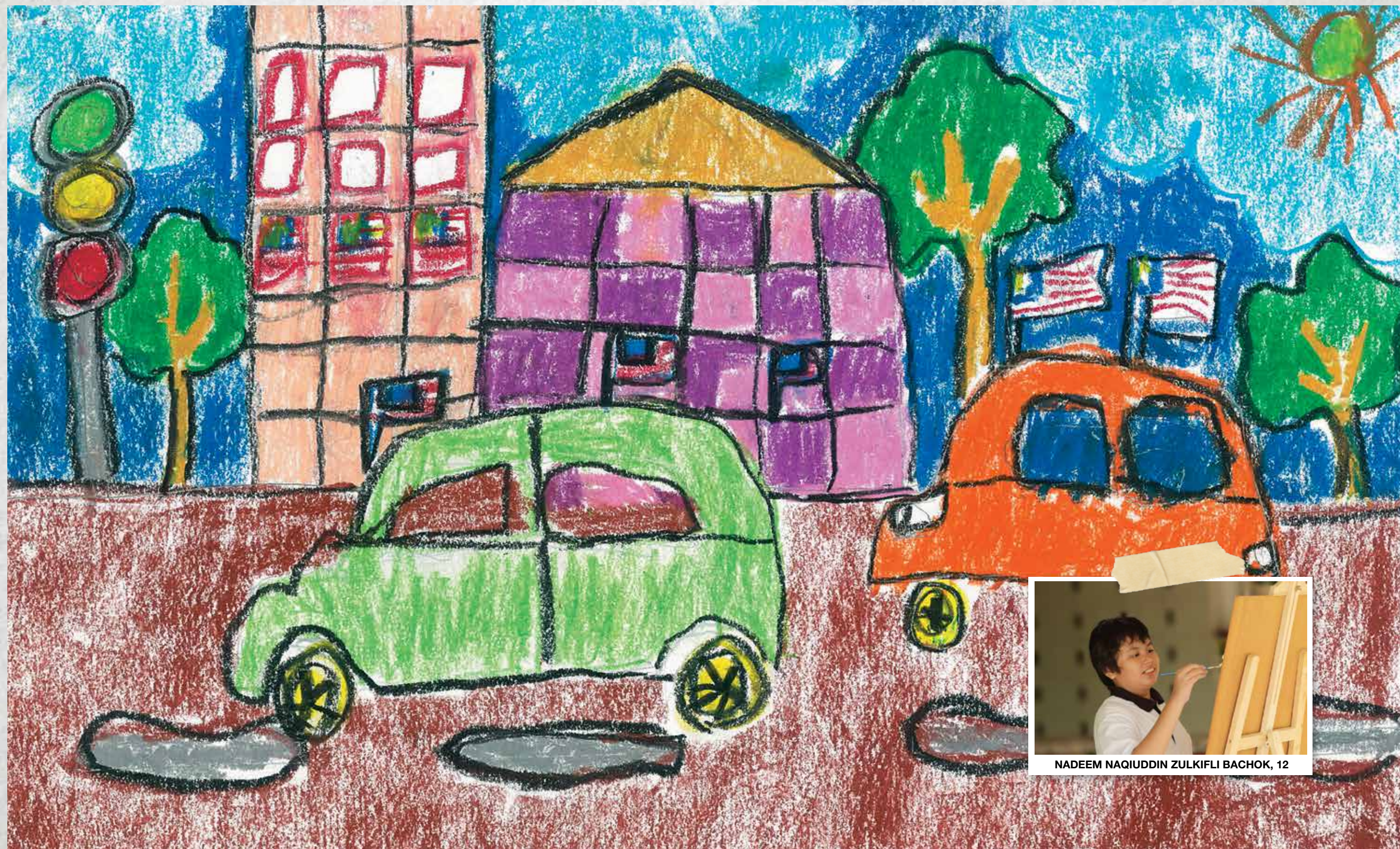
Total Capital (Individual and Cooperative): 2012-2016

Year	Category		Total (RM 'million)
	Individual (RM 'million)	Cooperative (RM 'million)	
2016	2,814.63	169.80	2,984.43
2015	2,815.74	168.18	2,983.92
2014	2,809.03	163.77	2,972.80
2013	2,814.17	159.50	2,973.67
2012	2,714.29	150.71	2,865.00

The environment may appear
dangerous to some...but it is
an exciting **adventure** for me



Spatial awareness difficulties are caused by underdeveloped sense of danger.



NAQEEM NAQUIDDIN ZULKIFLI BACHOK, 12

BOARD OF DIRECTORS

Diverse Leadership

Seated from left to right

- Dato' Zulkiflee Abbas bin Abdul Hamid
- Tan Sri Shukry Mohd Salleh
- Dato' Sri Jamil Salleh
- Dato' Siti Zauyah Md. Desa

Standing from left to right

- Datuk Haji Mohd Idris Haji Mohd Isa
- Datin Dr. Nik Sarina Lugman Hashim
- Datuk Haji Abdul Rahman Kasim
- Dato' Haji Ismail Nordin
- Dato' Sri Alias Haji Ahmad
- Razalee Amin
- Liza Ros Damsi



BOARD OF
DIRECTORS



PROFILE OF Board of Directors

EDUCATION

- Masters in Social Policy Studies, Hull University, United Kingdom
- Bachelor of Social Science (Honours), University Science Malaysia

APPOINTED AS DIRECTOR

- First Appointment as Chairman: 3 January 2017 – 2 January 2020

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Director, Brandworth Corporation
- Director, Tabung Haji
- Chairman, Risk Management Committee, Tabung Haji
- Member, Disciplinary and Appeal Committee, Tabung Haji

PREVIOUS POSITIONS HELD

- Private Secretary General to the Prime Minister
- Director General, Implementation Coordination Unit, Prime Minister's Department
- Director, District Development Department (Kelantan), Prime Minister's Department
- General Manager, Lembaga Kemajuan Kelantan Selatan, (KESEDAR)
- Deputy Director, District Development Department (Kelantan), Prime Minister's Department
- Director, National Registration Department (Perak)
- Director, Kelahiran, Kematian dan Anak Angkat, Head Quarters, National Registration Department
- Director, National Registration Department (Negeri Sembilan)
- Director, National Registration Department (Sabah)
- State Security Secretary, Security Committee Office (Sabah)
- Secretary, Security Committee Office (Selangor)
- Assistant Chief Secretary, National Anti-Drug Task Force, National Security Council, Prime Minister's Department
- Assistant Chief Secretary, Security Committee (Sarawak)
- Assistant Secretary, Ministry of Home Affairs
- Assistant Secretary, Ministry of Defense

TAN SRI SHUKRY MOHD. SALLEH

Chairman
Independent Non-Executive Director
63

PROFILE OF BOARD OF DIRECTORS

EDUCATION

- Masters in Business Administration, Southern Illinois University, Carbondale, United States of America
- Bachelors of Science Degree in Marketing Southern Illinois University, Carbondale, United States of America
- Diploma in Business Studies, MARA Institute of Technology

APPOINTED AS DIRECTOR

- First Appointment as Director :3 April 2017 – 2 April 2019 with an option of additional one (1) year

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Director, Yayasan Budiman Universiti Teknologi Mara
- Director, Tabung Pendidikan 1 Billion

PREVIOUS POSITIONS HELD

- Director, Maybank Islamic Berhad
- Chief Executive Officer, Affin Holdings Berhad

**DATO' ZULKIFLEE ABBAS BIN
ABDUL HAMID**

Managing Director/President
Non-Independent Executive Director
60

PROFILE OF
BOARD OF DIRECTORS

EDUCATION

- B.A. Hons. Anthropology and Sociology, Universiti Malaya
- Diploma in Public Administration, Institut Tadbiran Awam Negara

APPOINTED AS DIRECTOR

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

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Member, Board Nomination Committee
- Member, Board Remuneration Committee
- Chairman, Rakyat Asset Management Sdn Bhd
- Board of Directors, Rakyat Travel Sdn Bhd
- Board of Directors, Rakyat Facility Management Sdn Bhd

OTHER POSITIONS HELD

- Secretary General, Ministry of Domestic Trade, Co-operatives and Consumerism
- Chairman, Companies Commission of Malaysia

PREVIOUS POSITIONS HELD

- Secretary General, Ministry of Youth and Sports
- Deputy Secretary General Ministry of Youth and Sports
- Deputy Secretary, Ministry of Home Affairs
- Director, Prison Department, Ministry of Home Affairs
- Unit Head, Prison Department, Ministry of Home Affairs
- Assistant Secretary, Ministry of Defense
- Assistant Secretary, Ministry of Home Affairs
- Senior Assistant Director, Ministry of Youth and Sports
- Assistant Director, Ministry of Youth and Sports

DATO' SRI JAMIL SALLEH

Non-Independent
Non-Executive Director
58

PROFILE OF
BOARD OF DIRECTORS

EDUCATION

- Masters in Business Administration (International Banking)(Board of Directors' List), University of Manchester, United Kingdom
- Bachelor of Science (Hons) in Quantity Surveying, University of Reading, United Kingdom
- Diploma in Public Administration (Excellent), Nat. Ins. of Public Admin (INTAN) Malaysia
- GCE 'A' Levels, Aston College, Wrexham, Wales United Kingdom

APPOINTED AS DIRECTOR

- First Appointment as Director: 1 July 2015 – 30 June 2017

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Member, Board Investment Committee
- Member, Board Risk Management Committee
- Member, Board Financing Committee
- Member, Board Tender
- Member, Board Financing Committee
- Member, Board Oversight Committee
- Chairman, Rakyat Facility Management Sdn Bhd
- Board of Directors, Rakyat Hartanah Sdn Bhd
- Board of Directors, Rakyat Management Services Sdn Bhd

OTHER POSITIONS HELD

- Deputy Secretary General (Policy), Ministry Of Finance
- Director, Felda Global Ventures Holdings Bhd
- Director, Felda Holdings Bhd
- Director, Pengurusan Aset Air Berhad
- Director, Govco Holdings Bhd
- Director, Malaysia Digital Economy Corporation Sdn Bhd
- Director, Bintulu Port Holdings Berhad
- Director, MARA Corporation Sdn Bhd

- Alternate Director, Johor Petroleum Development Corporation Bhd
- Director, Samalaju Industrial Port Sdn Bhd
- Director, Pembinaan PFI Sdn Bhd
- Director, Johor Corporation
- Director, Majlis Amanah Rakyat
- Director, Kumpulan Wang Simpanan Pekerja
- Director, Kumpulan Wang Amanah Negara
- Director, Kumpulan Wang Persaraan
- Director, Asean Infrastructure Fund Limited
- Director, Turus Pesawat Sdn Bhd
- Director, Assets Global Network

PREVIOUS POSITIONS HELD

- Director, National Budget Office, Ministry of Finance
- Under Secretary, Government Investment Company Division, Ministry of Finance
- Under Secretary, Loan Management, Financial Market and Actuarial Division, Ministry of Finance
- Deputy Secretary (Economy), Investment, MOF (Inc) & Privatisation Division, Ministry of Finance
- Deputy Secretary (Infrastructure), Investment, MOF (Inc) & Privatisation Division, Ministry of Finance
- Head of Section (External Funding), Loan Management, Financial Markets & Actuary Division, Ministry of Finance
- Principal Assistant Secretary (Multilateral Unit), Loan Management, Financial Markets & Actuarial Division, Ministry of Finance
- Director's Advisor to the constituency belonging to Malaysia, Myanmar, Nepal, Singapore and Thailand, Asian Development Bank, Manila

DATO' SITI ZAUYAH MD DESA

Non-Independent
Non-Executive Director
58

PROFILE OF BOARD OF DIRECTORS



DATO' SRI ALIAS HAJI AHMAD
Independent
Non-Executive Director
59

EDUCATION

- Masters in Strategic Studies and Defence, University Malaya
- Bachelor of Arts (Hons), Arts and Social Sciences, University Malaya
- Diploma in Intelligence and Security, Taiwan Military College, Taipei
- Certificate in Emergency Responses, College of Emergency and Disaster Responses, Yorkshire, United Kingdom

APPOINTED AS DIRECTOR

- First Appointment as Director: 7 January 2015 – 6 January 2017
- Reappointments : 7 January 2017 – 6 January 2019

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Chairman, Rakyat Holdings Sdn Bhd
- Chairman, Rakyat Management Services Sdn Bhd

OTHER POSITIONS HELD

- Secretary General, Ministry of Education
- Director, Companies Commission of Malaysia (SSM)
- Chairman, Kumpulan Wang Simpanan Guru
- Ahli Lembaga Pengelola, Dewan Bahasa dan Pustaka
- Chairman, Management & Financial Committee, Dewan Bahasa dan Pustaka
- Member, Appointment and Promotion Committee, Dewan Bahasa dan Pustaka
- Board of Trustee, Padu Corporations
- Director, Institut Terjemahan dan Buku Malaysia
- Board of Trustee, Yayasan Permata
- Member, Perbadanan Kota Buku
- Member, Majlis Peperiksaan Malaysia
- Council Member, Agensi Kelayakan Malaysia

PREVIOUS POSITIONS HELD

- Secretary, National Security Council
- Secretary General, Ministry of Domestic Trade, Co-operatives and Consumerism
- General Director, Immigration Department
- Divisional Secretary, Security and Public Order Division, Ministry of Home Affairs
- Divisional Secretary, Immigration Affairs Division, Ministry of Internal Affairs
- Divisional Secretary, Human Resource Management Division, Ministry of Internal Affairs
- Director, GSPS, National Security Council (Putrajaya)
- Director, National Security Division (Kuala Lumpur), Prime Minister's Department
- Director, National Security Division (Terengganu) Prime Minister's Department
- Assistant Director, Prison Department, Ministry of Home Affairs
- Assistant Director, Cabinet Division, Prime Minister's Department
- Assistant Director, Development and Supply Division, Ministry of Education

PROFILE OF BOARD OF DIRECTORS

EDUCATION

- Bachelor of Science (Hons) Chemical Engineering, Loughborough University of Technology, United Kingdom
- 'A' Levels, Newark Technical College, United Kingdom
- Royal Military College

APPOINTED AS DIRECTOR

- First Appointment as Director: 15 April 2014 – 14 April 2016
- Reappointment: 15 April 2016 – 14 April 2018

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Chairman, Board Nomination Committee
- Chairman, Board Investment Committee
- Chairman, Board Tender Committee
- Member, Board Remuneration Committee
- Member, Board Audit & Examination Committee
- Member, Board Oversight Committee
- Board of Directors, Rakyat Holdings Sdn Bhd
- Board of Directors, Rakyat Asset Management Sdn Bhd
- Chairman, Board of Trustees, Yayasan Bank Rakyat

PREVIOUS POSITIONS HELD

- Business Development Director, Veolia Water (Malaysia) Holdings Sdn Bhd
- Chief Operating Officer, UEM Group Subsidiaries
- Chief Operating Officer, UEM Environment Sdn Bhd
- Managing Director, Alam Sekitar Malaysia Sdn Bhd
- General Manager, Brand, Communication, Customer Services and Motorsport, Shell Group of Companies in Malaysia



DATUK HAJI ABDUL RAHMAN KASIM
Independent
Non-Executive Director
64

PROFILE OF BOARD OF DIRECTORS



**DATUK HAJI MOHD. IDRIS
HAJI MOHD. ISA**
Independent
Non-Executive Director
66

EDUCATION

- Bachelor of Economics (Accounting), University Malaya

APPOINTED AS DIRECTOR

- First Appointment as Director: 1 October 2014 – 30 September 2016
- Reappointment: 5 October 2016 – 4 October 2017

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Chairman, Board Audit and Examination Committee
- Member, Board Remuneration Committee
- Member, Board Nomination Committee
- Member, Board Financing Committee
- Member, Board Oversight Committee
- Chairman, Rakyat Niaga Sdn Bhd
- Board of Directors, Rakyat Holdings Sdn Bhd
- Board of Directors, Rakyat Management Services Sdn Bhd

OTHER POSITIONS HELD

- Director, Bumi Tegap Sdn Bhd
- Director, Samalaju Komunikasi Sdn Bhd

PREVIOUS POSITIONS HELD

- Executive Director, Yayasan Wilayah Persekutuan
- Director, Am Trustee Berhad
- Senior Associate, Malaysia Industry Group For High Technology (MIGHT)
- Executive Director, Arab Malaysian Merchant Bank Bhd
- Group Managing Director, Shapadu Holdings Sdn Bhd
- Board of Trustees, Yayasan Pembangunan Ekonomi Islam
- Board of Trustees, Amanah Ikhtiar Malaysia
- Chief Executive, Credit Guarantee Corporation
- Head, Internal Audit, MBF Group
- Manager, Bank Negara Malaysia

PROFILE OF BOARD OF DIRECTORS



DATO' HAJI ISMAIL NORDIN
Independent
Non-Executive Director
63

EDUCATION

- Bachelor Science in Electrical Engineering & Electronics, University of Manchester, United Kingdom
- Post Graduate Diploma in Administration Studies, Leeds Metropolitan University, United Kingdom
- Diploma in Telecommunications, Bailbrook College, United Kingdom
- Advanced Human Resource Executive Program, Michigan Business School, United State of America
- Senior Management Development Program, Harvard Business School, United State of America

APPOINTED AS DIRECTOR

First Appointment as Director: 1 July 2015 – 30 June 2017

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Chairman, Board Remuneration Committee
- Member, Board Nomination Committee
- Member, Board Investment Committee
- Member, Board Tender Committee
- Member, Board Oversight Committee
- Board of Directors, Rakyat Holdings Sdn Bhd
- Board of Directors, Rakyat Travel Sdn Bhd
- Board of Directors, Rakyat Niaga Sdn Bhd

OTHER POSITIONS HELD

- Chairman, Koperasi Telekom Malaysia Berhad
- Director, Al-Amin Kotamas Edu Sdn Bhd
- Director, Kota Mas Trading & Services Sdn Bhd
- Director, Kota Mas Training & Consultancy Sdn Bhd
- Director, Purnama Tuah Sdn Bhd
- Director, Kota Mas Travel & Tours Sdn Bhd
- Director, Anggun Business Solutions Sdn Bhd
- Director, Kota Mas Leisures Sdn Bhd
- Director, Kota Mas Anggun Academy Sdn Bhd
- Director, Maktab Cambridge Sdn Bhd
- Director, Myangkasa Amanah Bhd
- Director, Anggota Lembaga Koperasi Pembiayaan Syariah Perkasa (KOPSYA)
- Chairman, Jawatankuasa Perhubungan Negeri Angkasa Wilayah Persekutuan
- Chairman, Jawatankuasa Kolaborasi Wilayah Persekutuan
- Chairman, Gabungan Koperasi Kredit Kuala Lumpur Berhad
- Chairman, Gabungan Koperasi Pelancongan Zon Tengah Berhad
- Vice Chairman, Koperasi Pasaraya Berhad (KOPASAR)

PREVIOUS POSITIONS HELD

- Vice President, Transformation and Human Resource Development, Telekom Malaysia
- Vice President, Change Management Office Telekom Malaysia
- General Manager, Human Resource, Telekom Malaysia
- General Manager, Telekom Training College

PROFILE OF
BOARD OF DIRECTORS



RAZALEE AMIN
Independent
Non-Executive Director
64

EDUCATION

- Certified Financial Planner, Financial Planning Association of Malaysia
- Certified Public Accountant, The Malaysian Institute of Certified Public Accountants
- Bachelor of Economics (Hons) Accounting, University Malaya
- Diploma in Accounting (Postgraduate), University Malaya

APPOINTED AS DIRECTOR

- First Appointment as Director: 1 July 2015 – 30 June 2017

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Chairman, Board Financing Committee
- Chairman, Board Risk Management Committee
- Chairman, Board Oversight Committee
- Member, Board Audit and Examination Committee
- Member, Board Nomination Committee
- Chairman, Rakyat Hartanah Sdn. Bhd
- Board of Directors, Rakyat Holdings Sdn. Bhd
- Board of Directors, Rakyat Management Services Sdn. Bhd.
- Member, Board of Trustee, Yayasan Bank Rakyat

OTHER POSITIONS HELD

- Managing Partner, Razalee & Co (Chartered Accountants)
- Director, UMW Oil & Gas Corporation Berhad
- Director, RCO Management & Consulting Services Sdn Bhd
- Director, MP Capital Advisory Sdn Bhd
- Director, Accountants Online Sdn Bhd
- Director, Information System Enterprise Solutions Sdn Bhd
- Director, Agensi Pekerjaan RZA Executive Search Sdn Bhd
- Director, RZA Financial Planning Sdn Bhd
- Director, SKMN Insolvency Administrator Sdn Bhd
- Director, SKMN Tax Sdn Bhd
- Director, CCM Duopharma Biotech Berhad

PREVIOUS POSITIONS HELD

- General Manager, International Bank Malaysia Berhad
- Senior General Manager, Damansara Realty Berhad
- Senior Vice President, Investment and Acquisitions, MBF Finance Berhad
- Group Financial Controller, Sasteras Resources (Malaysia) Berhad
- Audit Manager, Hanafiah Raslan & Mohammad, Chartered Accountants

PROFILE OF
BOARD OF DIRECTORS



**DATIN DR. NIK SARINA LUGMAN
HASHIM**
Independent
Non-Executive Director
46

EDUCATION

- Ph.D in Islamic Finance from INCEIF (The Global University in Islamic Finance)
- LL.M (Banking), International Islamic University Malaysia
- Certificate in Legal Practice
- LL.B (Honours), King's College, University of London, United Kingdom

APPOINTED AS DIRECTOR

- First Appointment as Director: 1 June 2016 – 31 May 2018

OTHER POSITIONS HELD IN THE BANK RAKYAT GROUP

- Member, Board Nomination Committee
- Member, Board Audit and Examination Committee
- Member, Board Risk Management Committee
- Member, Board Financing Committee
- Member, Board Oversight Committee
- Board of Directors, Rakyat Hartanah Sdn Bhd
- Board of Directors, Rakyat Facility Management Sdn Bhd
- Board of Directors, Rakyat Niaga Sdn Bhd

OTHER POSITIONS HELD

- Chief Executive Officer, Asiaspace Sdn Bhd (AmaxMall)
- Director, Paloma Properties Sdn Bhd
- Director, Old Market Square Kopitiam Sdn Bhd

PREVIOUS POSITIONS HELD

- Partner, Ghani & Co
- Deputy Public Prosecutor, Attorney General's Chambers
- Magistrate, Shah Alam Magistrate Court
- Senior Assistant Registrar, High Court of Malaya, Kuala Lumpur

PROFILE OF
BOARD OF DIRECTORS



LIZA ROS DAMSI
Bank Secretary
40

EDUCATION

- Masters in Public Administration from Universiti Malaya
- BBA (Hons) in Finance from Universiti Teknologi MARA

APPOINTED AS BANK SECRETARY

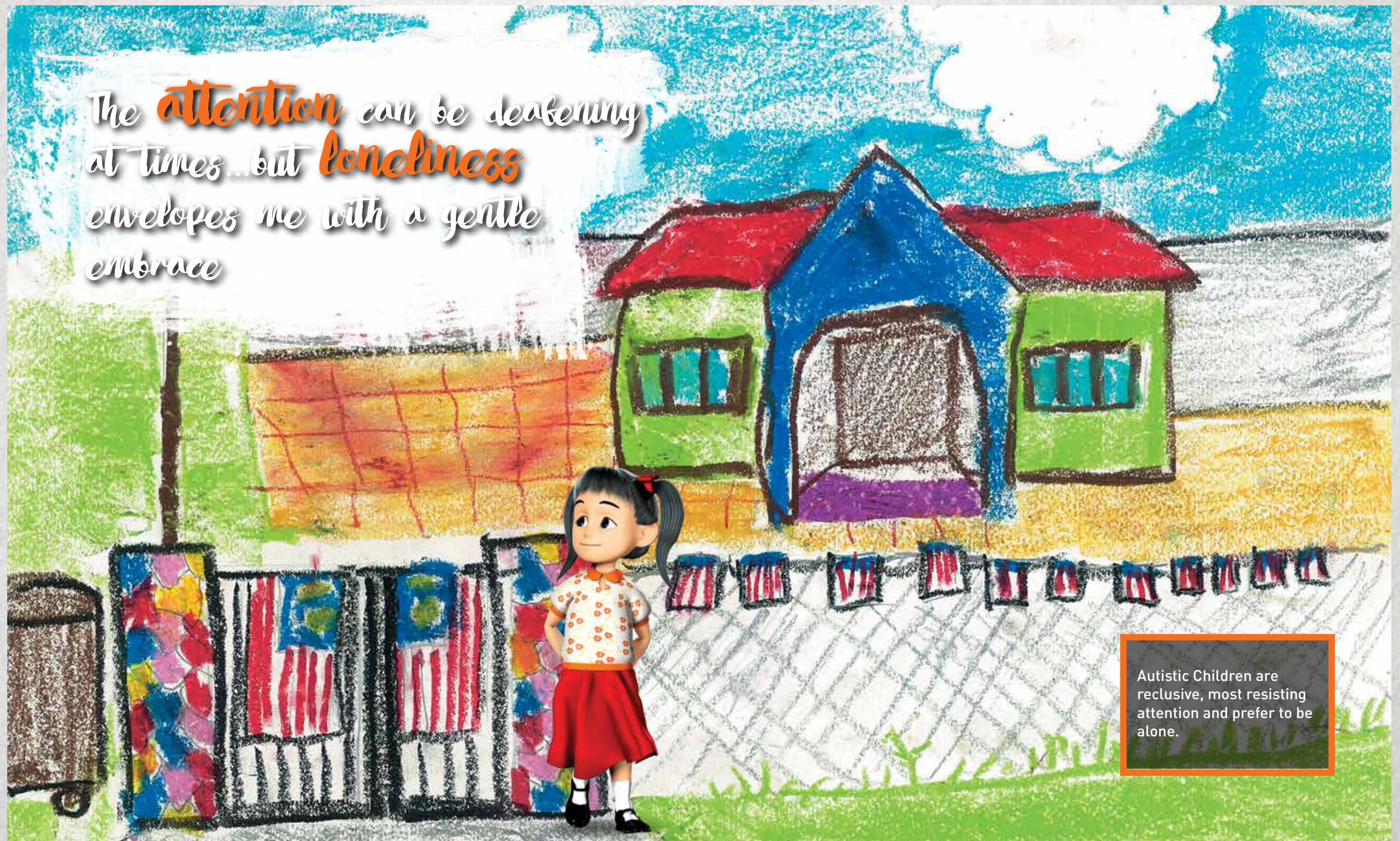
- 1st December 2015

PREVIOUS POSITIONS HELD

- Vice President of Branch Surveillance
- Vice President of Compliance
- Manager, Compliance



The **attention** can be deafening
at times...but **loneliness**
envelopes me with a gentle
embrace



Autistic Children are
reclusive, most resisting
attention and prefer to be
alone.



NABEEL NAJMUDDIN ZULKIFLI BACHOK, 14

SHARIAH COMMITTEE

Our Strategy

from left to right

Dato' Setia Haji Mohd. Tamyas
Abd. Wahid

Associate Prof. Dr. Siti Salwani Razali

Ustaz Wan Rumaizi Wan Husin

Ustaz Abdullaah Jalil

Ustaz Md. Yunus Abd. Aziz

Associate Prof. Dr. Azman Mohd. Noor

Ustaz Mohd.Zamerey Abdul Razak



SHARIAH
COMMITTEE



PROFILE OF Shariah Committee Members



DATO' SETIA HAJI MOHD. TAMYES ABD. WAHID
Chairman
66

EDUCATION

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

APPOINTMENT TO SHARIAH COMMITTEE

1 September 2005 – 31 March 2019

OTHER POSITIONS HELD

- Mufti of Selangor
- Chairman, Selangor Fatwa Committee
- Member, Selangor Royal Council
- Member, Board of Trustees, Selangor Zakat Board (LZS)
- Member, Selangor Islamic Religious Council (MAIS)
- Member, Quran Licensing and Printing Control Board (LPPPQ), Ministry of Home Affairs
- Member, Shariah Advisory Committee, as-Salihin Trustee Berhad
- Chairman, Zakat Distribution Committee, Selangor Zakat Board (LZS)
- Member, Investment Committee, Selangor Islamic Religious Council (MAIS)
- Member, Shariah Panel, Wakaf Fund, Islamic University of Malaysia (UIM)

PREVIOUSLY HELD POSITIONS

- Member, Shariah Panel Committee, Standards and Industrial Research Institute of Malaysia (SIRIM Berhad)
- Member, Halal Certification Approval Panel, Halal Industry Development Corporation (HDC)



PROF. MADYA DR. SITI SALWANI RAZALI
42

EDUCATION

- Doctor of Philosophy in Business Law, University Putra Malaysia
- Master of Comparative Law (MCL), International Islamic University of Malaysia
- Bachelor of Law [LLB (Hons) and Shariah Law], International Islamic Laws University of Malaysia

APPOINTMENT TO SHARIAH COMMITTEE

1 January 2010 – 31 December 2017

OTHER POSITIONS HELD

- Lecturer, Department of Business Administration, Kuliyyah of Economic and Management Sciences, International Islamic University of Malaysia
- Shariah Advisor, Great Eastern Takaful
- Shariah Advisor, KA Shariah Advisory Sdn. Bhd.

PREVIOUSLY HELD POSITIONS

- Working Committee Member, Institute of Islamic Banking and Finance, International Islamic University of Malaysia
- Member, Shariah Panel, Silver Bird Group Berhad

PROFILE OF SHARIAH COMMITTEE MEMBERS



USTAZ WAN RUMAIZI WAN HUSIN
42

EDUCATION

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

APPOINTMENT TO SHARIAH COMMITTEE

1 September 2011 – 31 August 2017

OTHER POSITIONS HELD

- Member, Shariah Committee, PruBSN Takaful
- Member, Shariah Board, Ar-Rajhi Bank Malaysia
- Member, Shariah Advisory Committee, International Islamic University Malaysia

PREVIOUSLY HELD POSITIONS

- Lecturer, Department of Fiqh and Usul al-Fiqh, International Islamic University of Malaysia
- Member, Shariah Committee, Youth Muamalat Foundation
- Shariah Advisor, Tissue Bank, Hospital University of Science Malaysia, Kubang Kerian, Kelantan
- Consultant Fellow and Module Developer, International Research Center for Islamic Economics and Finance (IRCIEF), Selangor, International Islamic University College (KUIS)
- Member, Working Group for MS1900: 2014 (Shariah-Based Quality Management Systems - Requirements with Guidance), SIRIM (Secretariat)
- Trainer in Islamic Finance and Banking for the staff Central Bank of Malaysia (BNM), CIMB, Hong Leong Bank, Public Bank, Prudential Assurance Malaysia Berhad
- Member, International Union of Muslim Scholars (Ittihad al-'Alami li 'Ulama' al-Muslimin), Qatar
- Member, Association of Shariah Advisors (ASAS), Kuala Lumpur



USTAZ ABDULLAAH JALIL
37

EDUCATION

- Master of Business Administration (Islamic Banking and Finance), International Islamic University Malaysia
- Bachelor of Shariah (Fiqh and Islamic Studies), Yarmouk University, Irbid, Jordan
- Doctor of Philosophy in Islamic Finance, INCEIF (in progress)

APPOINTMENT TO SHARIAH COMMITTEE

1 April 2012 – 31 March 2018

OTHER POSITIONS HELD

- Senior Lecturer, Faculty of Economics and Muamalat, Islamic Science University of Malaysia
- Shariah Compliance Officer, MS1900:2005 Quality Management System Certification, Islamic Science University of Malaysia
- Research Fellow, Islamic Finance and Wealth Management Institute (IFWMI), Islamic Science University of Malaysia
- Member, Shariah Committee, PruBSN Takaful
- Member, Shariah Committee, Islamic Science University of Malaysia Staff Co-operative

PREVIOUSLY HELD POSITIONS

- Shariah Committee Member, Shariah and Islamic Finance Unit, World Fatwa Management and Research Institute (INFAD), Islamic Science University of Malaysia
- Co-ordinating Committee Member for Muamalat, Takaful and Islamic Finance and Banking Programme, Ministry of Higher Education
- Seminar Co-ordinator, World Fatwa Management and Research Institute (INFAD), Islamic Science University of Malaysia

PROFILE OF
SHARIAH COMMITTEE MEMBERS



USTAZ MD. YUNUS ABD. AZIZ
46

EDUCATION

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

APPOINTMENT TO SHARIAH COMMITTEE

1 July 2011 – 30 June 2017

OTHER POSITIONS HELD

- Senior Lecturer, Faculty of Shariah and Law, Islamic Science University of Malaysia
- Shariah Advisor, Koperasi Alam Bersih (Ko-Alam)
- Chairman, Surau At-Taqwa Desa Anggerik, Nilai

PREVIOUSLY HELD POSITIONS

- Deputy Dean, Student Development and Performance Management, Islamic Science University of Malaysia
- Head, Bachelor of Fiqh and Fatwa Programme, Islamic Science University of Malaysia
- Coordinator, World Fatwa Management and Research Institute (Documentation Division), Islamic Science University of Malaysia
- Coordinator, Unit of Falak, Faculty of Shariah and Law, Islamic Science University of Malaysia



PROF. MADYA DR. AZMAN MOHD. NOOR
44

EDUCATION

- Doctor of Philosophy in Islamic Law, University of Edinburgh, Scotland, United Kingdom
- Master of Islamic Criminal Law, National University of Malaysia
- Master of Muamalat (Islamic Law of Transaction), International Islamic University of Malaysia
- Bachelor of Islamic Law, Islamic University of Medina, Saudi Arabia

APPOINTMENT TO SHARIAH COMMITTEE

1 January 2015 – 31 December 2018

OTHER POSITIONS HELD

- Senior Lecturer, International Institute of Islamic Banking & Finance, International Islamic University of Malaysia
- Deputy Chairman, Shariah Board, Al-Rajhi Bank Malaysia
- Chairman, Shariah Committee, AmFamily Takaful Berhad
- Panel of MQA Experts, Muamalah and Islamic Banking Panel
- Member, Panel of Experts in Islamic Jurisprudence, Dewan Bahasa dan Pustaka

PREVIOUSLY HELD POSITIONS

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

PROFILE OF
SHARIAH COMMITTEE MEMBERS



USTAZ MOHD. ZAMEREY ABDUL RAZAK
Secretary to the Shariah Committee
44

EDUCATION

- Master of Islamic Studies (Shariah), National University of Malaysia
- Bachelor of Shariah (Fiqh and Judiciary), Yarmouk University, Jordan

APPOINTMENT TO SHARIAH COMMITTEE
(SECRETARY TO THE SHARIAH COMMITTEE)

September 2014 – present

PREVIOUSLY HELD POSITIONS

- Vice President, Head of Shariah, Asian Finance Bank
- Assistant Vice President, Head of Shariah, Asian Finance Bank
- Assistant Vice President, Shariah Compliance, Takaful Ikhlas Sdn Bhd
- Manager, Shariah Compliance, Takaful Ikhlas Sdn. Bhd.
- Industry Advisor, Faculty of Muamalat and Management, Selangor International Islamic University College (KUIS)





The thought of being cuddled
petrifies me...but my
hypersensitive nature
enhances my other **sensory**
abilities

Delayed development of
the sensory cortex affects
the brain region that
responds to touch.



AHMAD FIRDAUS HAKIMI AHMAD AZHAR, 12

MANAGEMENT COMMITTEE

Our Strategy

- from left to right
- Md. Khairuddin Arshad
 - Mohd. Farid Shah Mohd. Basir
 - Dato' Zulkiflee Abbas bin Abdul Hamid
 - Ahmad Shukri Abd. Rahman
 - Nor Haimee Zakaria
 - Dr. Mohammad Hanis Osman
 - Md. Ali Abd. Aziz
 - Dato' Syed Abdul Aziz Syed Hassan
 - Mohd. Shahril Isa



MANAGEMENT
COMMITTEE

PROFILE OF Management Committee



DATO' ZULKIFLEE ABBAS BIN ABDUL HAMID
Managing Director/President

Dato' Zulkiflee was appointed Bank Rakyat Managing Director/President on 3 April 2017. He comes with a wealth of experience, having held the position as Chief Executive Officer at Affin Holdings Berhad prior to his appointment to lead the Bank. He also served as Director at Maybank Islamic Berhad. Dato' Zulkiflee has a Master's in Business Administration from Southern Illinois University at Carbondale, United States of America, a Bachelor's in Science also from the same university and a Diploma in Business Studies from MARA Institute of Technology, Malaysia.

Dato' Zulkiflee has 35 years' experience in the banking industry.



MD. KHAIRUDDIN HAJI ARSHAD
Chief Operating Officer

Md. Khairuddin, Chief Operating Officer, joined the Bank Rakyat management team in June 2013. He is responsible for planning the business direction of the Bank and continuously improving the effectiveness and efficiencies of the overall banking operations. Prior to this, he was the Chief Risk Officer of the Bank. Before joining the Bank, he served as Chief Operating Officer at Perbadanan Insurans Deposit Malaysia (PIDM). He also served with Bank Negara Malaysia for over 15 years and was one of the pioneers involved in the development of Islamic banking in Malaysia. He was Chairman of the Islamic Deposit Insurance Group of International Association of Deposit Insurers and has provided technical assistance to various countries in developing their Islamic banking industry and Islamic deposit insurance systems. Md Khairuddin regularly presents papers at local and international seminars and conferences. He holds an accounting degree from the International Islamic University Malaysia.

PROFILE OF MANAGEMENT COMMITTEE



MOHD. SHAHRIL ISA
Chief Retail Banking Officer

Mohd. Shahril is Chief Retail Banking Officer, a position he has held since September 2015. He heads consumer banking and also oversees operations in Bank Rakyat. His areas of responsibility include the development and smooth implementation of overall business strategies for retail banking products in Bank Rakyat. He began his career with Bank Rakyat in 1984 as a Young Executive in the Human Resource Department. He was appointed Senior Vice President, Branch Network for Bank Rakyat from 2014. Mohd. Shahril has over 30 years of experience in the banking industry, including as Branch Manager and Head of Financing Rehabilitation. He holds a Bachelor of Economics degree from the University of Malaya.



MOHD. FARID SHAH MOHD. BASIR
Chief Human Capital Officer

Mohd. Farid Shah was appointed Chief Human Capital Officer at Bank Rakyat on 4 January 2016. He has more than 21 years' experience, having previously worked with Nestle, ReidGroup, Etiqa Insuran & Takaful and Telekom Malaysia. He has held various senior positions in the area of human resource and has worked in Malaysia, Switzerland, South Africa and the Philippines. He holds a Bachelor's degree (Hons) in Human Resource Management and a Diploma in Business Management from Universiti Teknologi Mara, and a Professional Diploma in Development and Training from Universiti Malaya. He also holds a number of professional qualifications such as Global Remuneration Professional, HR Management Professional, Global Professional in HR and SHRM Certified Professional. He is also an alumni of International Institute for Management Development, Lausanne, Switzerland. He is currently pursuing a Master's degree in Business Management with Heriot-Watt University, UK.

PROFILE OF MANAGEMENT COMMITTEE



MD. ALI ABD. AZIZ
Chief Information Technology Officer

Md. Ali started his career with Bank Rakyat in 1985. He retired in 2012 only to return in 2014. During his time at the Bank, he has held various positions including Manager of Banking Systems Development and Head of Information Technology. He holds a Bachelor's in Information Technology. Md. Ali is responsible for balancing a number of roles within the organisation to retain the Bank's competitive advantage in the market sector and ensure the best interests of the employees are met. This includes ensuring that the best resources and the best people are utilised to complete the jobs the company needs fulfilling and being responsible for mapping out the ICT Strategy and Policy and detailing how ICT is applied and utilised for the protection of the Bank.



NOR HAIMEE ZAKARIA
Chief Financial Officer

Nor Haimee, is a fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute Of Accountants (MIA). He also hold a Bachelor Degree in Accountancy, Finance and Economics (HONs) from the University of Essex, UK.

He started his career as Auditors with Coopers and Lybrand, United Kingdom in 1990 and Coopers Brewers, London (1993) and later as the Finance Manager/Head of Group Finance/ Company Secretary at Arab Malaysian Development and Bank Islam Malaysia Berhad, until September 2008.

Nor Haimee later joined Bank Rakyat in 6 October 2008, as the Head Of Accounts, Information Management. In January 2014, he was appointed as Chief Financial Officer at Bank Rakyat until present.

PROFILE OF MANAGEMENT COMMITTEE



DATO' SYED ABDUL AZIZ SYED HASSAN
Chief Corporate Services Officer

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



AHMAD SHUKRI ABD. RAHMAN
Chief Risk Officer

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

PROFILE OF
MANAGEMENT COMMITTEE



DR. MOHAMMAD HANIS OSMAN
Chief Treasury Officer

Dr. Mohammad Hanis career for the last 20 years has been extensively involved in the area of treasury and investment. He has worked both locally and in the Middle East with various commercial, Islamic and investment banks in areas involving the Money Market, Fixed Income, Foreign Exchange, Equities, Derivatives and Structured Products. During his years in the profession, apart from assuming various roles and positions, he has sat and passed a number of professional examinations - the Pasaran Kewangan Malaysia Certificate (PKMC) and the SC Licensing Examinations. His qualifications include PhD in Economics, International Islamic University Malaysia; Master of Business Administration (Finance), International Islamic University Malaysia; and BA (Hons) Accounting and Finance, University of East London, United Kingdom.



The background is a vibrant, abstract painting. It features a town with buildings in shades of yellow, orange, and red. There are green trees with purple flowers. The sky is a mix of blue and green. In the foreground, a boy with dark hair, wearing a blue shirt and orange pants, stands with his hand on his head, looking confused. The overall style is expressive and artistic.

I am always **misunderstood**
in my actions...it is because I
just don't **understand** what
is happening around me

The lack of social understanding makes an Autistic Child oblivious to people and their surroundings.



AFIF SYAZWAN MOHD FAIRUZ, 9



Contributing to Social and Economic Improvement

A SUSTAINABLE FUTURE

All corporations have a competitive agenda – winning in the marketplace and be profitable. If a company is not profitable, it will not have the resources to meet society’s expectations. It will have fewer resources to able to play a meaningful role in making economic contributions, nor preserve the environment or meet societal demands. Bank Rakyat has always believed that profits and corporate social responsibility (CSR) are not mutually exclusive. Profits are an important part of our ability to deliver the economic, environmental and social requirements of sustainable development. As Malaysia’s largest cooperative Islamic bank, reflected in our assets growth, as well as revenue and profitability, we have fulfilled our mandated roles to uplift the well-being of our members. In a dynamic and evolving landscape, our roles have grown in tandem with the growth of the Islamic banking sector.

business operations. Bursa Malaysia’s CSR Framework looked at four main focal areas : Environment, Workplace, Community and the Marketplace. This has formed the basis of the Bank’s CSR reporting for several years.

In continuing to play its role in enhancing corporate transparency on environmental, social and corporate governance-related issues, the FTSE4Good Bursa Index was launched in 2014. The Index evaluates the top 200 companies in the country terms of market capitalisation that meet a variety of environmental, social and governance (ESG) criteria.

EES Sustainability Framework

In October 2015, Bursa Malaysia launched a new Sustainability Framework, comprising amendments to the Listing Requirements. Guided by our own moral compass, sustainability has always been high on the Bank’s agenda and this has been embedded in the way we operate in one way or another. Our goal has always been performance with a purpose – it is about sustainability at multiple levels leaving a positive impact on people and the planet. We have long worked to integrate social, environmental and corporate governance issues into business decisions to create long-term value.

Bursa’s new Sustainability Framework seeks to bring the sustainability practices of listed companies in Malaysia to the next level by focusing on materiality and stakeholder inclusiveness. Within the context of this framework, sustainability is defined as doing business in a responsible manner, taking into account the impact on the Economy, Environment and Society (EES).

An Evolving Concept

Public expectations of corporations have been evolving over the years and this is evident in the shift in the definition of CSR. On 5 September 2006, Bursa Malaysia launched its CSR Framework for public listed companies, where it defined CSR as going beyond good deeds or simply giving money to charities. In taking a holistic approach, CSR has progressed beyond altruism and taken a new importance as a mainstream business issue. It involved integrating socially responsible policies, practices and programmes into decision-making and



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If it is true that we learn by doing, then the learning process for us has started. Bank Rakyat has long been committed to sustainability as a way of doing business and we will try new approaches. Taking our direction from Bursa Malaysia, we used as references the Exchange's Sustainability Reporting Guide, the six reporting Toolkits as well as the G4 Sustainability Reporting Guidelines. The task before us is daunting, and admittedly we are on a steep learning curve, a position that is faced by many other companies in Corporate Malaysia. Among others, we will need to get our materiality framework right and define meaningful targets in order to measure our progress. This will help stakeholders form more complete and informed opinions about the sustainability and viability of Bank Rakyat.

Its 60-year history has demonstrated time and again that Bank Rakyat has become accustomed to taking challenges in its stride. We bear in mind that sustainability is a journey, a culture and a way of business and we look forward to partnering with our stakeholders on this journey. This maiden attempt at sustainability reporting, based on the three inter-dependent and mutually reinforcing pillars, will form the sound basis to improve in our next report.

ECONOMY

The Malaysian financial sector is a key enabler facilitating the transformation of the nation into a high value-added, high-income economy by the year 2020. Bank Negara Malaysia's (BNM) Financial Sector Blueprint, 2011-2020 charts a clear path that will further broaden and deepen Malaysia's financial system, taking into account the forces

shaping the international and domestic economic and financial landscape. The growth of the nation's financial sector will be anchored by the growth of the Islamic banking sector, which has witnessed significant strides in its development. In the recent decade, the Islamic banking industry has expanded from 6% to 22% of the overall banking sector. (Source : Bank Negara Malaysia, Financial Sector Blueprint, 2011-2020, page 32). Besides having the world's largest sukuk market, Malaysia has emerged as the leading centre for Islamic finance, Islamic equity, Islamic fund management, Islamic banking and takaful.

Global Islamic Hub

The Government has been actively promoting Malaysia as a global Islamic finance hub. BNM has played a pivotal role in establishing a financial ecosystem and the right regulatory framework

where the Islamic financial industry continues to flourish 30 years since its inception. Alongside a robust Islamic banking sector is a well-developed takaful industry. A pioneer in the Islamic finance industry, Malaysia is now the largest sukuk issuer in the world, contributing to the internationalisation of Islamic finance and creating liquidity in the global Islamic finance market.

Malaysia has been evolving steadily into an international Islamic financial hub, with strong connectivity, diversity of players and instruments, and specialisation in areas where it has distinctive competitive advantages. According to the Global Islamic Finance Report 2016 (GIFR), Malaysia has for the first time emerged as the global leader in Islamic banking and finance in 2016, after overtaking Iran in terms of the Islamic Finance Country Index. (Source: theedgemarkets.com, 10 May 2016).

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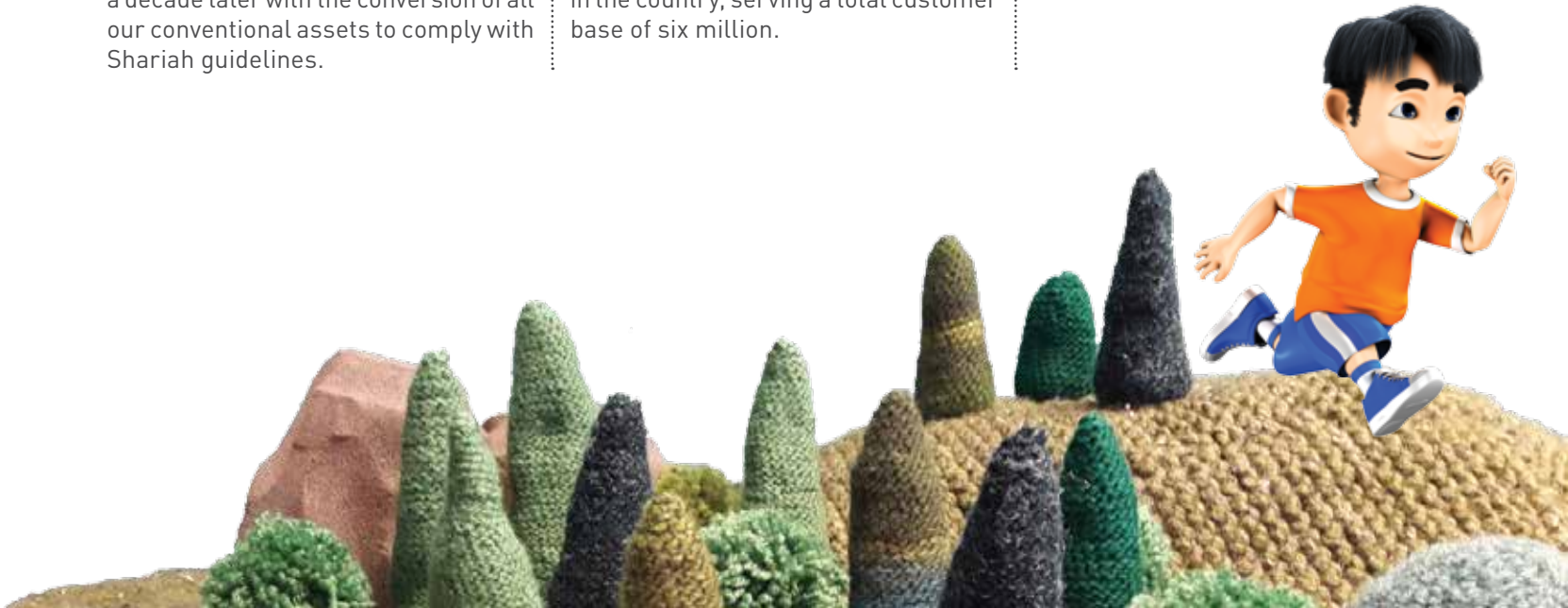


A Leading Player

Bank Rakyat plays to play a leading role in contributing towards the development of a robust and vibrant Islamic banking sector in Malaysia. We started out as a cooperative Bank in 1954 when we were known as Bank Agong. In 1973, we became Bank Rakyat and in 1993, we took a bold move to transform ourselves into an Islamic cooperative bank. We achieved full-fledged status a decade later with the conversion of all our conventional assets to comply with Shariah guidelines.

Today, Bank Rakyat has made steady progress to become Malaysia's largest Islamic cooperative bank and the second largest Islamic financial institution, based on assets of RM92.22 billion as at the end of 2016. We have developed innovative technologies, built up expertise, strong market positions and a powerful brand to play a key role in contributing towards the nation's Islamic banking sector. Our network of 147 branches extends to every state in the country, serving a total customer base of six million.

Through our four main lines of businesses, Bank Rakyat offers a wide array of financial products and services to meet the differentiated needs of Malaysian businesses and households. All our products undergo a rigorous verification process by the Bank's own Shariah Committee and adhere to the Islamic financing and banking guidelines enforced by BNM.



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Islamic Pawn Broking Services 2016', one of the most respected market-led awards in Islamic banking. These awards are important as an indication of how well we stack up against our peers and inspire us to achieve even more.

Customer Relationship Management (CRM)

In an environment of increasing competition, the relationship we have with our customers is a source of competitive advantage that ensures the sustainability of our business. Bank Rakyat's unrelenting pursuit of service excellence is encapsulated in its Customer Charter, underpinned by our commitment to Privacy, Accountability, Fairness, Reliability and Transparency.

To ensure our reach extends to all segments of society, the rural community is now served by Bank Rakyat Mobile Banking and a network of mini-branches known as Rakyat Xcess. Our network of 960 ATMs and CDMs, onsite as well as offsite, have become ubiquitous and a proper maintenance schedule ensures an uptime of 98%.

Engaging our customers is an important part of our CRM efforts. We welcome feedback from our customers, who can reach us by filling up a form, e-mail or through social media. Since November 2015, the Bank has set up its Central Complaint Management System to consolidate all complaints received from various channels. All complaints and enquiries are treated with the urgency they deserve and we benchmark our performance against an 85% satisfaction rating from our customers for the resolution of complaints and response to enquiries.

In a highly competitive industry, innovation and our investment in technology are imperatives to staying ahead of the competition. We were among the pioneers in offering internet banking services in Malaysia. Other notable successes include our innovative 1Pay and eCurrent Account-i (eCA-i) and our TouchStyle application for smart phones. Our Surau Al-Barakah mobile application is another first in Malaysia and provides staff as well as Muslim customers comprehensive information related to Islam.

We are both humbled and proud of the numerous awards and accolades that have been bestowed on the Bank over the years. In 2016, the Bank was awarded the Islamic Retail Banking Award (IRBA) for being 'The Strongest Islamic Retail/Cooperative Financial Institution in the World 2016', beating a field of over 170 Islamic banks from all over the world. We were also awarded the prestigious Global Islamic Finance Award (GIFA) for providing 'The Best



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Fulfilling Our Mandate

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

Our mandate was to raise the social and economic status of rural communities, provide them with opportunities for self-improvement and to build a more promising future for their families and communities. From our present position of strength and capitalising on our core competencies, it is a role that we continue to play to this day.

Government has stressed the importance of financial inclusion as one of the functions of the banking system and this has been instrumental in extending financial access to all segments of the Malaysian population. Bank Rakyat is providing innovative financial solutions that support the start-up of frontier businesses and industries, spearheaded by innovative small and medium enterprises (SMEs).

In responding to government's call for financial inclusion, Bank Rakyat rolled out its Skim Pembiayaan Mikro-i (MUk) to provide financing to aspiring entrepreneurs to expand their own businesses in wholesale and retail, manufacturing, services or other sectors approved by the Bank. The scheme is open to eligible cooperative members as well as members of the Hawkers & Peddlers Society who can access up to RM50,000 in funds.

Since MUk was launched in 2007, Bank Rakyat has disbursed some RM398.4 million, benefitting some 29,000 businesses. For 2016 alone, RM42.1 million was disbursed to 2,947 micro-enterprises. The bulk or 70% of the beneficiaries were in the services sector, another 21% were in retail, with the other sectors being wholesale (5%),

manufacturing (2%) and agriculture (1%). Bank is ranked third among players in the micro finance industry, contributing towards a 11% market share. As the micro-finance industry continues to develop, Bank Rakyat will broaden its range of financial products and services offering.

Apart from cooperatives, Bank Rakyat is also an intermediary in disbursing funds under various government schemes such as the Automotive Workshop Modernisation Programme (ATOM) and the Rural Economy Financing Scheme (SPED). ATOM is one of the Entry Point Projects (EPPs) identified in the Government's Economic Transformation Programme while SPED comes under the auspices of the Ministry of Rural and Regional Development.



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We also participate in three schemes that are mandated by the Ministry of Domestic Trade, Cooperatives and Consumerism. The Micro Traders and Hawkers Fund (MPPK-i) was established to assist micro-traders and traders by giving them access to profit rate financing of up to RM50,000. In 2016, Bank Rakyat contributed RM1.2 million to the fund, which was channeled to 260 accounts.

Another scheme that we support is the Ramadhan Bazaar Scheme which aims to support petty traders and hawkers running their businesses during the holy month of Ramadan. For 2016, the scheme disbursed a sum of RM10.1 million, benefitting some 3,602 recipients. Another financing facility mandated by the Ministry is the 1Malaysia Mobile Hawkers (1MMH) Scheme to benefit mobile hawkers. A total sum of RM500,000 was disbursed to eligible participants in 2016.

Bank Rakyat is also a participant in the SME Corp Fund's Enrichment and Enhancement Programme (E2). The fund aims to assist SMEs develop into viable, innovative and resilient businesses. For the year in review, a sum of RM0.6 million was disbursed to 13 SMEs, going a long way to helping them grow and thrive.

Energising Cooperatives

Coming under the umbrella of the Ministry of Domestic Trade, Cooperatives and Consumerism, Bank Rakyat is committed to support the Ministry's efforts to promote cooperatives as another key driver of economic growth.

For the financial year 2016, the Bank contributed 2% or RM409.99 million of its profit before tax and zakat to the Cooperative Education Trust Fund and 1% or RM17 million to the Cooperative Development Provident Fund. The Bank's total contribution for 2016 amounting to RM443.99 million, will go a long way towards helping the cooperative sector in the country, particularly in view of the prevailing economic environment.

During 2016, the K.E.N.A.L. Bank Rakyat programme was launched first at the headquarters and subsequently, at all our regional offices. K.E.N.A.L. stands for "Know", "Educate", "Network", "Alliance" and "Love". The initiative has a three-fold objective of engaging cooperatives and individual members; remind members of their rights and roles and serve as a platform to market the Bank's products and services within the K.E.N.A.L. community. The ultimate goal is to promote cooperatives as economically viable, innovative and competitive entities.



RM409.99 million

Cooperative Education Trust Fund

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RM17 million

Cooperative Development Provident Fund



960

ATMs/CDMs



Supporting the Domestic Economy

Each year, Bank Rakyat spends significant sums of money to increase its services. Our goal is to work collaboratively with our supply chain to achieve economic sustainability in line with our procurement standards and codes of practice that set out principles of integrity, professionalism, high quality standards, optimal use of resources and compliance with legal and other obligations. Increasingly, ethical procurement has become

a mainstream business issues as questions about business practices arise.

In adhering to its policy of sustainable and ethical procurement, Bank Rakyat emphasises that all purchasing decisions must be based on good governance practices and in the best interest of the Bank. We are also committed to transparency, confidentiality and fairness in all our dealings. As such, all our suppliers can expect to be treated fairly and

even-handedly at all stages of the procurement process. It means being open with those involved, ensuring that the principle of fair competition is upheld and that all bidders have access to the same information to ensure a level playing field.

There should be no conflicts of interest among Bank Rakyat employees involved in the tender process. The exertion of undue influence or abuse of power, as well as being unprofessional, may contravene the relevant legislation,

codes and guidelines. At the same time, we expect our suppliers to comply with legal requirements and agree to any negotiated terms and conditions. Wherever possible, we practise supply chain diversification to avoid over-reliance on any one supplier.

All quotations and tenders submitted must be evaluated, not only on price competitiveness or value for money, but also the quality of the goods or services provided and track records of the bidders. Procurement practices can also make a significant contribution to our sustainability goals. We take into account environmental factors as part of the tendering process, giving priority to products and services that conserve natural resources, protect the environment and are energy efficient.

ENVIRONMENT

Over the course of this century, the relationship between the human race and the world that sustains it has undergone a profound change. As attitudes change, environmental protection and conservation issues are increasingly coming to the fore.

Bank Rakyat recognises it has a responsibility to current and future generations to do whatever it can to minimise its impact on the environment. We are continually working to improve our environmental performance, including reducing our environment footprint. In doing so, we are demonstrating that what is right for the environment and what is good for business need not be incompatible. We believe we can be a small, but significant force in helping to create a more sustainable world.

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Going Green

Green architecture is full of prospects for the future to preserve the Planet's environmental health. The iconic Bank Rakyat Twin Towers is not only a new landmark in Kuala Lumpur's changing skyline, but points the way forward for a new generation of buildings that are environmentally sustainable.

Energy efficiency initiatives offer an opportunity to generate positive benefits for the environment besides reducing costs. The towers have been designed to maximise energy performance. With its glass facades that allows for maximum transparency, it captures natural sunlight and minimum reflectivity. This will reduce electricity consumption for lighting purposes. The offices and common areas are cooled by a centralised cooling tower system, with temperature transmitters monitoring the building load and chilled water flow rate to maximise energy efficiency. All individual or enclosed spaces are individually switched and accessible to occupants. Electrical sub-metering systems also reduce

energy consumption in the leased areas as tenants are more likely to pursue energy efficiency opportunities if they can track their energy usage. A Digital Power Meter is integrated into the Building Control System to monitor energy consumption.

For the safety and comfort of occupants, a carbon dioxide (CO2) monitoring and control system has been installed at each air-conditioned floor or zones to facilitate continuous monitoring and adjustment of outside air ventilation rates to maintain CO2 levels. The thermal environment of all shared multi-occupant or worker spaces can also be controlled to ensure optimal levels of thermal comfort and preferences. A lot of planning and thought has also gone into the design of the lighting and visual requirements of Bank Rakyat's Twin Towers. The objectives are to provide occupants with a good level of day-lighting for occupants and eliminate glare from direct sun penetration.

We have also taken a stand for the use of safer materials and chemicals. In the maintenance of the buildings' exterior, only environmentally-friendly and non-polluting methods, chemicals and substances are deployed. These include not only the choice and use of maintenance equipment but also chemicals, paints and sealants.

The Bank has also put in place an Integrated Pest Management (IPM) programme, which is an eco-system based strategy for the long-term prevention of pests. The use of chemicals is minimised, being restricted to only targeted locations or species of pests.



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A Paperless Environment

Worldwide consumption of paper has risen by 400% in the last 40 years, with 35% of harvested trees being used for paper manufacture. With growing awareness, there is a growing trend towards sustainability in the global pulp and paper industry. Since 2014, with the move to its new headquarters, Bank Rakyat has been increasingly transitioning towards implementing a paperless work environment, where the use of paper is greatly reduced or eliminated altogether. Going paperless not only reduces clutter, save money and boost productivity, but is also a great public relations message in a more environmentally-conscious world.

Documents, whether electronic or paper, are an essential component of any corporation. The e-documents system uses cutting-edge software to manage documents more efficiently and cost-effectively. With the system, lost or mislaid files are a thing of the past. The need to print or copy documents also saves time and money. Another initiative to cut down on paper usage is e-minutes. By using a cloud server, minutes of meetings for all Board and Management meetings uploaded and subsequently distributed and downloaded onto iPads. The introduction of e-forms for claims, leave application, purchases of flight tickets among others, has also contributed to an increasingly paperless environment in Bank Rakyat. In addition to these initiatives, employees are continually reminded that paper is a precious commodity and should be conserved wherever possible. All waste paper produced in the Bank that would have been burnt or designated to landfills is collected for recycling.



Going
Green

Bill payments in Malaysia are still predominantly made by either cash or cheques. According to BNM, Malaysia's cheque usage was 5.8 per capita in 2014, which was higher than that of the advanced economies. [Source: Bloomberg TV Malaysia, 9 April 2015] BNM is encouraging Malaysian businesses and customers to migrate to electronic bill payments. Apart from lowering the estimated RM2.7 billion transaction cost as well as RM113 million annual cheque handling cost, the move would provide the banking public with a faster, more secure and efficient means of making and collecting payments. In Malaysia, bill payments made by electronic channels are still relatively low when compared to countries like Malaysia. As of 2015, Bank Rakyat has ceased sending out hard copies of monthly bank statements, although they will be made available on request. Customers have been urged to go online to check on their transactions and bank balances. Holders of our Electronic Current Account-i (eCA-i) can conduct all banking transactions such as fund payments and fund transfers online. Alternatively, our customers can log onto 1Pay or JomPay, two other electronic payment platforms launched by the Bank.

Conservation Projects

Forty years after the first Earth Day, planet earth is in greater peril than ever. Pollution, climate change and natural disasters have reached a pinnacle. According to a new analysis by NASA's Goddard Institute for Space Studies, 2015 will go down on record as the warmest year ever since modern record-keeping began in 1880. Apart from managing our impact on the environment, Bank Rakyat's commitment to environmental preservation is manifested in the many projects and programmes that bear our imprint.

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Lestari Rakyat UKM.

Environmental education and conservation for young people is one of the main goals of Lestari Rakyat UKM, a collaborative effort bringing together Yayasan Bank Rakyat (YBR), Lestari Universiti Kebangsaan Malaysia (UKM) and Kuala Lumpur Local Agenda 21 (LA-21 KL). The programme takes a holistic approach to environmental preservation, focusing on a range of issues such as soil conservation, waste management, forestry conservation, water management and energy efficiency. By engaging young people early, they understand at an early age that society, economy and the natural environment are inextricably connected.

YBR's sponsorship of the programme began in 2015. In 2016, the Foundation contributed RM61,811 to organise three sessions, which was attended by 92 participants, comprising primary and secondary students as well as teachers.

Coral Propagation Programme

In 2015, YBR participated in a marine conservation project to conserve the coral reefs in Pulau Gelok, located off the coast of Terengganu. The island was specifically selected for the conservation project because it is uninhabited and the virtually pristine condition of the coral reefs. The programme aims to preserve the unique biodiversity by reducing any human encroachment that may adversely impact the reefs. To this end, YBR is collaborating with Ocean Quest, Universiti Malaysia Terengganu and Lestari UKM to enlist the help of the local community, educating them on the importance of conserving the coral reefs and empowering them to take a more active role in preserving a natural heritage.

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YBR has extended its commitment to this project with another allocation of RM26,956 for 2016. The allocation was used to organise a series of marine awareness programmes, benefitting some 314 participants, including students and teachers.

Community Heroes

YBR has established a network of volunteers comprising the employees of Bank Rakyat, YBR scholars, as well as members of the public. Known as our Community Heroes, these volunteers are at the forefront of many of our community outreach programmes.

During the year, our heroes participated in a programme aimed at educating Malaysians on the importance of recycling, which includes reusing, repurposing, repairing and reducing. Recycling is important in today's world in order to preserve the planet for future generations to come. Most people have been careless up to this point about the way they have treated the Earth, and we have reached a stage where attitudes must change – in not just the way we do things, but also the way we think.

In May 2016, our Community Heroes also participated in a fish cage restoration project at the Setiu Wetlands. Twelve of YBR's scholars joined forces with 20 volunteers from the Kelab Sukarelawan Universiti Malaysia Terengganu and 30 members of the local community to participate in this project. The cost of restoring the fish cages amounted to RM26,956, which will improve the socio-economic circumstances of the local community, who depend mostly on fishing as a primary source of income.

SOCIETY

Our People

The key to supporting the growth and advancement of Malaysia's financial industry is a steady stream of competent and dynamic talents. The financial sector is expected to grow by between 8% and 11% annually, leading to an increased contribution of the sector to about 10% to 12% of nominal gross domestic product in 2020. [Source: BNM, Financial Sector Blueprint, 2011-2020, page 162] Given the envisioned transformation of the financial sector, there will be an even greater demand for high-quality talent in the sector. With a total staff strength of 5,036 people, Bank Rakyat has a ready pool of talents to nurture and develop into becoming highly competent industry players.

Employment Value Proposition

For Bank Rakyat, being a sustainable entity means that we value our people – our ultimate source of competitive advantage. As a high-performing organisation, we aim to attract, develop and retain the best talents the market has to offer. The Bank's employment value proposition includes job stability, an attractive remuneration package, opportunities for development and an employer brand that is gaining resonance in the marketplace.

Each year, Human Capital (HC) invests significant efforts and resources to create a supportive and inclusive environment for all employees so that they can reach their full potential. We strongly believe in diversity and inclusiveness as prerequisites of a high performance culture. The percentage of our female staff population has increased from 37% in 2014 to 41% in 2016. Over the same



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period, the percentage of females in management positions has also risen from 20% to 24%. Relatively 54% of our staff belong to the Generation Y category, while Generation X employees represent another 40%, followed by the Baby Boomers at 6%. Managing a multi-generational workplace creates unique challenges and opportunities in leveraging each generation's talents and strengths to the Bank's best advantage. Equal opportunities are given to staff at all levels to grow professionally and individually.

In ways, big and small, we show we care about the welfare of our people. Thus, when several of our staff members in Perak and Sarawak were affected by the floods, we were quick to provide those affected with financial assistance. Sometimes, it is the little things that employees appreciate the most. Every year, we remember the birthdays of our permanent staff with a sum of RM100.00 credited to their bank accounts as a token of our appreciation. We also



provide Child Care Subsidy of RM50.00 per family for eligible members with payouts amounting to RM71,226.00 in 2016.

Employee Engagement Survey

It is our responsibility to listen and respond to our people's aspirations and development needs. Strong employee engagement underpins positive outcomes such as higher productivity, talent retention and overall improved business performance. We recognise the rights of employees to join and participate in union activities and through regular dialogue sessions, we reach common grounds on important issues. A variety of channels and mechanisms have been put in place to engage with our employees, encourage collaboration, insights and feedback through these mechanisms. In an Employee Engagement Survey conducted in 2015, we scored highly at 76% to the statement "It would take a lot to get me to leave Bank Rakyat". This is a favourable result compared to the 60% achieved by the financials services sector and the Malaysian country norms of 56%. To the statement "I rarely think about leaving Bank Rakyat to work somewhere else", Bank Rakyat again scored a high 68%, beating out the sector and country norms.

Bank Rakyat is well-recognised for doing all the right things in the important areas of human resource (HR) management and the awards we received in 2016 is testament to this. Asia's most authoritative publication for HR professionals accorded Bank Rakyat as the "Best Place To Work for

in Asia 2016". Our efforts in lending support to our union and its activities were acknowledged by the Union Network International – Malaysian Liaison Council, when we were accorded the "Award of Trade Unions 1Harmony Malaysia (Private Sector)" in conjunction with Labour Day 2016 celebrations.

Developing Capability and Capacity

We have developed and implemented a comprehensive talent management and succession planning process in building our talent pipelines. Developing the capabilities and capacities of the Bank's human capital ranks high on our priority list. This is being implemented through our Career@Bank Rakyat initiative established on 5 July 2016, covering key areas of succession planning, talent management, career conversion and individual development plan initiatives. A variety of tools are used in evaluating the effectiveness in developing capability and capacity, such as Profiling, Gap Analysis and 360 Degree Evaluation among many others. To retain and engage with our pool of internal talents, Bank Rakyat has also launched the following initiatives in 2016:

- Management Classification
- INSPIRE: Developing Leadership Competencies
- Code of Business Conduct and Ethics
- Total Rewards in Bank Rakyat

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Manpower Training & Development

For 2016, Bank Rakyat allocated a sum of RM14.5 million for its training budget, representing 2.6% of estimated gross salary in 2015. Each employee received an average of 5.7 training man-days in 2016. A total of 375 training programmes, functional as well as developmental, were conducted during the year, exceeding the planned target by 25%. To complement classroom training, the training calendar also included on-the-job training (OJT) involving 27 branches. In addition, there were also programmes tailored to improve Occupational Safety and Health (OSH) in Bank Rakyat. Participants were trained in basic life support such as occupational first aid, cardiopulmonary resuscitation (CPR) and automated external defibrillator (AED) training. Our OSH personnel also conducted floor-to-floor talks for the staff at the headquarters. A total of 36 sessions were held throughout the year.

In manpower training and development, one of our most important goals is to develop our people at the same rate that we increase the scope, reach and capabilities of our operations. In 2016, the Bank's primary manpower development goals were to:

- Support personal development and career growth contributing towards building a high-performing organisation
- Provide comprehensive training and development programmes to bridge competency gaps based on each individual's level or function

- Ensure all staff meet their current job requirements whilst preparing them for future needs

To meet the above objectives, the 2016 training calendar included various programmes conducted by in-house as well as external trainers:

- Emphasis on English as a second language in readiness for the Bank's ongoing transformation process where English will play an increasingly important role.
- Roll-out of structured programmes in key areas such as risk management, HC development, auditing, shariah and corporate banking.
- Focus on branch development, with programmes specifically tailored to enhance personnel's operational skills and other front-line functions.
- Rebrand and enhance existing leadership competencies (INSPIRE) at all levels.
- Introduction of new learning protocols through e-learning as a continuous learning platform for employees.
- Continuous programmes to instill R.A.K.Y.A.T values, compliance and Shariah culture at all levels of staff.

The effectiveness of our training programmes is gauged at four levels:

Level 1: Programme Evaluation. This level measures the overall experience of participants upon attending a training programme, taking into account factors such as the knowledge and credibility of trainers and effectiveness of learning materials and delivery, among others.



Level 2: Knowledge Acquired. The knowledge gained by participants is measured through pre- and post-programme assessments.

Level 3: Behavioral Change. This would ascertain the effectiveness of the time spent in the training programme by measuring the behavioral change in participants and their application of the knowledge gained at the workplace.

Level 4: Return on Investment. To measure the return on investment for training is to observe how much the knowledge and skills learnt have been translated into positive values for the organisation. Positive changes in mindset and organisational culture should be observable and measurable training in the long run.



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Lifelong Learning

Lifelong or continuous learning has become, and will continue to remain as an important human capital concern in the contemporary knowledge-based organisation. Knowledge workers bring fresh ideas to the table and are always aware and embrace changing trends and technologies. They enable the organisation to be agile and competitive. In inculcating a culture of lifelong learning, Bank Rakyat has a scholarship programme to assist staff in realising their ambitions of attaining higher academic and professional qualifications for future career development.

The scholarship programme is open to all employees of the Bank to obtain relevant professional qualifications such as PCC, IPCC, ACCA, CIAFIN, PKMC among others, at accredited universities in Malaysia. In 2016, 15 staff members (12 managements and 3 non-managements) were awarded scholarships to pursue their academic goals.

Bank Rakyat also offers the Education Incentive Scheme (EIS) for its staff and dependents. For employees seeking to further their education and professional development, the incentive scheme starts at the certification level right up to those who complete their Doctor of Philosophy (PhD) programmes. The incentive scheme for the children of dependents begins from the UPSR level to the award of a Bachelor's Degree (Honours). In 2016, a total of RM145, 200.00 was disbursed under the EIS, benefitting 62 staff members and 190 children of employees.

Succession Planning

One of the key human capital challenges is talent shortage within the industry to fill up critical positions at the senior level. Effective succession planning supports organisational stability and sustainability by ensuring there is an established process to meet staffing requirements, particularly at the senior levels. Bank Rakyat's Succession Plan has the overall goal of ensuring that there will be a pool of competent talent who will sustain good leadership and business operations.

Identifying and developing the leadership pipeline is a decisive factor in succession planning. While the identification process is based on nomination, the selection of the potential successor is based not only on performance, but factors such as potential and psychometrics assessments are also taken into consideration.



Once the identification and selection processes are completed, structured and continuous programmes are implemented to equip potential candidates with the desired leadership capabilities and to bridge gaps to meet requirements. Among the initiatives carried out in 2016 included:

- Applying knowledge through a series of action-learning initiatives, examples being knowledge sharing, committee involvement and advisory capacity as subject matter experts for projects. Job rotation may also be necessary to accelerate the learning.
- In order to fast track the learning process, candidates also attend specially-tailored Leadership Programmes. Through networking and acquiring the global mindset and traits, they will be well-equipped to take the organisation to the next level.

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In Bank Rakyat, internal candidates are seen as the main source of talent to fill up any vacancies in the senior management positions. Only when there are no suitable candidates internally, the Bank will go for external talents to ensure business continuity.

Occupational Safety and Health (OSH)

Bank Rakyat regards the safety and health of our employees at work as paramount. That is why the stress on occupational safety and health in the Bank is second to none within the industry. We are the first bank in Malaysia to obtain the OHSAS 18001: Occupational Health and Safety Management System certification as well as MS1722: Malaysian Standard on Occupational Health and Safety Management System. A dedicated Occupational Health and Safety Unit has been set up under the Industrial and Employee Relations Department, reporting to the Human Capital Chief Officer in his capacity as Chairman of the OSH Main Committee.

In inculcating an OSH culture within the Bank we are committed to undertake the following:

- Promote occupational safety and health management as integral to the Bank's management and administration.
- Protect the safety and health of employees and others when maintenance works carried out at the workplace and when handling hazardous chemicals is involved.
- Prevent work-related injuries, illnesses and damages to property or the environment.
- Comply with all relevant OSH legislations and other regulations subscribed to by the Bank.

Employees are regularly consulted on all aspects of the Bank's OSH management system and performance. As an integral part of the system, the OSH Policy & Manual is made applicable to staff, visitors, contractors and other parties that have dealings with the Bank. OSH initiatives launched in 2016 include Chemical Exposure Monitoring at 15 Ar-Rahnu X'Change branches. In conjunction with the Human Capital Day, we also carried out a health campaign and launched Wellness@Bank Rakyat as a guide to stress-free living.

During the year 2016, the Bank achieved a zero fatality rate. There were, however, eight accidents and 47 lost workdays. This works out to an incident rate of 2.77 and a frequency and severity rate of 1.34 and 4.48 respectively. There is definitely room for improvement and we will learn from the incidents reported to reduce, if not prevent recurrences.

HC As Business Partner

As we move into Phase III of our Capital Transformation Blueprint, 2017 and beyond, HC will take on the new role of acting as a business partner in driving performance. HC will be reviewing the existing human resource administrator approach in transitioning into a business partner and drive high performance in line with the Bank's broader business model. To achieve this, HC will be appointing full-time Human Resource Business Partners (HRBP) who will be assigned to key business units. These HRBPs will take on the dual role as an employee champion as well as change agents. To be effective, HRBPs will need to demonstrate an understanding of stakeholder needs, create an efficient and engaged workforce and communicate value via useful insights.

This will enable HC professionals to continue offering strategies to create a fully engaged, efficient and contented workforce. At the same time, HC will be in a better position to identify internal talent gaps, prepare the business for future challenges and ensure that the Bank is equipped with the right capabilities to create a competitive advantage moving forward.

COMMUNITY DEVELOPMENT

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

Bank Rakyat's community outreach programmes embody the promise of better days and better lives ahead. Importantly, in all our community work, we actively encourage our management and staff to get involved in welfare work and charity projects. This stems from our conviction that fulfilling our societal dues should not only involve the Bank, but must come from individual hearts as well. The spirit of volunteerism is alive and well at Bank Rakyat – our employee sacrifice their time, make personal donations and quickly respond whenever the need arises. In 2016, Bank Rakyat employees engross actively in volunteering activities, bringing to life the human dimension of the values we espouse. By living our vision and values, that is how Bank Rakyat differentiates itself.

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Wonderfully Inspired Artistic Souls

Long-term projects are always the true test of our commitment to society. Bank Rakyat has teamed up with the National Autism Society of Malaysia (NASOM) to be the voice of children diagnosed with autism in the country. Autism is a complex development disability due to a neurological disorder and approximately 9,000 autistic children are born in Malaysia each year. NASOM's mission is to advocate for the rights of autistic people and in doing so, provide opportunities for them to learn and lead a productive and fulfilling life. Helping others to improve their lot in life is a cause that Bank Rakyat can relate to as it is closely aligned to our own mission - to help improve the well-being of our cooperative members. Every child deserves a champion and Bank Rakyat wants to be the voice of children with autism in Malaysia, who need help because they are often misunderstood. By taking on this cause, we hope to make a world of difference to the children as well as their families.

Through a programme to foster the creativity and enthusiasm of autistic children, we have produced a calendar. Appropriately themed "Wonderfully Inspired Artistic Souls", the 2017 calendar features 14 paintings produced by 12 highly talented autistic kids. One of these paintings is also featured on the cover of this year's annual report. The calendar was launched by YB Dato' Seri Hamzah Zainudin, Ministry of Domestic Trade, Co-operatives and Consumerism on 15 December 2016, where three of the artists were presented to the Minister. The event was also graced by members of the NASOM Autism Choir. With the production of the calendar, which was distributed to members, customers and other stakeholders, we hope to kick-off a series of painting classes and workshops throughout the country. We will work with the National Work



Gallery to showcase exceptional works at venues throughout the country.

Also in collaboration with NASOM, we sponsored the screening of a movie featuring two animated characters, Upin and Ipin, who came to the rescue of a 10-year old orphaned girl. Screened during the year-end school holidays at selected cinemas in Kuantan, Bayan Baru and Damansara, our efforts in promoting family bonding and raising public awareness about autism, were recognised and highlighted by the mainstream media.

As part of our ongoing efforts to raise awareness about autism, we teamed up with Super Lawak FC. This fund-raising initiative was promoted online by several top Malaysian local artistes as well as Sinar FM, a leading Malay-language radio station. One of the



highlights of the collaboration was the much anticipated "Bolatismo", which saw the Super Lawak FC pitting their skills against a Bank Rakyat Selection on the football pitch.

Bank Rakyat also lent its support to The Autism Café Project (ACP), which serves up more than quality food. It provides opportunities for young adults with autism to be gainfully employed in jobs that match their capabilities. By

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opening doors to opportunity, the hope is that autistic people will eventually become entrepreneurs in their own right. ACP was the main caterer at the official launch of Bank Rakyat's 2017 calendar and also provided supper at the "Bolatismo" charity football match.

Mobile Surau

Mobile Surau is one of the Bank's contributions in providing a comfortable place for people to pray especially during any outdoor programs or activities that were held at the field or stadium.

Mobile Surau was officiated by the Malaysia Prime Minister, YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak, on 2 October 2016 during the National-level Maal Hijrah 1438H / 2016M at the Malaysia Agro Exposition Park (MAEPS), Serdang.

Identifying the difficulty to find a comfortable place to pray as one of the most frequent encountered problems, Bank Rakyat as an Islamic banking entity has taken an initiative to invent an innovation that can ease the burden of the Muslims.

Equipped with basic facilities such as ablution, air conditioner, storage and speaker system, Mobile Surau which can accommodate about 40 people in

one time is expected to be beneficial to the community to carry out their daily worship.

Supporting Vibrant Communities

We have long believed that our success is underpinned by a cohesive and inclusive community environment. Over the years, Bank Rakyat has continually refined its approach to managing its business activities responsibly and sustainably, ensuring we earn trust by creating value for the communities in which we operate. We therefore look to proactively engage with the relevant NGOs, local and community organisations to contribute to building a sustainable society for present and future generations.

Each year, the Bank supports many worthy charitable organisations and worthy causes. One of our most enduring causes has been in the field of education, spearheaded by YBR which was set up in May 2007. YBR's primary objective is to raise the education level of underprivileged Malaysians irrespective of religion, ethnicity and background. Its activities are funded by Bank Rakyat members, individuals as well as cooperatives, who each donate 0.5% of the dividends that they receive annually.



Since its establishment, the Foundation's scholarship programme has evolved. Scholarships are now not only awarded to candidates pursuing qualifications from local institutions of higher learning but also universities abroad. For the Financial Year 2016/2017, YBR awarded a total of 640 scholarships worth some RM19.1 million to higher education students studying in Malaysia and abroad. In 2016, 14 YBR scholars were absorbed into the workforce of the Bank upon completion of their programmes.

In 2015, YBR launched its Life Long Learning Programme in collaboration with Universiti Utara Malaysia (UUM-PACE) for Bank Rakyat staff who wish to pursue a Bachelor's Degree on a part-time basis. A total of 25 students were selected for the first intake. For the Financial Year 2016/2017, YBR awarded RM660,000 in scholarships to 30 students to pursue their studies for a Degree in Islamic Banking.

Didik Rakyat Seminar

A collaboration between YBR and Berita Harian, the Didik Rakyat Seminars have become one of YBR's signature programmes. The main objective of the seminar is to prepare students across the country for the national level Ujian Penilaian Sekolah Rendah (UPSR), PT3 exams for lower secondary students

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and the Sijil Pelajaran Malaysia (SPM). The first series were organised in 2003 and since then it has benefitted more than 200,000 students, especially those in the rural areas.

For 2016, YBR channeled a total of RM934,866 to organise 45 seminars attended by 12,243 students, a 38.9% increase from 7,661 recorded the previous year. The one-day seminar imparts useful tips such as learning techniques and tips for answering exam questions, even the most challenging ones. Didik Rakyat caters to all Year 6, Form 3 and Form 5 students and participation is restricted to only 200 students for each session.

7-A-Side National Football Championship - 1 Student 1 Sport (7S1M1S)

YBR subscribes to a holistic approach as key to student development and ultimate success. Key to this approach, YBR recognises the importance of sports as a means to help students cultivate the necessary skills, discipline and attributes necessary to realise their full potential, besides promoting a healthy lifestyle. Another goal is to discover early talents that could be nurtured into world-class performances.

Working together with the Ministry of Education, YBR with the participation of Bank Rakyat branches, organised a series of football tournaments, 7-A-Side National Football Championship-1 Student 1 Sport (7S1M1S). The



competition is open to all states, with only the top two teams from each state competing in the final round. For 2016, the championship title was won by Sekolah Kebangsaan Puteri Jaya, Kedah. YBR invested some RM692, 957 to organise the tournaments, which saw the participation of 2,440 students.

Orang Asli Schoolchildren Sports Tournament (KSSMOA)

YBR's holistic approach to developing student potential is also extended to the Orang Asli Schoolchildren Sports Tournament (KSSMOA). A collaborative effort with the Ministry of Education, the KSSMOA is a grassroots developmental programme aimed at discovering the hidden athletic abilities of orang asli children. Among the events contested at the national-level are track and field, football, sepak takraw and handball. YBR has set aside RM267,439 to organise the series of sporting events, which saw the participation of 448 students.

KEMBARA Muda Rakyat

Another signature programme of YBR that was launched in 2014, Kembara Muda Rakyat aims to put the fun back into education for better learning outcomes. The emphasis is on experiential learning and for many participants, it is an opportunity to be away from home for the first and be among their peer groups in a new learning environment. Besides allowing kids to explore areas of interests in Malaysia, the programme features a new and exciting theme for each session. It may focus on culture, education, science and technology, agriculture, heritage, performing arts or outdoor adventures, to cite some examples.



These short breaks from daily routine and the new surroundings afford participants hands-on education and the opportunity to observe and learn new things. Participants learn through observing, sharing their discoveries and thoughts with their friends.

In 2016, under the theme "Hari Ini Untuk Esok – Warisan Sumber Modenisasi", the programme brought 120 kids and 38 facilitators to explore the east coast states of Pahang and Terengganu at a cost of RM204,595. YBR is appreciative of the full cooperation and support it has received from the Terengganu State Government which contributed in no small measure to the success of the 2016 programme. With their new friends and in a new learning environment, it brought out the powers of observation among participants.

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Rakyat Tuition

The Rakyat Tuition programme has been extended to assist less privileged families who otherwise would not be able to afford paying for private tuition for their children. The cost of running the programme in 2016 amounted to RM472,941, involving a total of 260 schools compared to only 94 schools in 2015. The number of students benefitting has also increased to 13,000 in 2016.

The 4 to 6 months long programme prepares selected students for the UPSR, PT3 and SPM examinations. Classes are held every Saturday (excluding public holidays and year-end school holidays) and provide additional tutorials to supplement school work and revisions. The programme is conducted by a team of dedicated experienced teachers and speakers.

IKON Programme

Formerly known as "Program Kecemerlangan Minda", IKON is a developmental programme that is aimed at enhancing the self-confidence of secondary school students and to ignite their interest in developing a career path. To ensure the success of the programme, YBR has enlisted the help of two national icons to inspire and motivate the students. The national astronaut Major Dr. Faiz Khaleed and renowned preacher Ustaz Don Daniyal Don Biyajid spent time with the students, sharing their thoughts and ideas.

A total of 12 sessions were organised in 2016 and were attended by 3,176 students preparing for their Forms 4 and 5 examinations. The total cost of organising the programme amounted to RM126,298.

Robotic Workshop

YBR has joined the global movement to increase participation by teachers and students in STEM (Science, Technology, Engineering and Mathematics) disciplines to meet the needs of an innovation-driven globally competitive workforce. To achieve this objective, YBR has partnered with the Advance Technology Training Centre (ADTEC) to organise the Robotics Workshop. The revolution taking place in the world of robotics is mind-boggling. Robotics has been described as a game changer and the most important technology for the rest of the 21st Century.



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Each workshop consists of a 2 days session for teachers and 1 day for students. A total of 266 teachers and students attended the six workshops organised in 2016. The workshops were designed to provide opportunities for skill-building at the developmental level. Among others, students gained exposure to physics, mechanics, electronics, programming, vocabulary and also hands-on experience in solving some real-world challenges. For the teachers, the workshop sessions opened possibilities to new teaching methods using robotics as a context for inquiry and discovery. This will encourage students to become active problem solvers and take charge of their own learning outcomes.

21st Century Teaching Techniques
Workshop

This unique and innovative programme aims at transforming teachers into exemplary educators, where many teaching modules are becoming more entrepreneurial in responding to the needs of 21st Century learners. The workshop aimed at equipping teachers and learning providers with the essential knowledge and competencies essential to ensure positive learning outcomes and become skilled navigators of a networked, global economy. This requires a change of mindsets, systems, approaches and technologies to turn intentions into action.

The comprehensive programme involved the participation of teachers from the District Education Offices as well as the respective State Education Departments. As an enabler of the transformation process, YBR has stepped in with a commitment of RM229,934 in 2016 to organise 36 workshops that was attended by 5,025 teachers from all over the country.

Talent Rakyat

Unemployment among graduates is a growing phenomenon in Malaysia and is expected to increase each year due to a growing number of students enrolled at public as well as private institutions of higher learning (IPTA and IPTS). To address the growing trend, the Malaysia government has introduced a training programme known as the 1Malaysia Training Scheme (SL1M) to enhance the employability or the ability of graduates to seek for employment. The programme is spearheaded by the MOHE, Ministry of Human Resources, Skills Development Fund Corporation (PTPK) and other government-linked agencies (GLCs).

In support of the government's initiative, YBR has launched the Talent Rakyat programme designed to equip graduates with the hard and soft skills to enhance their employment prospects. For 2016, YBR invested RM130,000 to conduct training programmes comprising a mix of academic content as well as vocational training for 138 students.

Serambi Ilmu Rakyat (SIR)

Located at the 7th Floor of Tower 1, Bank Rakyat Twin Towers, SIR is a 80:20 digital/print library that is intended to increase the knowledge of Malaysians, particularly the Bank's members, employees and YBR-sponsored scholars.

Occupying an area of 13,789 sq.ft., SIR can accommodate 500 visitors at any one time. Amenities include personal computers, tablets and headphones, e-reading corners, self-service kiosks for borrowing and returning materials, photocopy machines and scanners, workshop room, designated children's area, lockers and even massage chairs for the comfort of library users.



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In June 2016, a delegation led by representatives from the International Federation of Library Associations and Institutions (IFLA) visited SIR. The purpose of the visit was to assess the suitability of SIR in terms of its amenities, facilities and information materials to qualify Malaysia to host the IFLA Conference in 2018. SIR was among 10 best libraries in Malaysia that was selected to host the 2018 conference.

Striving Harder

Bank Rakyat plays an important role in enhancing Bank brand image and public profile through its various outreach programmes. Whether it is in the field of education or the preservation of the environment, we are working towards creating a better future.

While much has been achieved, we realise that there is still room for improvement. We need to think outside the box and out of our comfort zones to initiate high-impact programmes to improve the quality of education in Malaysia. This is a prerequisite in Malaysia's onward march to achieving industrialised nation status by the year 2020.

More than at any time, the world is at an environmental crossroad. While reducing our own environment footprint, we believe we can do more to transform the way the Malaysian public think about how they treat the planet

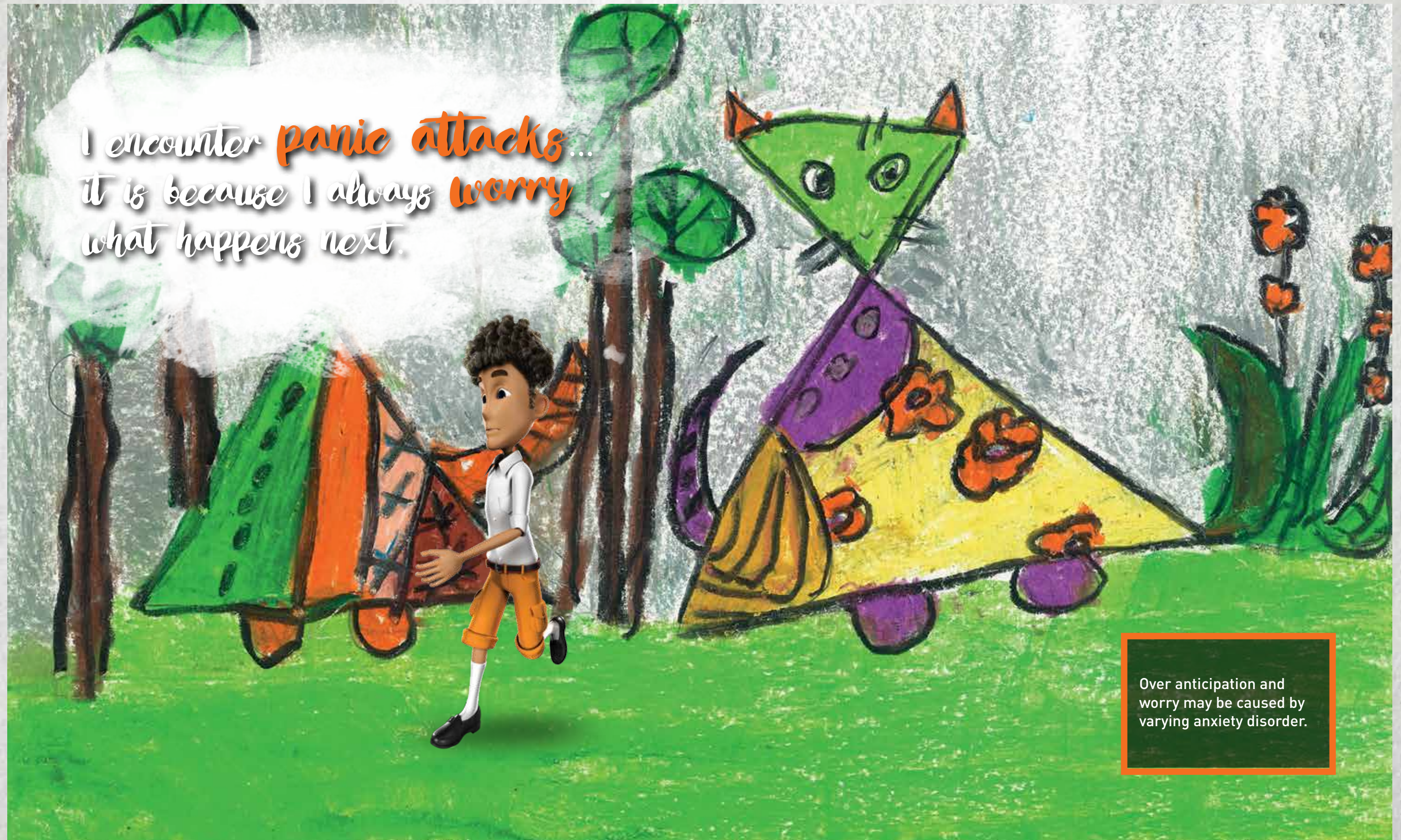


and the roles they must play. At the same time, we need the buy-in of all our employee spread across the country. By getting them all involved, Bank Rakyat hopes to plant roots deeper into local communities spreading the benefits further afield.

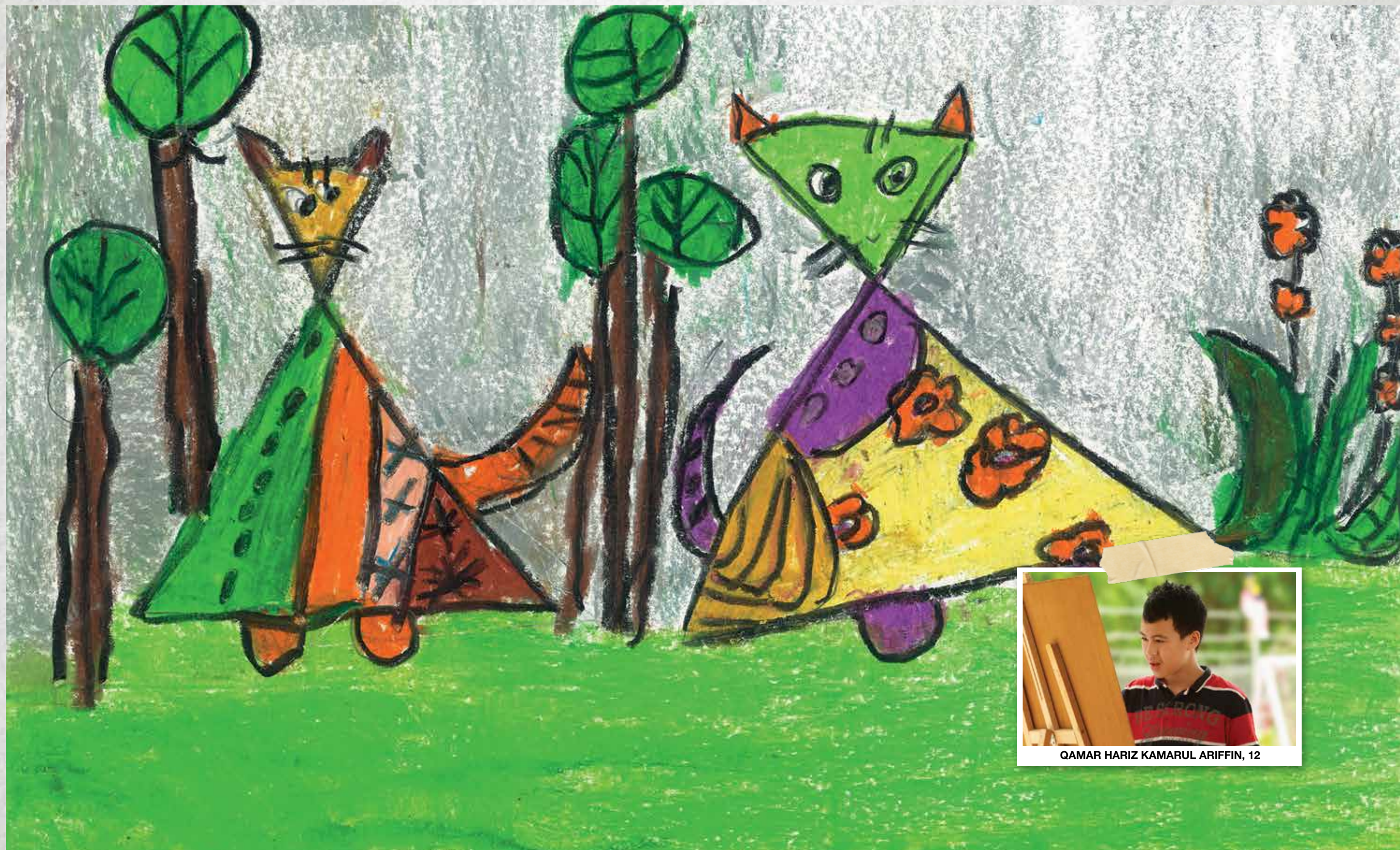
Above all, we need to go beyond platitudes. In forging a sustainable future, actions are always better than words.



I encounter **panic attacks**...
it is because I always **worry**
what happens next.



Over anticipation and worry may be caused by varying anxiety disorder.



QAMAR HARIZ KAMARUL ARIFFIN, 12

BOARD OF DIRECTORS And Main Committees

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

THE BOARD OF DIRECTORS

1. Composition of Board

Currently, there are ten (10) Directors on the Bank Rakyat's Board, comprising of:

- Seven (7) Independent Non-Executive Directors.
- Two (2) Non-Independent Non-Executive Directors (Nominees from Ministry of Finance and Ministry of Domestic Trade, Co-operatives and Consumerism).
- One (1) Non-Independent Executive Director, designated as Managing Director.

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

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

2. Board Charter

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

The Board Charter covers the following key areas:

- I. The Size and Composition of the Board
- II. New Appointment/Reappointment of the Directors
- III. The Role and Responsibilities of the Board
- IV. Code of Conduct for the Directors
- V. Conduct of the Board Meetings
- VI. Roles of Chairman
- VII. Roles of Managing Director
- VIII. Roles of Independent Non-Executive Directors
- IX. Roles of Board Committees

3. Roles and Responsibilities of the Board

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

The Board assumes the following key roles:

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

The major responsibilities of the Board include:

- a) Finance and Operations
 - i) Review and approve the Bank's business strategies.
 - ii) Provide clear objectives and policies within which management is to operate.
 - iii) Review, approve and monitor budgets, major capital commitments, capital management, acquisitions and divestitures.
 - iv) Review, approve and monitor the Bank's business plans, annual targets, financial statements and other reports.

BOARD OF DIRECTORS AND MAIN COMMITTEES

- 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.
- 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 on-going 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 on-going assessment and annual review the performance of the Chairman, Managing Director and Individual Directors and key Senior Management personnel and evaluate the effectiveness of the Board.
- iv) Making 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.

BOARD OF DIRECTORS
AND MAIN COMMITTEES

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- f) Others
 - i) In carrying out its functions, the Board has access to the records, properties and personnel of the Bank.

4. New Appointment and Re-Appointment

- The proposed appointment or re-appointment of Director is subject to the prior approval of the Minister who is in charged with the responsibilities for co-operative development.
- The appointment of the new Directors is for an initial term not exceeding three (3) years and any such appointee is eligible for re-appointment for a term not exceeding two (2) years.

5. Training and Continuous Professional Development of Directors

Continuous Training is vital for the Directors to broaden their perspectives and keep abreast with the development in the banking industry and with 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 program under the Financial Institutions Director’s 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 is relevant to the banking industry. The Directors can also attend other training organised by local professional bodies and regulatory authorities in areas that are relevant to the Bank.

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

6. Independent Non-Executive Directors

The effective participation of independent non-executive directors bring 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 and possible conflict of interest between the policy making process and the day to day management of the Bank;
- (d) To constructively challenge and contribute to the development of business strategy and direction of the Bank; and
- (e) To ensure that adequate systems and controls to safeguard the interests of the Bank are in place.

In addition to the rights accorded to directors, independent non-executive directors may request that their views, comments and stance are recorded to enable them to effectively discharge their duties.

7. Directors Remuneration

The remuneration and allowances of the Chairman and all other directors is determined by the Minister-in-charge and with the concurrence of the Ministry of Finance (MOF).

8. Roles and Responsibilities of the Chairman

The Chairman is responsible for:

- a) The leadership and management of the Board and ensuring that the Board and the Board Committees function effectively;
- b) Chairing all Board meetings and leading discussion among directors;
- c) Ensuring that the directors receive accurate, timely and clear information to enable them to discharge their duties. The directors are entitled to request for 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 on Board Committees;

- f) Facilitating the effective contribution of all directors at Board meetings; and
- g) Promoting constructive and respectful relations between directors, and between the Board and Management.

9. Roles and Responsibilities of the Managing Director

The Managing Director is responsible for:-

- a) The development, in conjunction with the Board, and implementation of short, medium and long-term corporate strategies for the Bank, preparing business plans and reports with Senior Management and reporting/presenting to the Board on current and future initiatives;

- b) Ensuring that the policies and decisions approved by the Board are carried out by Management to their desired outcomes;
- c) Ensuring the efficient and effective day-to-day operations of the Bank;
- d) Ensuring that the Bank has the appropriate risk management policies in place;
- e) Providing strong leadership and, together with Management, communicating the Bank’s vision, management philosophy and business strategy to the employees;
- f) Assessing business opportunities which are of potential benefit to the Bank; and
- g) Bringing material and other relevant matters to the attention of the Board in an accurate and timely manner.

10. Board Meetings

The Board of Directors meets at least once a month and additional meetings are held when required. The Board meetings held twenty two (22) meetings during the financial year ended 31 December 2016 and the attendance as follows:

Name	Attendance at Board Meetings
General Tan Sri Dato’ Sri Abdul Aziz Zainal (R) (Chairman)	8/8
Dato’ Mustafha Haji Abd. Razak (Managing Director)	8/8
Dato’ Sri Jamil Salleh (Appointment effective 1 October 2016)	5/6
Dato’ Siti Zaayah Md Desa	16/22
Dato’ Sri Alias Haji Ahmad (Temporary Chairman appointment effective 30 August 2016)	22/22
Datuk Haji Abdul Rahman Kasim	22/22
Dato’ Dr. Roselan Baki (Appointment until 14 April 2016)	4/4
Datuk Haji Mohd Idris Haji Mohd Isa	22/22
Tan Sri Dr. Alies Anor Abdul (Appointment until 15 July 2016)	7/7
Dato’ Haji Ismail Nordin	19/22
Encik Razalee Amin	21/22
Datin Dr. Nik Sarina Lugman Hashim (Appointment effective 1 June 2016)	12/15
Dato’ Haji Abdullah Haji Abas (Appointment until 26 October 2016)	16/17

11. Board Committees

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

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

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

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

- a) Audit and Examination Committee

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

The Audit and Examination Committee shall comprise of not less than three (3) Non-Executive Directors of the Board. The Committee held nine (9) meetings during the financial year ending 31 December 2016 and the attendance as follows:

Name	Attendance at Board Meetings
Datuk Haji Mohd Idris Haji Mohd Isa (Chairman)	9/9
Tan Sri Dr Alies Anor Abdul (Appointment until 15 July 2016)	4/4
Datuk Haji Abdul Rahman Kasim (Appointment effective 1 July 2016)	5/5
Dato’ Haji Abdullah Haji Abas (Appointment until 26 October 2016)	8/8
Dato’ Dr Roselan Baki (Appointment until 14 April 2016)	2/2
Encik Razalee Amin	9/9
Datin Dr. Nik Sarina Lugman Hashim (Appointment effective 1 July 2016)	5/5

The objectives of the Audit and Examination Committee are:

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

The function of the Audit and Examination Committee:

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

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

The Committee’s duties and responsibilities are to:

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

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b) Risk Management Committee

The Risk Management Committee comprises of not less than three (3) non-executive directors of the Board. The Committee held four (4) meetings during the financial year ending 31 December 2016 and the attendance as follows:

Name	Attendance at Board Meetings
Dato' Siti Zauyah Md. Desa (Chairman appointment until 30 September 2016)	4/4
Dato' Dr Roselan Baki (Appointment until 14 April 2016)	1/1
Tan Sri Dr Alies Anor Abdul (Appointment until 15 July 2016)	2/2
Encik Razalee Amin (Chairman appointment effective 1 October 2016)	4/4
Datin Dr. Nik Sarina Lugman Hashim (Appointment effective 1 July 2016)	2/2

The objectives of the Risk Management Committee are:

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

The function of the Risk Management Committee:

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

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

The Committee's duties and responsibilities are to:

- Oversee the effectiveness of the risk management function and ensure compliance with relevant Bank Negara Malaysia's Guidelines on risk management function requirements.
- Review the implementation of capital management in line with the Capital Adequacy Framework for Islamic Bank issued by Bank Negara Malaysia and approve scenario for stress test on capital adequacy.
- Review the allocation of risk-adjusted capital and broad based limits across the Bank covering credit, market and operational risks.

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

c) Nomination Committee

The Nomination Committee comprises of a minimum of five (5) members, of which at least four (4) must be non-executive directors of the Board. The Committee held five (5) meetings during the financial year ending 31 December 2016 and the attendance as follows:

Name	Attendance at Board Meetings
General Tan Sri Dato' Sri Abdul Aziz Zainal (R) (Chairman)	4/4
Datuk Mustafha Haji Abd. Razak	4/4
Dato' Sri Alias Haji Ahmad (Appointment until 1 September 2016)	4/4
Datuk Haji Mohd Idris Haji Mohd Isa	5/5
Datuk Haji Abdul Rahman Kasim (Chairman appointment effective 1 October 2016)	5/5
Dato' Haji Ismail Nordin	5/5
Encik Razalee Amin (Appointment effective 1 September 2016)	1/1
Datin Dr. Nik Sarina Lugman Hashim (Appointment effective 1 September 2016)	1/1
Dato' Sri Jamil Salleh (Appointment effective 1 October 2016)	1/1

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The objectives of the Nomination Committee are:

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

The function of the Nomination Committee:

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

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

The Committee’s duties and responsibilities are to:

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

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d) Remuneration Committee

Members of the Remuneration Committee comprise of not less than three (3) non-executive directors of the Board. The Committee held six (6) meetings throughout the financial year ending 31 December 2016 and the attendance as follows:

Name	Attendance at Board Meetings
Dato’ Sri Alias Haji Ahmad (Chairman appointment until 30 September 2016)	5/5
Dato’ Dr Roselan Baki (Appointment until 14 April 2016)	2/2
Datuk Haji Mohd Idris Haji Mohd Isa	5/6
Dato’ Haji Ismail Nordin (Chairman appointment effective 1 October 2016)	6/6
Dato’ Siti Zauyah Md Desa (Appointment effective 1 July 2016 until 30 September 2016)	1/1
Datuk Haji Abdul Rahman Kasim (Appointment effective 1 October 2016)	1/1
Dato’ Sri Jamil Salleh (Appointment effective 1 October 2016)	1/1

The objectives of the Remuneration Committee are:

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

The function of the Remuneration Committee:

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

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

The Committee’s duties and responsibilities are to:

- Review and recommend to the Board the overall remuneration policy for directors, the Managing Director and key Senior Management personnel.
- Review and recommend to the Board specific remuneration package for the directors, Managing Director and key Senior Management personnel reporting functionally or administratively to the Managing Director and such other personnel as determined by the Board from time to time.

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- Determine the total individual remuneration package for personnel including appropriate bonuses, incentive payments etc based on individual performance.
- Make recommendations to the Board in relation to any review of employee remuneration and benefit structures including bonuses and performance related pay schemes to ensure alignment throughout the Bank.
- Review and recommend to the Board the remuneration of the Shariah Committee members.

e) Board Financing Committee

The Board Financing Committee comprises of not less than three (3) non-executive directors of the Board. The Committee held thirteen (13) meetings during the financial year ending 31 December 2016 and the attendance as follows:

Name	Attendance at Board Meetings
General Tan Sri Dato’ Sri Abdul Aziz Zainal (R) (Chairman)	8/8
Tan Sri Dr Alies Anor Abdul (Appointment until 15 July 2016)	5/6
Dato’ Siti Zauyah Md Desa	10/13
Datuk Haji Mohd Idris Haji Mohd Isa	12/13
Encik Razalee Amin (Chairman appointment effective 1 October 2016)	13/13
Datin Dr. Nik Sarina Lugman Hashim (Appointment effective 1 October 2016)	4/4

The objective of the Board Financing Committee:

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

The function of the Board Financing Committee:

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

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

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The Committee’s duties and responsibilities are to:

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

f) Board Investment Committee

The Board Investment Committee shall comprise of not less than three (3) non-executive directors of the Board. The Committee held five (5) meetings during the financial year ending 31 December 2016 and the attendance as follows:

Name	Attendance at Board Meetings
General Tan Sri Dato’ Sri Abdul Aziz Zainal (R) (Chairman)	4/4
Datuk Mustafha Haji Abd Razak	4/4
Datuk Haji Abdul Rahman Kasim (Chairman appointment effective 1 October 2016)	5/5
Prof. Dr Nor Hayati Binti Ahmad (Appointment until 30 June 2016)	2/4
Dato’ Siti Zauyah Md Desa	5/5
Dato’ Haji Abdullah Haji Abas (Appointment until 26 October 2016)	3/3
Dato’ Haji Ismail Nordin (Appointment effective 1 October 2016)	1/1

The objective of the Board Investment Committee:

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

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The function of the Board Investment Committee:

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

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

The Committee’s duties and responsibilities are to:

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

g) Tender Board

The Tender Board shall comprise of not less than three (3) non-executive directors of the Board. The Tender Board held five (5) meetings during the financial year ending 31 December 2016 and the attendance as follows:

Name	Attendance at Board Meetings
General Tan Sri Dato’ Sri Abdul Aziz Zainal (R) (Chairman)	5/5
Dato’ Mustafha Haji Abd Razak	5/5
Tan Sri Dr Alies Anor Abdul (Appointment until 15 July 2016)	3/4
Dato’ Haji Abdullah Haji Abas (Appointment until 26 October 2016)	5/5
Datuk Haji Abdul Rahman Kasim (Chairman appointment effective 1 October 2016)	5/5

The objective of the Tender Board:

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

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The function of the Tender Board:

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

The Committee’s duties and responsibilities are to:

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

h) Board Oversight Committee

Board meeting held on 30 August 2016 had duly constituted a Board Oversight Committee (BOC). The BOC consists of a Chairman and at least three (3) Non-Executive Directors. Due to the ad-hoc nature of this meeting, the requirement of an adequate attendance is limited to the fulfilment of the quorum.

The BOC held twenty four (24) meetings during the financial year ending 31 December 2016 and the attendance as follows:

Name	Attendance at Board Meetings
Encik Razalee Amin (Chairman)	23/24
Dato’ Siti Zauyah Md Desa	4/24
Datuk Haji Abdul Rahman Kasim	24/24
Datuk Haji Mohd Idris Haji Mohd Isa	21/24
Dato’ Haji Abdullah Haji Abas (Appointment until 26 October 2016)	14/15
Dato’ Haji Ismail Nordin	17/24
Datin Dr. Nik Sarina Lugman Hashim	14/24

The objective of the Board Oversight Committee

The BOC shall exercise its authorities in the best interest of the Bank in the context of providing strategic guidance and direction for the Bank, however, will not transgress into the role of Management. The sign-offs will still be done by the respective signatories stated in the Authority Matrix.

The function of the Board Oversight Committee

To carry out with delegated authority on Board’s behalf in ensuring the strategic functions, business plans, budgets and general administration of the affairs and business of the Bank are implemented and/or monitored efficiently and effectively by the Management of the Bank and that the requirements of good corporate governance practices are observed accordingly.

The Committee’s duties and responsibilities are as follows:

- The BOC shall review proposals from the Management and make recommendations to the Board to facilitate Board’s decision making.
- All decisions taken by the Management that requires approval from the Managing Director shall be reviewed and monitored by the BOC.

ANNUAL GENERAL MEETINGS

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

ACCOUNTABILITY AND AUDIT

1. Financial Report

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

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

2. Internal Controls

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

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

We, the Audit and Examination Committee, carried out our inspection and evaluation review of the Audit Departments within branches, departments, subsidiaries and Yayasan Bank Rakyat on a periodic basis during 2016. This was undertaken to ensure the adequacy and effectiveness of internal control systems, risk management and governance of the Bank was fulfilled and was Shariah compliant.

In accordance with the requirements of Bank Negara Malaysia as stipulated in the guidelines BNM/RH/GL005-4 Guidelines on Corporate Governance – Standards on Directorship for Development Financial Institutions, the Audit and Examination Committee met nine (9) times to ensure banking operations were in accordance with prescribed policies and procedures.

We are satisfied with the risk-based audit approach taken by the management of Bank Rakyat, its operations, its subsidiaries and Yayasan Bank Rakyat. The risk-based audit approach is based on reviewing the adequacy of risk management and operational controls, compliance with laws and regulations, quality and effectiveness of assets, and effectiveness of management.

Risk relating to the Bank’s operations, its subsidiaries and Yayasan Bank Rakyat were identified and internal control measures were taken to reduce the risks. To strengthen governance, Internal Audit plays a vital role. The results of the audit, areas of concern and recommendations for corrective action must be given serious consideration and corrective actions must be implemented by all management to enhance the performance of an organisation. To ensure this, recommendations and admonishments were made by Internal Audit and channelled to the relevant parties for corrective actions to be taken.

The Committee is also satisfied with the level of existing internal controls and the corrective actions taken by Bank Rakyat Management with regard to the reported findings of the audit. Audit and Examination Committee proposes that the existing procedure and governance in Bank Rakyat need to be reviewed with the involvement of external consultant.

Nevertheless, Internal Audit will continue to conduct ongoing monitoring and reviewing to enhance accountability and integrity to ensure that the interests of Bank Rakyat remain uncompromised and assured in meeting the challenges of a challenging environment and strong competition.

During 2016, the activities undertaken by Internal Audit Sector were as follows:

- Developed an annual audit plan using a risk-based and COSO approach, taking into consideration Bank Rakyat’s business expansion plan as well as inputs from Management and the Committee.
- Provided independent assessment and objective assurance over the adequacy and effectiveness of risk management, internal control and governance processes through structured reviews of departments and operations identified in the annual audit plan.
- Conducted ad-hoc assignments and special reviews as instructed by the Committee, Management or BNM.
- Ascertained the level of compliance with established policies and procedures and statutory requirements.
- Recommended improvements and enhancements to the existing system of internal controls and work procedures/processes.
- Conducted investigation into activities or matters as instructed by the Committee and Management.
- Prepared the Audit & Examination Committee Report for Bank Rakyat’s Annual Report for Financial Year ended 31 December 2016.
- Conducted Internal Control Awareness Programmes for Branch Managers during program “Excellent Managerial Practices for Branch Manager (EMP)”.

We also find that Internal Audit is an independent function providing certainty and objective consultancy to add value and enhance the level of the Bank’s operations. Furtherance to that, fifty eight (58) recommendations and opinions submitted to Audit have been added to the Operations Guidelines (GPO) and Department Manuals.

To raise awareness of the importance of Internal Controls at the level of Branch Operations, Internal Audit took the initiative to conduct a seminar on Awareness of Internal Controls for clerical staff, executives, senior executives, Branch Heads and Heads of Rakyat Xcess and Ar-Rahnu X’Change in nine (9) districts.

We also find that Internal Audit activities assist the Bank in maintaining effective controls through assessment of effectiveness and efficiency and the encouragement of continuous improvements.

1. COMPOSITION AND TERMS OF REFERENCE

1.1. Composition

- a. The Audit & Examination Committee (Committee) shall be appointed by the Board of Directors from its members and shall consist of not less than three members, all of whom shall be non-executive directors. The majority of the Committee members shall be independent directors.
- b. At least one member of the Committee shall have working experience or knowledge in accounting, auditing practices and or financial reporting requirements.

1.2. Frequency and Proceeding of Meetings

- a. Meetings shall be held at least once in three months.
- b. The Chairman may also convene a meeting upon request of any member, the Management, Internal or External Auditors to consider any matters that should be brought to the attention of the Board of Directors or members of Bank Rakyat.
- c. The Committee will regulate its own procedure particularly with regard to the calling of meetings, the voting and proceedings of such meetings, the notice to be given of such meetings, the keeping of minutes, the custody, production and inspection of such minutes.

1.3. Quorum

A quorum shall consist of three members.

1.4. Secretary

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

1.5. Rights

- The Committee shall, wherever necessary and reasonable for the performance of its duties, have the following rights and at the cost of Bank Rakyat:
- Have full access to any information pertaining to Bank Rakyat.

- Obtain independent professional or other advice.
- Invite to its meeting any director who is not a Committee member and/or any employees of Bank Rakyat that it feels can assist to reach an informed decisions.
- Authority to investigate any matter within its terms of reference.
- Obtain the resources which are required to perform its duties.
- Direct communication channels with the external and internal auditors.
- Convene meetings with the external auditors.

1.6. Duties & responsibilities

The duties and responsibilities of the Committee shall be:

a. Risk Management

To review the adequacy and effectiveness of risk management, systems of internal control and governance processes (which includes compliance with shariah) of Bank Rakyat (and its subsidiaries) including the scope of internal audit, internal audit programme, internal audit findings, and recommend action to be taken by the Management.

b. Internal Audit

- To approve the appointment, termination or transfer of Chief Internal Auditor and senior internal auditors.
- To evaluate the performance and decide on the remuneration package of the Chief Internal Auditor.
- To review the adequacy of internal audit plan, scope, functions and resources of Internal Audit Sector and that it has the necessary authority to carry out its work.
- To review and determine the deliverables of the Shariah audit function upon consultation with the Shariah Committee.

- To review the assessment and audit findings on the effectiveness of internal control system and Bank Rakyat's compliance with Shariah.
- To consider major findings of internal investigations and Management's responses.
- To ensure and regulate that the internal audit functions comply with Bank Negara Malaysia's (BNM) Guidelines on Internal Audit Function of Licensed Institutions (BNM/RH/GL/013-4).

c. External Audit

- To review the external auditors' audit plan and scope, the system of internal accounting controls and the audit controls.
- To review the assistance given by Bank Rakyat's officers to the external auditors and any difficulties encountered in the course of audit works, including any restrictions on the scope of activities or access to required information.
- To review major audit findings raised by the external auditors and Management's responses, including the status of previous audit recommendations.

d. Financial Reporting

- To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies and bad and doubtful debts.
- To ensure fair and transparent reporting of the financial accounts for submission to the Board of Directors and ensure the prompt publication of annual accounts.

e. Related Party Transactions

To review any related party transactions that may arise between Bank Rakyat and its subsidiaries.

f. Other Matters

- The Chairman of the Committee shall report all matters that require the attention of the Board of Directors or the members of Bank Rakyat.
- Act on other matters as the Committee considers appropriate or as authorised by the Board of Directors.

2. ATTENDANCE AT MEETINGS

Nine (9) Committee meetings were held during 2016. The details of attendance of each member at the Committee meetings are as follows:

Name of Committee Members	Attendance at Committee Meetings	Percentage of Attendance
Y. Bhg. Datuk Haji Mohd Idris Haji Mohd Isa Chairman	9/9	100%
Y. Brs. En. Razalee Amin Member	9/9	100%
Y. Bhg. Datuk Haji Abdul Rahman Kasim Member (appointed with effective from 1 July 2016)	5/5	100%
Y. Bhg. Datin Dr. Nik Sarina Lugman Hashim Member (appointed with effective from 1 July 2016)	5/5	100%
Y. Bhg. Dato' Dr. Roselan Baki Member (ceased with effective from 15 April 2016)	2/2	100%
Y. Bhg. Tan Sri Dr. Alies Anor Abdul Member (ceased with effective from 16 July 2016)	4/4	100%
Y. Bhg. Dato' Haji Abdullah Haji Abas Member (ceased with effective from 27 October 2016)	8/8	100%

AUDIT & EXAMINATION
COMMITTEE REPORT

3. SUMMARY OF ACTIVITIES

During the year, the Committee carried out the following activities in line with BNM’s Guideline on Corporate Governance Standards on Directorship for Development Financial Institutions [BNM/RH/GL 005-4]:

3.1. Financial Reporting

Ensured 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. In addition, the Committee ensured fair and transparent reporting of the financial accounts for submission to the Board of Directors and ensured the prompt publication of annual accounts.

3.2. Internal Audit

- a. Reviewed the annual audit plan to ensure adequate scope and comprehensive coverage over the activities of Bank Rakyat and its subsidiaries and the resource requirements of Internal Audit Sector to carry out its functions.
- b. Reviewed the Internal Audit reports, audit recommendations and Management’s responses to these recommendations.
- c. Reviewed the status report on actions implemented by Management to rectify the outstanding audit issues to ensure control lapses are addressed.
- d. Reviewed the monthly Internal Audit Achievements and Performance reports to ensure the progress, achievement, performance, coverage of the Internal Audit functions, trainings attended by internal auditors and noted the reasons for the resignation of internal auditors.
- e. Reviewed the audit reports issued by regulatory authorities, Management’s responses to the Regulators’ recommendations and the remedial actions taken to rectify the weaknesses detected.

- f. Reviewed the subsidiary companies for an overview of the risk management and internal control systems of those subsidiary companies.
- g. Approved the appointment of key positions in Internal Audit Sector.
- h. Instructed the conduct of investigation into activity or matter within its terms of reference.
- i. Reviewed the minutes of meetings of the Committee for an overview of the deliberation and remedial actions taken by Management on the control lapses raised by internal auditors.

3.3. External Audit

- a. Reviewed with the external auditors:
 - The Audit Planning Memorandum and scope of work for the year.
 - The results of the audit, the relevant audit reports and Audit Highlight Memorandum together with Management’s responses/comments to the findings.
- b. Reviewed the appointment of external statutory auditors for the provision of non-audit services. When considering the approvals for these services, the Committee took into consideration the process and requirements (including fees threshold) established under the policy for such appointments.
- c. Evaluated the performance of the external auditors and made recommendations to the Board of Directors on their reappointment.

3.4. Related Party Transactions

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

AUDIT & EXAMINATION
COMMITTEE REPORT

4. TRAINING

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

5. INTERNAL AUDIT FUNCTION

The Committee is supported by the 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.

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

The internal audits cover 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 achieve acceptable risk exposures consistent with Bank Rakyat’s risk management policy. In performing such reviews, internal audit 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 (Standards) promulgated by The Institute of Internal Auditors (IIA).

During 2016, the activities undertaken by Internal Audit Sector were as follows:

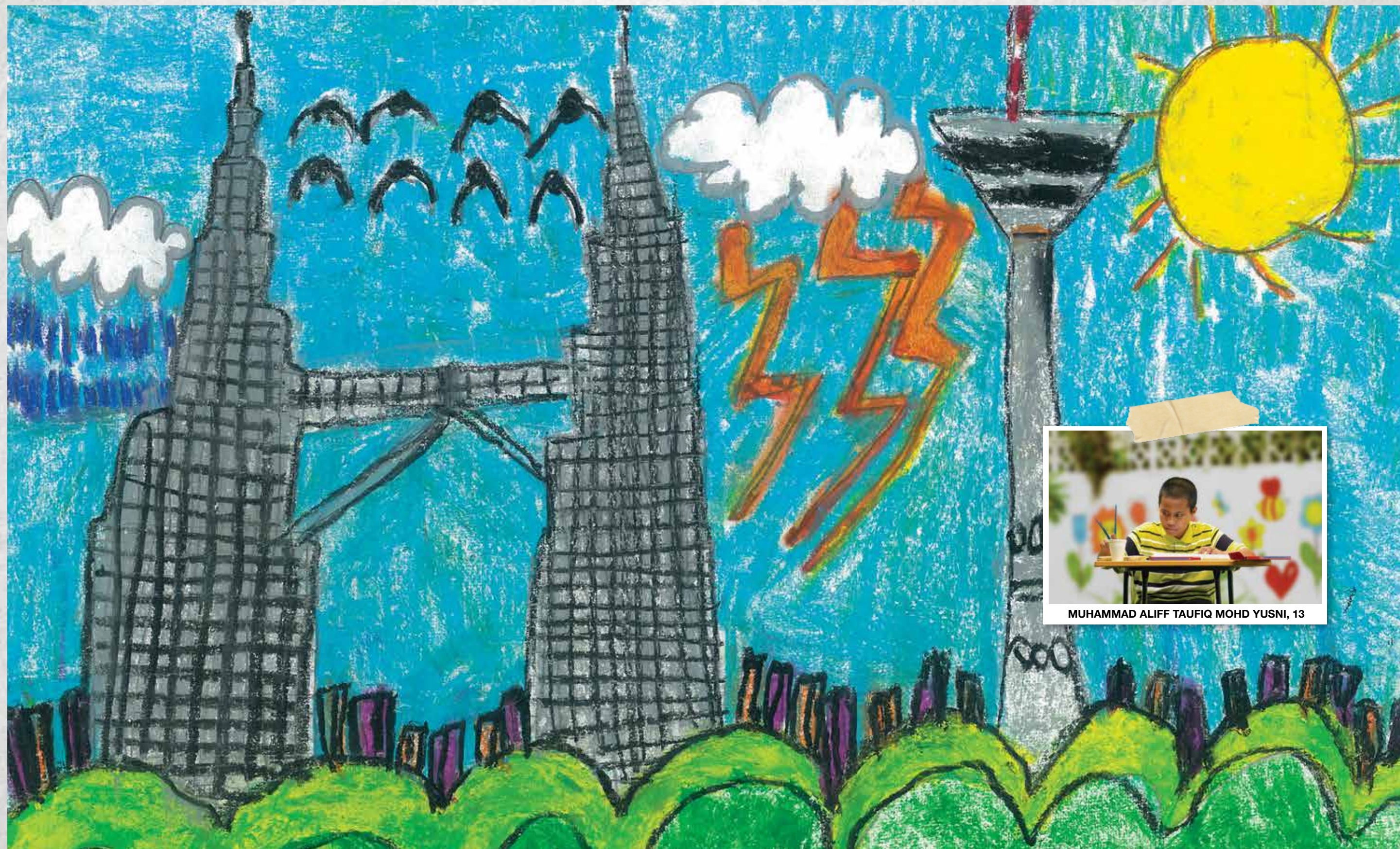
- Developed an annual audit plan using a risk-based and COSO approach, taking into consideration Bank Rakyat’s business expansion plan as well as inputs from Management and the Committee.
- Provided independent assessment and objective assurance over the adequacy and effectiveness of risk management, internal control and governance processes through structured reviews of departments and operations identified in the annual audit plan.
- Conducted ad-hoc assignments and special reviews as instructed by the Committee, Management or BNM.
- Ascertained the level of compliance with established policies and procedures and statutory requirements.
- Recommended improvements and enhancements to the existing system of internal controls and work procedures/processes.
- Conducted investigation into activities or matters as instructed by the Committee and Management.
- Prepared the Audit & Examination Committee Report for Bank Rakyat’s Annual Report for Financial Year ended 31 December 2016.
- Conducted Internal Control Awareness Programmes for Branch Managers during program “Excellent Managerial Practices for Branch Manager (EMP)”.

The total costs incurred for the internal audit function of Bank Rakyat for 2016 is RM8.2 million.



I may appear **dull** witted...
but I have an **exceptional**
style of learning

Autistic spectrum
disorder Children are
learners and observers in
their own ways.



MUHAMMAD ALIFF TAUFIQ MOHD YUSNI, 13

RISK MANAGEMENT Committee

ENSURING SUSTAINABILITY IN CHALLENGING ENVIRONMENT

Risk management aims to ensure that the Bank safeguards the interests of various stakeholders while supporting the long-term stability and growth. The practice, which has been embedded in the Bank's daily operations, requires constantly to be strengthened in facing the changing market conditions and various challenges ahead.

During the year, the Bank has embarked on numerous initiatives to strengthen the foundation of risk management. The initiatives, together with a proactive risk management culture, would ensure the sustainability of the Bank going forward.

ELEVATED RISK CULTURE

2016 saw an increased focus on upholding the effectiveness of internal policies and procedures in line with the overarching principles as outlined in the Bank's Risk Management Framework. Concurrently, the Bank continued to observe and assume the banking industry's best practices as a benchmark and where ever possible ensure that the necessary practices in placed. As a result, risk culture is elevated throughout all levels of the Bank ensuing strong risk awareness. The Bank recognizes that risk management is the responsibility of everyone. Rather than being a separate and standalone process, risk management is integrated into business and decision-making processes including strategy formulation, business planning and development, capital assessment and allocation, internal control and day-to-day operations. The risk-based decision making is guided by the Bank's Risk Appetite Statement which reflected the level of risk that the Bank is willing to take in pursuit of its business strategies and plans. For the year 2016, the Bank's Risk Appetite Statement is maintained 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.

Risk Management continued to be an advocate to key business decision through the provision of business advisory and outlooks on emerging risks in the Bank's internal and external environments.

Being the partner in growth, Risk Management continued to provide consultation to the business units in providing value-added risk assessment with the balance to support portfolio diversification of the Bank. This included re-engineering the governance process of product development with the objective to further embed risk appreciation among the business units so as to keep the product life cycle in check.

Learning and awareness programmes were conducted throughout the year to further embed risk awareness mind-set among the employees and strengthen internal collaboration on risk management activities. In this regard, Risk Management had continuously provided support and advice to the business in daily monitoring of risk exposures as well as in strengthening risk mitigations and internal controls.

TRANSFORMED CREDIT CULTURE

With the elevation of risk culture, the Bank's credit culture was also transformed as seen through strengthened credit processes and enrichment of credit underwriting resulting in improved asset quality. The dimensions of credit risk and the scope of its applications are defined in the Bank's relevant credit policies. Enhancements to the policies as well as the procedures supporting the policies were being conducted to continue safe guarding the quality of financing assets. The enhancements made took into account changes in regulatory requirements and economic outlook at the same time comprehending those external factors with the Bank's existing practices. Governance and oversight by the Board was further strengthened with the establishment of Board Financing Committee (BFC) in 2016 to support the Board's oversight function for matters in regards to all types of credit.

DEFENDING OURSELVES AGAINST EXTERNAL FORCES

Credit risk is managed through understanding of the customers and the economic situation that they are in. 2017 will be a challenging year for the Bank amid the global economic uncertainty. The Bank will continue to strive maintaining the good asset quality that had been upheld for the past years with continuous improved underwriting standards and credit processes. In addition, robust portfolio monitoring and assessment will be constantly assumed to keep the Bank's credit standing and strategy in check.

RISK MANAGEMENT COMMITTEE

EMPOWERING RISK MANAGEMENT DECISIONS THROUGH CAPITAL ASSESSMENT

Capital is used principally to support assets in the Bank's businesses and to absorb credit, market and operational losses. Structural changes to the assessment process of the Bank's capital adequacy was embarked since the previous years and 2016 saw full force of implementation of capital monitoring and reporting aligned with the BNM's Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank begun its capital position reporting to BNM based on CAFIB on parallel basis. Subsequently, initial works towards preparation of Internal Capital Adequacy Assessment Process (ICAAP) took place and upon implementation the Bank would be the pioneer among the Development Financial Institutions (DFI) with ICAAP readiness.

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 through the issuance of Sukuk, NiDC and Cagamas, 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 emphasise on the growth of the floating rate financing and CASA-i as well as longer term fixed rate funding instruments. 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.

In line with leading practices, the Bank has adopted the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") and reviewed the Liquidity Risk Management Framework, Policies and Procedures ensuring alignment with regulatory standards set by Bank Negara Malaysia and Basel Committee on Banking Supervision ("BCBS"). The LCR aims to assess the Bank's ability to withstand significant liquidity stress over 30 days period. While, the NSFR focuses to ensure the Bank maintains sufficient stable funds to support its asset growth.



RISK MANAGEMENT
COMMITTEE

SUSTAINING OPERATIONAL
RESILIENCE AND MINIMISING
OPERATIONAL RISK LOSSES

The pursuit towards achievement of the annual business plan and targets requires a sustained and collaborative effort from all organs within the Bank. From operational risk perspective, the Bank must ensure business activities adheres to Shariah requirements, operations are uninterrupted by disruptive events, minimise expected operational loss events and avoid any unexpected events.

Throughout 2016, the Bank had progressively sustained the operational risk initiatives in line with the requirements of BNM's Policy on Operational Risk, which was issued in May 2016 and shall come into effect in May 2017. The Bank had continued the implementation of Risk and Control Self-Assessment (RCSA) to assess inherent operational risks and adequacy of internal controls, as well as monitored point in time operational risk exposures via Key Risk Indicators (KRIs). The periodic analysis of Loss Event Data (LED) also provided insights into risk areas requiring attention, which was followed through with thematic reviews to identify corrective actions and mitigations as well as enhance the governance process.

Outcomes of operational risk assessment, profiling and monitoring, which also comprised of Shariah non-compliance risk and IT risk, were escalated to Senior Management and Board via the established risk governance structure. In addition, Risk Management was permanent attendee of various committees at Senior Management and Board levels such as IT and project steering committees and Shariah committee so as to provide independent views and advisory on business and operational matters.

Risk Management continued to leverage on collaborative effort with Compliance and Internal Audit to synergise the efforts and initiatives and ensure comprehensive internal control adequacy assessment and reporting. To enhance risk oversight, encourage accountability and ownership, embedded risk and compliance functions had been established in significant business and functional divisions. The embedded risk and compliance functions were made responsible to execute operational risk management and compliance functions within their jurisdiction as well as monitor and provide assurance on adequacy of internal controls and compliance with regulatory requirements.

To continuously improve operational resilience, the Bank had established additional alternate operating site to complement the existing alternate site so as to provide for higher recovery capacity and reduce concentration and dependency risk. The business continuity and IT disaster recovery plans were tested throughout the year to ensure readiness for any eventualities familiarise with the recovery strategies and procedures as well as for continuous improvement. The Business Continuity Management Office coordinates incident management and escalation procedure as well as activation of crisis management and business continuity plans so as to ensure prompt recovery of operations.

WHAT TO EXPECT IN 2017

In 2017, the Bank is poised to register positive growth in the Bank's retail segment on the back of expected improvement in the country's economy despite concerns over several uncertainties due to possible risks from external developments and policy changes in major markets. Managing changes is inevitable in the current dynamic market. The Bank aims to continue embedding regulatory best

practices in risk management thus creating more value to ensure long-term stability and growth.

Risk Management capabilities will be strengthened through implementation of the Integrated Risk Management System. The Integrated Risk Management System is an important tool for managing risk and it forms an important part of good governance. The system extends the risk management practices throughout the Bank's structures and processes, incorporating and aligning risk management with business planning, objective setting, decision making and other management activities of the Bank.

The Integrated Risk Management System would catalyse Risk Management's bank-wide implementation of Enterprise Risk Management framework that was introduced in 2016. The framework provides cohesive and consolidated view of risk taking activities to the Board and senior management. It is a tool to promote an integrated and well-informed view of risk exposure across the Bank, incorporating all risks inherent to the business activities and functions, portfolio or business line levels.

The advent of new technologies has changed the banking landscape tremendously with vast opportunities for growth and new businesses that may introduce new risks to the Bank or heighten the existing risk exposure. The increased innovation in electronic banking activities and emergence of financial technology industry has also made banking fraud much more sophisticated and complex. In this regard, apart from implementing Integrated Risk Management System, the Bank has also embarked on the procurement of enterprise fraud management system and the establishment of dedicated fraud management function that shall specialise in fraud detection, investigation and monitoring.

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 recognized 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 of 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 bachelor's degree in Shariah, which includes study in *usul fiqh* (origin of Islamic law) or *fiqh muamalat* (Islamic transaction/commercial law) from a recognized 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 case by case basis to ensure compliance with Shariah requirements at all time.

- 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 publishment 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 to 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 fiqh* (application of Shariah ruling), report and finding carried out by all Shariah functions inclusive of Shariah Research and Consultation, Shariah Review, SRM and Shariah Audit in order to ensure Shariah compliance.
- 3.6 Approve and provide written confirmation (or in a form of certificate being signed off by all SC members) on Shariah compliance of Bank Rakyat's product proposal based on proper support of *takyif fiqh* and confirmation whereby no contradiction against SAC/BNM ruling is identified in the product proposal for the purpose of new product approval submission to BNM.

SARIAH COMMITTEE
TERMS OF REFERENCE

SARIAH COMMITTEE
TERMS OF REFERENCE

- 3.7 Endorse all framework, policies, procedures and any other applicable documents relating to Shariah and ensure the contents do not contain any elements which are not in line with Shariah.
- 3.8 Endorse and validate all relevant documentations relating to products, business and operations including but not limited to legal documents, product policies and procedures, product manual and marketing collaterals to ensure compliance with Shariah requirements with exception to certain specific tasks empowered to a specific internal Shariah functions by recorded decision of SC in consensus.
- 3.9 Advice and assist Bank Rakyat to consult SAC/BNM and or SAC/SECCOM when necessary in a written form.
- 3.10 Advice Bank Rakyat on the calculation, allocation and distribution of zakat and validate the list of zakat recipients post-decision of Jawatankuasa Zakat Perniagaan Bank di bawah Asnaf (JZPBA).
- 3.11 Abstain from making decision which is not in line with the ruling of SAC/BNM which may violate the Central Bank of Malaysia Act 2009.

- 3.12 Must not act in a manner that would undermine the rulings and decisions made by SAC/BNM and the SC and required to respect and observe the published Shariah rulings issued by SAC/BNM and shall not go against the decisions of the SC that they represent in public.
- 3.13 Retreat of Shariah decision issued by SC in the event of issuance of new and or revised Shariah resolutions and decisions made by SAC/BNM and SAC/SECCOM.
- 3.14 Harmonize the conflict between Shariah and legal approaches to gradually lead Bank Rakyat's practices towards the best globally accepted Shariah practices.
- 3.15 Validate and endorse all matters related to Shariah non-compliant event, rectification measures and purification process including the list of beneficiaries of tainted income for further reporting to BOD.
- 3.16 Inform BNM on Shariah non-compliant activities in the event they are not effectively or adequately addressed or no rectification measures are made by Bank Rakyat.
- 3.17 Regularly inform the BOD on relevant Shariah matters.
- 3.18 Disclose sufficient information relating to Shariah as required by BNM in the annual SC report which is embedded in Bank Rakyat's annual report and endorse the annual report prior to publication.

- 3.19 Act as Shariah spokesperson to respond on Shariah related inquiries during Bank Rakyat annual general meeting or any public events which involve Bank Rakyat.
- 3.20 Observe the principle of confidentiality in relation to Bank Rakyat's business, operations and affairs at all times whereby all information obtained shall not be used in the manner that could be detrimental to Bank Rakyat.
- 3.21 Other responsibilities being assigned by BOD from time to time or any Shariah matters that require SC's immediate attention.

4.0 SARIAH 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 with majority of the 2/3 votes shall come from Shariah qualified members.

- 4.5 Any dissenting view by member 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 Chief Risk Officer and Chief Internal Audit are invited as permanent attendees according to Shariah governance best practice. 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 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 meeting held in the particular year, as well as the attendance of every SC members shall be disclosed in the annual report.

5.0 ANNUAL SARIAH COMMITTEE REPORT

- 5.1 SC is required to report all approved products for the year (which has been launched), disclose any Shariah non-compliant event and amount of income that has been purified and state the amount of zakat that has been distributed during the year.
- 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.
- 5.4 Annual SC Report is included in the Bank Rakyat's Annual Report.

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 is 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 advices on Shariah related matters only without intervening into 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.
- 6.5 Attendance at meetings:

Shariah Committee Members	Attendance
SS Dato' Setia Haji Mohd Tamyas Abd Wahid	14/16
Prof. Madya Dr. Siti Salwani Razali	16/16
Ustaz Md. Yunus Abd. Aziz	16/16
Ustaz Wan Rumaizi Wan Husin	15/16
Ustaz Abdullaah Jalil	12/16
Prof. Madya Dr. Azman Mohd Noor	15/16
Prof. Madya Dr. Aznan Hasan	14/14

7.0 ADVISOR TO JAWATANKUASA ZAKAT PERNIAGAAN BANK DI BAWAH ASNAF

- 7.1 One (1) of the SC members is appointed as an advisor to JZPBA to ensure the management of zakat is compliant to Shariah.

SHARIAH COMMITTEE
TERMS OF REFERENCE

NOTIS OF
Annual General Meeting

Date : 04th May 2017 / 07 Syaaban 1438H

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

NOTICE OF 2017 BANK RAKYAT ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2017 Bank Rakyat Annual General Meeting will be held as follows:

Date : 20 May 2017 (Saturday)
(23 Syaaban 1438H)

Venue : Dewan Tun Abdul Razak,
Tingkat 2, Menara 1, Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Central
50470 Kuala Lumpur.

Time : 10:30 a.m.

MEETING AGENDA

1. To confirm the minutes of the Annual General Meeting held on 16 April 2016;
2. To appoint a Committee of six representatives and four members of the Board including the Chairman, to verify the draft of the minutes of the Annual General Meeting;
3. To present the Audited Financial Statements for the year ended 31 December 2016, together with the Board of Directors' Report, Audit and Examination Committee Report, Auditor General's Report, and Views of the Malaysia Cooperative Societies Commission; and
4. To deliberate on proposals from members received by the Board not less than seven days before the Annual General Meeting (if available).

By Order of the Board



LIZA ROS BINTI DAMSI
Bank Secretary

- 7.2 JZPBA meeting can only be conducted with the presence of at least one (1) of the appointment advisors.
- 7.3 The SC representative or zakat advisor shall provide advices 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.
- 8.4 Upon reappointment of SC member, an increment to the respective SC member shall be considered.
- 8.5 Remuneration amount is subjected to BOD's approval and or review from time to time upon recommendation by the Remuneration Committee and it shall commensurate with the roles and responsibilities of the SC member.

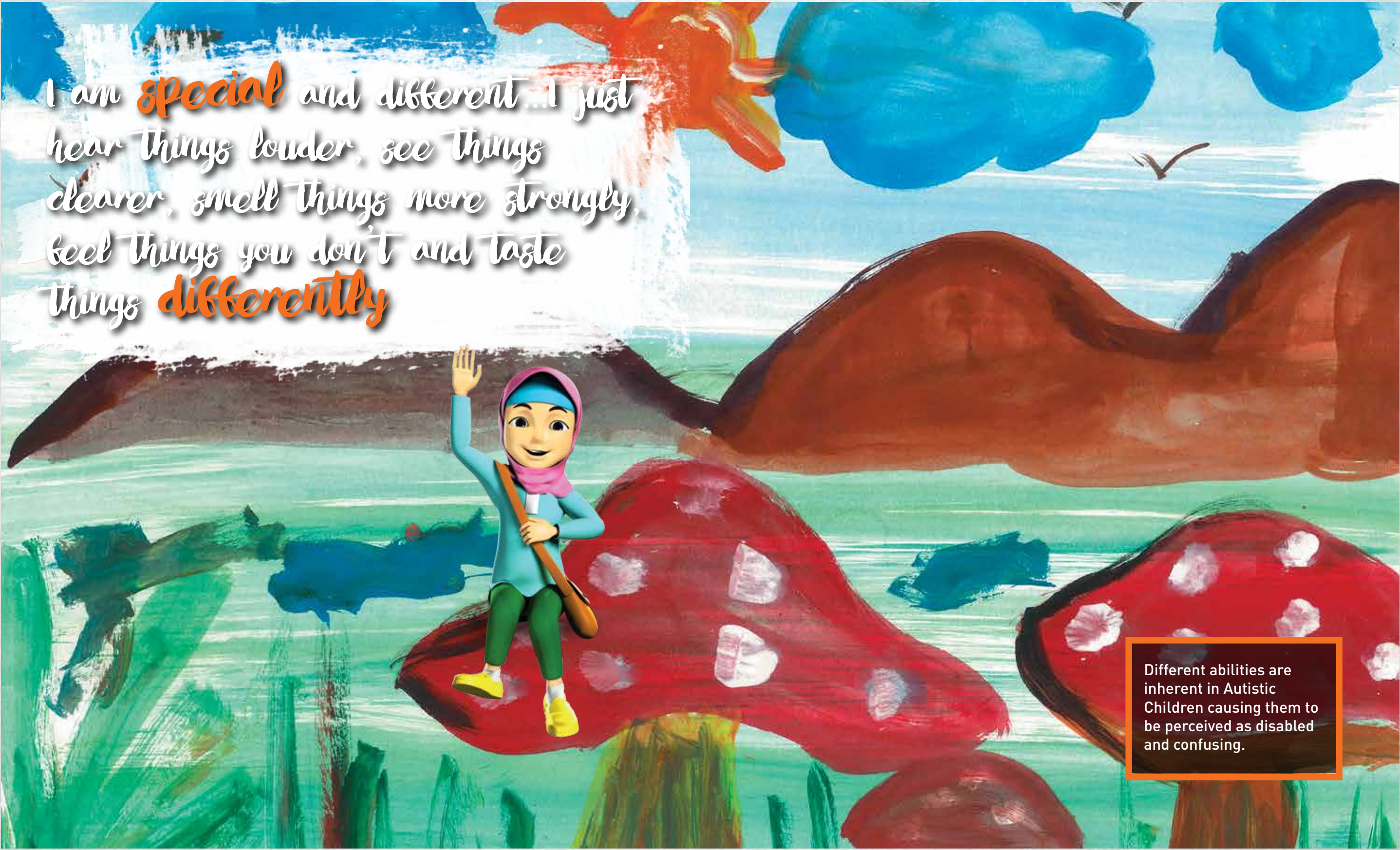
9.0 SECRETARY AND SECRETARIAT
TO SHARIAH COMMITTEE

- 9.1 Head of Shariah who is 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 and Fatwa Research Section under the Department of Shariah Research and Consultation Department of Bank Rakyat.

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 program or any other event in the name of Bank Rakyat, the respective SC member is entitle to a fixed event fee and mileage claim.





I am **special** and different...I just
hear things louder, see things
clearer, smell things more strongly,
feel things you don't and taste
things **differently**

Different abilities are
inherent in Autistic
Children causing them to
be perceived as disabled
and confusing.



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**REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
BANK KERJASAMA RAKYAT MALAYSIA BERHAD
FOR THE YEAR ENDED 31 DECEMBER 2016**

Report on the Financial Statements

The financial statements of Bank Kerjasama Rakyat Malaysia Berhad and the Group have been audited by my representative which comprise the Statements of Financial Position as at 31 December 2016 and the Statements Of Profit Or Loss And Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with approved financial reporting standards in Malaysia, guidelines issued by Bank Negara Malaysia, the requirements of the 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 the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been carried out in accordance with the Audit Act 1957 and in conformity with approved standards on auditing in Malaysia. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of Bank Kerjasama Rakyat Malaysia Berhad and the Group as at 31 December 2016 and their financial performance as well as cash flows for the year then ended in accordance with approved financial reporting standards in Malaysia and guidelines issued by Bank Negara Malaysia, the requirements of the 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 have considered the financial statements and the auditors' reports of the subsidiary companies of which I have not acted as auditor as indicated in the notes to the financial statements. I am satisfied that the financial statements of the subsidiary companies that have been consolidated with Bank Kerjasama Rakyat Malaysia Berhad's financial statements are in appropriate form and content for the purpose in the preparation of the financial statements. I have received satisfactory information and explanations required for those purposes. The auditors' reports on the financial statements of the subsidiary companies were not subjected to any observations that could affect the financial statements.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Cooperative Societies Act 1993 (Act 502) in Malaysia, I also report that in our opinion:

- i. The accounting and other records have been properly kept in accordance with Section 58 of the Act;

STATEMENT BY DIRECTORS

We, **TAN SRI SHUKRY MOHD SALLEH** and **RAZALEE AMIN**, 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, 1965 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 2016 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,



TAN SRI SHUKRY MOHD SALLEH
Chairman



RAZALEE AMIN
Director

Kuala Lumpur
Date: 29 March 2017

- ii. The receipt, expenditure and investment of monies and the acquisition and disposal of assets by the Bank Kerjasama Rakyat Malaysia Berhad during the year ended 31 December 2016 are in accordance with the Act, the provision of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202) and the by-laws of Bank Kerjasama Rakyat Malaysia Berhad; and
- iii. The assets and liabilities, in all material respects, are fairly stated in accordance with the accounting policies.



(TAN SRI DR. MADINAH BINTI MOHAMAD)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
30 MARCH 2017



ANNUAL REPORT OF SHARIAH COMMITTEE OF BANK RAKYAT 2016

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 2016.

1.

We have reviewed the principles and the contracts relating to the following products introduced by Bank Rakyat in a year of 2016 as below:

i.

Personal Financing-i Smart Cash based on *Tawarruq* launched on 22nd February 2016.

ii.

Motorcycle Financing-i (Low-Powered) based on *Tawarruq* launched on 22nd February 2016.

iii.

Pinjaman Mikro-i Bazar Ramadan 2016 (SBR) based on *Qard*, *Wakalah* and *Ujrah* launched on 27th May 2016.
2.

We have reviewed the transactions, applications and dealings entered into by Bank Rakyat through the following processes:

i.

Shariah review on products and departmental policies and procedures.

ii.

Shariah review on legal documents, Product 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 level of branches, related departments and Bank’s subsidiaries which involve review on legal documents executed and *akad* sequence.

v.

Shariah review on system application related to banking products.

vi.

Shariah review on bank activities including rental activities of Bank Rakyat and it subsidiaries’ assets to third parties and sponsorship.

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.
3.

The management of Bank Rakyat is responsible to ensure that Bank Rakyat conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Bank Rakyat and to report to the management of Bank Rakyat.
4.

We have assessed the work carried out by Shariah Research and Consultation Department, Shariah Review Department and Shariah Audit Department which included examining on a sample basis, each type of transaction, the relevant documentations and procedures adopted by Bank Rakyat.
5.

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

In our opinion:

1.

The principles and the contracts implemented on products listed 1st Item 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 Bank Rakyat that we have reviewed 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.

ANNUAL REPORT OF SHARIAH COMMITTEE OF BANK RAKYAT 2016

3.

All confirmed Shariah Non-Compliant events have been rectified accordingly.
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 realized from sources or by means prohibited with the Shariah principles have been considered for disposal to charitable causes. The distributed amount of Shariah non-compliance income within 2016 was RM 15,434.58 and no balance as at 31st December 2016.
6.

The calculation of zakat for 2016 is in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Rakyat, to the best of our knowledge, do hereby confirm that the operations of Bank Rakyat, to the best of its effort, for the year ended 31st December 2016 have been conducted in conformity with the Shariah principles.



PROF. MADYA DR. SITI SALWANI RAZALI
Member of Shariah Committee



USTAZ MD. YUNUS ABD. AZIZ
Member of Shariah Committee



USTAZ WAN RUMAIZI WAN HUSIN
Member of Shariah Committee



USTAZ ABDULLAAH JALIL
Member of Shariah Committee



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



PROF. MADYA DR. AZNAN HASAN
Member of Shariah Committee



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

STATUTORY DECLARATION

I, **NOR HAIMEE ZAKARIA**, being the officer primarily responsible for the financial management of Bank Kerjasama Rakyat Malaysia Berhad, do solemnly and sincerely declare that the financial statements are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 29 March 2017.


NOR HAIMEE ZAKARIA

Before me:



DIRECTORS' REPORT

The Directors of Bank Kerjasama Rakyat Malaysia Berhad ("the Bank") have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2016.

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 13 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	1,738,110	1,700,330
Taxation	(65,998)	(60,389)
Zakat	(39,084)	(37,849)
Profit after taxation and zakat	1,633,028	1,602,092
Statutory appropriations	(475,925)	(475,925)
Profit for the year after statutory appropriations	1,157,103	1,126,167
Other comprehensive income	28,578	28,578
Total comprehensive income for the year	1,185,681	1,154,745
Total comprehensive income for the year attributable to: Equity holders of the Bank	1,185,681	1,154,745

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

RESERVES AND PROVISION

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

DIRECTORS' REPORT

DIVIDENDS

During the financial year, the Bank paid a final cash dividend of 13% amounting to RM385 million in respect of the previous financial year.

In respect of the current financial year, the Board of Directors has proposed a cash dividend of 17% amounting to RM510 million. The proposed dividend will be recognised in the subsequent financial period upon approval by the relevant authorities of the Bank.

OTHER STATUTORY INFORMATION

In the opinion of the Directors, the financial statements set out on pages 180 to 316 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 2016 and of the results of their operations and cash flows for the year ended on that date.

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

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

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

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

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

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTINUED)

No contingent or other liability which has not been discharged has been undertaken by the Group and the Bank, except as disclosed in Note 37 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,



TAN SRI SHUKRY MOHD SALLEH



RAZALEE AMIN

Kuala Lumpur
Date: 29 March 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Group		Bank	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
ASSETS					
Cash and short-term funds	5	2,391,083	1,899,146	2,389,341	1,897,976
Deposits and placements with financial institutions	6	204,150	933,286	203,026	908,750
Financial assets available-for-sale	7	15,035,407	13,296,973	15,034,854	13,295,819
Financial assets held-to-maturity	8	11,355,466	10,718,843	11,355,466	10,718,843
Financing and advances	9	67,806,707	63,137,184	67,806,707	63,137,184
Trade receivables	10	5,644	8,416	-	-
Other assets	11	638,196	698,294	598,112	661,696
Inventories	12	4,927	4,946	-	-
Investment in subsidiaries	13	-	-	65,976	61,976
Property and equipment	14	709,393	747,301	668,419	689,656
Goodwill on consolidation		13,185	13,185	-	-
Investment properties	15	850,983	708,590	688,221	685,145
Prepaid lease payments	16	63,760	65,258	63,760	65,258
Tax recoverable		130,200	110,409	127,712	108,625
Deferred tax assets	17	10,098	55,164	10,000	55,000
TOTAL ASSETS		99,219,199	92,396,995	99,011,594	92,285,928

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONTINUED)

		Group		Bank	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
LIABILITIES					
Deposits from customers	18	77,903,322	70,981,772	77,903,322	70,981,772
Deposits and placements from banks and financial institutions	19	900,000	1,940,000	900,000	1,940,000
Trade payables		4,288	3,582	-	-
Recourse obligations on financing sold to Cagamas	20	1,062,787	1,478,659	1,062,787	1,478,659
Debt securities issued	21	2,818,612	2,718,871	2,818,612	2,718,871
Other liabilities	22	1,295,738	1,251,329	1,455,811	1,476,120
Provision for taxation		176	929	-	-
Deferred tax liabilities	17	476	566	-	-
Financing from other financial institutions	24	1,021	-	-	-
TOTAL LIABILITIES		83,986,420	78,375,708	84,140,532	78,595,422
SHAREHOLDERS' FUND					
Share capital	25	2,986,030	2,983,923	2,986,030	2,983,923
Share redemption fund		52,070	53,671	52,070	53,671
Reserves	26	12,194,679	10,983,693	11,832,962	10,652,912
TOTAL SHAREHOLDERS' FUND		15,232,779	14,021,287	14,871,062	13,690,506
TOTAL LIABILITIES AND SHAREHOLDERS' FUND		99,219,199	92,396,995	99,011,594	92,285,928
COMMITMENTS AND CONTINGENCIES					
	37	2,400,611	2,600,935	2,400,611	2,600,935

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		Group		Bank	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income	27	6,003,341	5,686,287	5,959,396	5,618,618
Expenditure	28	(3,187,511)	(2,918,040)	(3,142,778)	(2,846,960)
Net income		2,815,830	2,768,247	2,816,618	2,771,658
Allowances for impairment	29	(531,863)	(473,436)	(531,863)	(473,436)
Other operating income	30	654,686	745,038	639,560	707,362
Operating expenses	31	(1,200,543)	(1,028,126)	(1,223,985)	(1,046,011)
Profit before taxation and zakat		1,738,110	2,011,723	1,700,330	1,959,573
Taxation	32	(65,998)	(148,292)	(60,389)	(143,225)
Zakat	33	(39,084)	(39,310)	(37,849)	(37,343)
Profit after taxation and zakat		1,633,028	1,824,121	1,602,092	1,779,005
Statutory appropriations	34				
Transfer to statutory reserve: 25% (2015: 25%)		(409,985)	(454,087)	(409,985)	(454,087)
Contribution to the Co-operative					
Education Trust Fund: 2% (2015: 2%)		(34,007)	(39,191)	(34,007)	(39,191)
Contribution to the Co-operative					
Development Provident Fund: 1% (2015: 1%)		(17,003)	(19,596)	(17,003)	(19,596)
Contribution to Bank Rakyat Foundation		(14,930)	(14,919)	(14,930)	(14,919)
		(475,925)	(527,793)	(475,925)	(527,793)
Profit for the year		1,157,103	1,296,328	1,126,167	1,251,212

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

		Group		Bank	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Net gain on revaluation of financial assets available-for-sale	26	35,215	13,703	35,215	13,703
Utilisation of profit equalisation reserve (Bank)		-	(29,865)	-	(29,865)
Item that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	11(iii)	(6,637)	(10,460)	(6,637)	(10,460)
		28,578	(26,622)	28,578	(26,622)
Total comprehensive income for the year		1,185,681	1,269,706	1,154,745	1,224,590
Earnings per share (RM)					
Basic	35	0.55	0.61		

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

		← Non-distributable →			Distributable		
Group	Note	Share capital RM'000	Share redemption fund RM'000	Profit equalisation reserve (Bank) RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2015		2,973,677	52,800	29,865	4,471,509	5,201,933	12,729,784
Profit after taxation and zakat		-	-	-	-	1,824,121	1,824,121
Transfer to statutory reserve		-	-	-	-	(454,087)	(454,087)
Contribution to the Co-operative Education Trust Fund		-	-	-	-	(39,191)	(39,191)
Contribution to the Co-operative Development Provident Fund		-	-	-	-	(19,596)	(19,596)
Contribution to Bank Rakyat Foundation		-	-	-	-	(14,919)	(14,919)
Profit for the year		-	-	-	-	1,296,328	1,296,328
Other comprehensive income		-	-	(29,865)	13,703	(10,460)	(26,622)
Total comprehensive income for the year		-	-	(29,865)	13,703	1,285,868	1,269,706
Transfer from retained profits		-	-	-	454,087	-	454,087
Issuance to new members		11,117	-	-	-	-	11,117
Transfer from share capital		(871)	871	-	-	-	-
Transfer to regulatory reserve		-	-	-	13,087	(13,087)	-
Dividends	36	-	-	-	-	(443,502)	(443,502)
Overprovision in contribution to Bank Rakyat Foundation		-	-	-	-	95	95
At 31 December 2015		2,983,923	53,671	-	4,952,386	6,031,307	14,021,287
		Note 25		Note 23	Note 26	Note 26	

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

<div> <div></div> <div>Non-distributable</div> <div></div> </div>				Distributable		
Group	Note	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2016		2,983,923	53,671	4,952,386	6,031,307	14,021,287
Profit after taxation and zakat		-	-	-	1,633,028	1,633,028
Transfer to statutory reserve		-	-	-	(409,985)	(409,985)
Contribution to the Co-operative Education Trust Fund		-	-	-	(34,007)	(34,007)
Contribution to the Co-operative Development Provident Fund		-	-	-	(17,003)	(17,003)
Contribution to Bank Rakyat Foundation		-	-	-	(14,930)	(14,930)
Profit for the year		-	-	-	1,157,103	1,157,103
Other comprehensive income		-	-	35,215	(6,637)	28,578
Total comprehensive income for the year		-	-	35,215	1,150,466	1,185,681
Transfer from retained profits		-	-	409,985	-	409,985
Issuance to new members		506	-	-	-	506
Transfer to share capital		1,601	(1,601)	-	-	-
Transfer to regulatory reserve		-	-	71,019	(71,019)	-
Dividends	36	-	-	-	(384,822)	(384,822)
Overprovision in contribution to Bank Rakyat Foundation		-	-	-	142	142
At 31 December 2016		2,986,030	52,070	5,468,605	6,726,074	15,232,779
		Note 25		Note 26	Note 26	

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

		Non-distributable			Distributable		
Bank	Note	Share capital RM'000	Share redemption fund RM'000	Profit equalisation reserve (Bank) RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2015		2,973,677	52,800	29,865	4,472,250	4,915,527	12,444,119
Profit after taxation and zakat		-	-	-	-	1,779,005	1,779,005
Transfer to statutory reserve		-	-	-	-	(454,087)	(454,087)
Contribution to the Co-operative Education Trust Fund		-	-	-	-	(39,191)	(39,191)
Contribution to the Co-operative Development Provident Fund		-	-	-	-	(19,596)	(19,596)
Contribution to Bank Rakyat Foundation		-	-	-	-	(14,919)	(14,919)
Profit for the year		-	-	-	-	1,251,212	1,251,212
Other comprehensive income		-	-	(29,865)	13,703	(10,460)	(26,622)
Total comprehensive income for the year		-	-	(29,865)	13,703	1,240,752	1,224,590
Transfer from retained profits		-	-	-	454,087	-	454,087
Issuance to new members		11,117	-	-	-	-	11,117
Transfer from share capital		(871)	871	-	-	-	-
Transfer to regulatory reserve		-	-	-	13,087	(13,087)	-
Dividends	36	-	-	-	-	(443,502)	(443,502)
Overprovision in contribution to Bank Rakyat Foundation		-	-	-	-	95	95
At 31 December 2015		2,983,923	53,671	-	4,953,127	5,699,785	13,690,506
	Note 25			Note 23	Note 26	Note 26	

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

		Non-distributable			Distributable	
Bank	Note	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2016		2,983,923	53,671	4,953,127	5,699,785	13,690,506
Profit after taxation and zakat		-	-	-	1,602,092	1,602,092
Transfer to statutory reserve		-	-	-	(409,985)	(409,985)
Contribution to the Co-operative Education Trust Fund		-	-	-	(34,007)	(34,007)
Contribution to the Co-operative Development Provident Fund		-	-	-	(17,003)	(17,003)
Contribution to Bank Rakyat Foundation		-	-	-	(14,930)	(14,930)
Profit for the year		-	-	-	1,126,167	1,126,167
Other comprehensive income		-	-	35,215	(6,637)	28,578
Total comprehensive income for the year		-	-	35,215	1,119,530	1,154,745
Transfer from retained profits		-	-	409,985	-	409,985
Issuance to new members		506	-	-	-	506
Transfer to share capital		1,601	(1,601)	-	-	-
Transfer to regulatory reserve		-	-	71,019	(71,019)	-
Dividends	36	-	-	-	(384,822)	(384,822)
Overprovision in contribution to Bank Rakyat Foundation		-	-	-	142	142
At 31 December 2016		2,986,030	52,070	5,469,346	6,363,616	14,871,062
	Note 25			Note 26	Note 26	

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit for the year	1,157,103	1,296,328	1,126,167	1,251,212
Adjustments for:				
Transfer to statutory reserve	409,985	454,087	409,985	454,087
Contribution to the Co-operative Education Trust Fund	34,007	39,191	34,007	39,191
Contribution to the Co-operative Development Provident Fund	17,003	19,596	17,003	19,596
Contribution to Bank Rakyat Foundation	14,930	14,919	14,930	14,919
Taxation	65,998	148,292	60,389	143,225
Zakat	39,084	39,310	37,849	37,343
Profit expense on debt securities issued	125,610	127,701	125,610	127,701
Allowance for impairment on financing and advances	522,281	463,366	522,281	463,366
Allowance for impairment on financial assets available-for-sale	9,582	10,070	9,582	10,070
Depreciation of property and equipment	98,927	98,831	96,563	96,400
Amortisation of prepaid lease payment	1,498	1,532	1,498	1,532
Property and equipment written off	1,054	3,750	1,054	3,439
Gain on disposal of property and equipment	(1,707)	(5)	(1,232)	(5)
Loss on financing written off	21,198	26,541	21,198	26,541
Provision/(Reversal of provision) for defined benefit plan	41,029	(21,134)	41,029	(21,134)
Allowance for doubtful debts	944	1,084	765	94
Gain on revaluation of investment properties	(20,320)	(73,983)	(3,076)	(66,236)
Allowance for doubtful debts no longer required	(455)	(322)	(1)	(18,480)
Allowance for impairment loss on financial assets held-to-maturity no longer required	(654)	(745)	(654)	(745)
Net gain on disposal of financial assets available-for-sale	(20,745)	(22,599)	(20,745)	(22,599)
Net gain on disposal of financial assets held for trading	(1,375)	(83)	(1,375)	(83)
Transfer from profit equalisation reserve	-	(48,641)	-	(48,641)
Profit expense on financing sold with recourse to Cagamas	58,445	65,736	58,445	65,736
Dividend from financial assets available-for-sale	(11,535)	(9,057)	(11,535)	(9,057)
Dividend from subsidiary	-	-	(4,000)	(1,836)
Operating profit before working capital changes	2,561,887	2,633,765	2,535,737	2,565,636

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Increase)/Decrease in assets:				
Deposits and placements with financial institutions	729,136	(747,448)	705,724	(748,651)
Financing and advances	(5,213,002)	(3,144,542)	(5,213,002)	(3,144,542)
Trade receivables	3,044	(2,604)	-	-
Other assets	11,671	61,470	15,154	40,709
Inventories	19	4,538	-	-
Increase/(Decrease) in liabilities:				
Deposits from customers	6,921,550	2,458,799	6,921,550	2,458,799
Deposits and placements from banks and financial institutions	(1,040,000)	140,000	(1,040,000)	140,000
Trade payables	706	234	-	-
Recourse obligations on financing sold to Cagamas	(474,317)	(364,695)	(474,317)	(364,695)
Other liabilities	(40,491)	(254,655)	(104,779)	(190,028)
Cash generated from operations	3,460,203	784,862	3,346,067	757,228
Income tax paid	(41,566)	(14,756)	(34,476)	(7,552)
Tax refunded	-	84	-	-
Zakat paid	(37,982)	(42,136)	(37,177)	(41,591)
Net cash from operating activities	3,380,655	728,054	3,274,414	708,085

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Purchases of financial assets held-for-trading	(3,435,000)	(232,500)	(3,435,000)	(232,500)
Proceeds from disposal of financial assets held-for-trading	3,436,375	232,583	3,436,375	232,583
Purchases of financial assets available-for-sale	(8,183,090)	(3,442,350)	(8,183,090)	(3,442,350)
Proceeds from disposal of financial assets available-for-sale	6,491,034	2,133,627	6,490,433	2,131,365
Purchases of financial assets held-to-maturity	(2,730,000)	(488,270)	(2,730,000)	(488,270)
Proceeds from disposal of financial assets held-to-maturity	2,094,031	901,889	2,094,031	901,889
Purchase of investment properties	(10,580)	(16,081)	-	(16,081)
Proceeds from disposal of investment properties	-	4,369	-	4,035
Purchase of property and equipment	(173,454)	(169,445)	(77,240)	(144,476)
Proceeds from disposal of property and equipment	2,616	15,258	2,092	11,623
Investment in subsidiaries	-	-	(4,000)	-
Dividend from financial assets available-for-sale	11,535	9,057	11,535	9,057
Dividend from subsidiary	-	-	4,000	1,836
Net cash used in investing activities	(2,496,533)	(1,051,863)	(2,390,864)	(1,031,289)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Proceeds from issue of shares to members	506	11,117	506	11,117
Dividend paid	(384,822)	(443,502)	(384,822)	(443,502)
Fund received from government	18,000	4,187	18,000	4,187
Proceeds from debt securities issued	300,000	-	300,000	-
Payment of profit expenses on debt securities issued	(325,869)	(429,401)	(325,869)	(429,401)
Net cash used in financing activities	(392,185)	(857,599)	(392,185)	(857,599)
Net increase/(decrease) in cash and cash equivalents	491,937	(1,181,408)	491,365	(1,180,803)
Cash and cash equivalents at beginning of year	1,899,146	3,080,554	1,897,976	3,078,779
Cash and cash equivalents at end of year	2,391,083	1,899,146	2,389,341	1,897,976

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 13.

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 2016 (2015: 148)

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, 1965 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 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*

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 Group and the Bank plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and IC Interpretation 22 which are not applicable to the Group and the Bank.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

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

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

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation (continued)

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

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

The principal accounting policies are set out below.

3.2 Subsidiaries and basis of consolidation

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

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

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and basis of consolidation (continued)

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 139, 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 2016 (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 that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 139, *Financial Instruments: Recognition and Measurement* or MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Goodwill on consolidation

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 3.3 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 Financial instruments

Financial assets and financial liabilities are recognised when, and only when the Group and the Bank become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating profit income or expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ or financial assets ‘held-for-trading’, ‘held-to-maturity’ investments, ‘available-for-sale’ financial assets and ‘financing and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.5.1.1 Financial assets held-for-trading or at fair value through profit or loss

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. They are recognised in the statements of financial position as ‘Financial assets held-for-trading’.

Financial instruments included in this category are recognised initially at fair value; transaction costs are recognised in profit or loss. Gains and losses arising from changes in fair value are recognised in profit or loss and are reported as ‘Gains/(losses) on revaluation of financial assets held-for-trading’. Profit income on financial assets held-for-trading are included in ‘Income from financial assets’.

3.5.1.2 Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in profit rates, exchange rates or equity prices or that are not classified as financing and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in other reserves, with the exception of impairment losses and profit calculated using the effective profit method which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in other reserves is reclassified to profit or loss.

Available-for-sale equity instruments that do not have a quoted market price in an active market whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividend from available-for-sale equity investments are recognised in profit or loss when the Group’s and the Bank’s right to receive the dividend is established.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s and the Bank’s management have the positive intent and ability to hold to maturity.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective profit method less any impairment.

Profit on financial assets held-to-maturity is included in profit or loss and reported as ‘Income from financial assets’. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the financial asset and recognised in profit or loss as ‘Allowance for impairment on financial assets’.

3.5.1.4 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.

3.5.2 Impairment of financial assets

3.5.2.1 Financing and advances

Financing and advances (“financing”) of the Group and of the Bank are classified as impaired when they fulfil any of the following criteria:

- (i) Principal or profits or both are past due for three (3) months or more;
- (ii) Where a financing is in arrears for less than three (3) months, the financing exhibits indications of credit weaknesses; or
- (iii) Where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until payments based on the revised and/or restructured terms have been observed continuously for certain period of months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.2 Impairment of financial assets (continued)

3.5.2.1 Financing and advances (continued)

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

The Group and the Bank first assess individually whether objective evidence of impairment exists individually for financing which are individually significant, or collectively for financing which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is then included in a group of financing with similar credit risk characteristics and collectively assessed for impairment. Financing that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financing’s original effective profit rate. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financing are grouped on the basis of similar credit risk characteristics. Impairment for this group is assessed based on the historical financing loss experience in terms of default rate and estimated recovery rate.

Future cash flows of the financing are evaluated depending on the availability of security for the financing. For unsecured financing, the fraction of exposure at default that will not be recovered following the default is taken in full.

For financing secured with collateral pledged to the Group and the Bank, the fraction of exposure at default would take into account value of the security discounted based on the expected period of recovery of the security using the effective profit rate.

The likelihood that the financing would fall into default is computed based on average default rates for the latest number of years using historical data of outstanding balance that flow through to the following month. Similar rate of the likelihood of default is applied to the group of financing with similar credit risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.2 Impairment of financial assets (continued)

3.5.2.1 Financing and advances (continued)

In conjunction with the convergence of the FRSs in Malaysia with the IFRSs, BNM’s guideline on Classification and Impairment Provisions for Loans/Financing was revised on 9 November 2011 to align the requirements on the determination of collective assessment allowance with that of the Malaysian Financial Reporting Standard 139: Financial Instruments: Recognition and Measurement [“MFRS 139”]. Based on the revised guideline, the transitional arrangement on collective assessment is removed with effect from 1 January 2012. Thereafter, the Bank applies the basis for collective assessment impairment allowance by grouping of these financing with similar credit risk characteristics as explained above. On 4 February 2014, BNM issued letter requiring banking institutions to maintain, in aggregate, collective impairment provisions and regulatory reserves at minimum rate of 1.2% of total outstanding financing, net of individual impairment provisions. This move is to further strengthen buffers against potential credit losses.

When a financing is uncollectible, it is written off against the related allowance for financing impairment. Such financing are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to financing and advances to customers are classified in financing impairment charges.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

3.5.2.2 Available-for-sale financial assets

The Group and the Bank assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, cumulative gain or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of other reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.2 Impairment of financial assets (continued)

3.5.2.3 Held-to-maturity investments

The Group and the Bank assess at the end of each reporting period whether objective evidence of impairment of financial investments held-to-maturity exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

When there is objective evidence of impairment, an impairment loss is recognised as the difference between the acquisition cost and the present value of the estimated future cash flows, less any impairment loss previously recognised.

If held-to-maturity investments have a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract. As a practical expedient, the Group and the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

3.5.2.4 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 borrower must adhere to the revised and/or restructured payment terms for a continuous period of six months before the financing is classified as non-impaired. This financing continues to be subjected to individual or collective impairment assessment.

3.5.3 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or when the Group and the Bank transfer the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the financial asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated under the heading of other reserves is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.4 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.

3.5.5 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.

3.5.6 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.

3.5.7 Derecognition of financial liabilities

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

3.5.8 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.8 Determination of fair value (continued)

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.

In cases when the fair value of unquoted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

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 cash equivalents, which comprise cash and balances with banks and other financial institutions and money at call and deposit placements maturing within one month, are short term, highly liquid investments with maturities of one month or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

3.7 Leases

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

a) Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

b) Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the Group and the Bank, are classified as investment properties. Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between net disposal proceeds and the carrying amount of the assets), is included in profit or loss in the period which the property is derecognised.

3.9 Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the Group and the Bank are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent expenditures are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Freehold land has unlimited useful life and therefore is not depreciated. Construction work-in-progress are not depreciated until the assets are ready for their intended use.

Depreciation of other property and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	50 years
Leasehold land and buildings	50 years
Renovation	5 - 50 years
Furniture, fittings and office equipment	5 years
Motor vehicles	5 years

The assets’ residual values, useful lives and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimates accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains and losses arising on disposals are determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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 17 to 90 years (2015: 18 to 91 years).

3.11 Assets classified as held-for-sale

Assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (or disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

3.12 Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of past events, when it is probable that the Group and the Bank will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

3.13 Inventories

Inventories are valued at the lower of cost (determined using the first-in, first out method) and net realisable value. The cost of inventories comprises the original cost of purchase plus the incidental cost incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion. In arriving at net realisable value, due allowance is made for damaged, obsolete or slow-moving inventories.

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the ‘specific identification’ method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Property development

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

The Group considers the portion of land and development expenditure on which development work has commenced and is expected to be completed within the normal operating cycle as current assets.

3.15 Profit income and expense

For all financial instruments measured at amortised cost and profit-bearing financial assets classified as held-for-trading and available-for-sale, income and expense are recognised under “Income” and “Expenditure” respectively using the effective profit method.

The effective profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating the profit income or expense over the relevant period. The effective profit rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

The calculation takes into account all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective profit rate, as well as premiums or discounts are also considered.

For impaired assets where the value of the financial assets has been written down as a result of an impairment loss, profit income continues to be recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

3.16 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 goods and services 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.19 Employee benefits

3.19.1 Defined benefit plan

A defined benefit plan is a post-employment plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The Bank provides lump sum benefit at retirement for its employees who have completed at least 10 years of service. The retirement benefit payable is based on last drawn salary and years of service.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits (continued)

3.19.1 Defined benefit plan (continued)

The Bank established a trust fund to provide such benefits to its eligible members. The trust fund is managed by Amanah Raya Berhad.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contribution.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit actuarial cost method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding profit), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net profit expense or income is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the then net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net profit expense or income; and
- remeasurement.

The Group and the Bank present the first two components of defined benefit costs in profit or loss in the line item of personnel expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit asset recognised in the consolidated statement of financial position represents value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits (continued)

3.19.1 Defined benefit plan (continued)

The plan exposes the Bank to actuarial risks as follows:

i. Investment

Present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate sukuk yields. If the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively steady return from investment in fixed deposits.

ii. Profit

A decrease in the sukuk profit rate will increase the plan liability. This is partially offset since return on the plan asset in fixed deposits is relatively stable.

iii. Longevity

Present value of the defined benefit plan liability is calculated by reference to the best estimate of mortality of the plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

iv. Salary

Present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

3.19.2 Defined contribution plan

For defined contribution plan, the Group and the Bank pay contributions to Employees Provident Fund (EPF) on a mandatory basis. The Group and the Bank have no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

3.19.3 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Impairment of non-financial assets

At the end of each reporting period, the Group and the Bank review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Bank estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.21 Profit equalisation reserve (PER)

PER is a mechanism to enable the Bank to mitigate the downside risk of income reduction and to maintain competitive rates of returns or deposit rates in line with "Guidelines on Profit Equalisation Reserve" as prescribed by Bank Negara Malaysia.

PER is created by setting aside an amount out of total gross income before distribution to depositors and the Bank.

PER is segregated between the portion belonging to the depositors and the Bank based on the contractual profit sharing ratio at the point of creation. PER for depositors is classified as other liability and PER for the Bank is classified as a separate reserve in equity.

Utilisation of PER shall be appropriated from both the depositors' and the Bank's portion based on the contractual profit sharing ratio at the point of utilisation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Profit equalisation reserve (PER) (continued)

In line with the transition plan for implementation of classification of Islamic deposits and investment accounts under Islamic Financial Services Act 2013 (IFSA 2013), banks are required to replace all deposit products applying Shariah concepts of which non-principal contract is guaranteed, for example Mudarabah and Wakalah, with products that comply with the new requirements under IFSA.

In this respect, the Bank has taken steps by offering term deposits under concept Tawarruq which is in line with the requirements of the transition plan. In effect, deposit products under Mudarabah contract has not been offered and PER has been fully utilised in accordance with guidelines on PER.

3.22 Zakat

In computing for zakat, the Group and the Bank have been applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and subjected to allowable adjustments.

It is an obligatory amount payable on the business on behalf of the shareholders and/or business entity depending on the ownership characteristics.

Zakat is distributed according to Shariah principle and being extended through Islamic Religious Council of the respective states and other rightful beneficiaries or asnaf.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's and the Bank's financial statements and financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of preparation of the financial statements.

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with MFRS are best estimates undertaken in accordance with the applicable standards.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's and the Bank's results and financial situation due to their materiality.

4.1 Impairment losses on financing and advances

The Group and the Bank review their financing and advances portfolio to determine whether impairment losses should be recognised in profit or loss.

Financing is considered as impaired when there is objective evidence of impairment as a result of loss event that has affected future estimated cash flows of the financing subsequent to its initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Impairment losses on financing and advances (continued)

Components of impairment allowance are as follows:

(i) Individual impairment

Where an account has exceeded certain number of arrears or when the account has fulfilled certain criteria that indicates credit weaknesses, the account is individually assessed for impairment.

Individual allowance is measured as the difference between carrying amount of the financing and present value of estimated future cash flows that are discounted at the effective profit rate.

Expectation on future cash flows is established by applying the best estimate formed on reliable and objective evidence. This process involves significant and reasonable judgement.

(ii) Collective impairment

Collective impairment is applicable to a group of financing with similar credit risk characteristics, and which is not classified under individual impairment as described above.

Collective allowance takes into account probability of financing turning into default (or probability of default) and estimated loss on default (or loss given default) of any particular financing.

Probability of default is the resultant of cumulative trend of default for a specified period, whereas loss given default is measured by considering value of collateral to the financing and estimated recovery period from the collateral.

Probability of default is reflective of business sectors for the financing and is refined to the extent of gravity in terms of defaults shown by the financing. Derivation of the rate for probability of default takes into account risk aspect of the business sector.

4.2 Impairment of financial assets available-for-sale

At the end of each reporting period, management will assess if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment.

(i) Impairment for debt securities

A debt security is impaired if there is an indication that a loss event has occurred since initial recognition. This normally has a negative impact on the estimated future cash flows in relation to the payments of the security.

(ii) Impairment for equity securities

For equity instruments, impairment is not identified based on analysis of projected cash flows similar to debt instruments above. It arises due to establishment of the following events:

- a) significant decline in fair value of the securities below original cost (30%); or
- b) prolonged decline in fair value of the securities below original cost (9 months)

The above are considered objective evidence for provision of impairment on the equity securities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.3 Financial assets held-to-maturity

The Group and the Bank classify some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement.

In making this judgement, the Group and the Bank evaluate their intention and ability to hold such investments to maturity. If the Group and the Bank were to fail to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - the Group and the Bank are required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

4.4 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profit together with future tax planning strategies.

5. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and balances with banks and other financial institutions	786,965	1,082,437	785,223	1,081,267
Money at call and deposit placements maturing within one month	1,604,118	816,709	1,604,118	816,709
	2,391,083	1,899,146	2,389,341	1,897,976

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and short-term funds	2,391,083	1,899,146	2,389,341	1,897,976
	2,391,083	1,899,146	2,389,341	1,897,976

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Licensed banks	204,150	933,286	203,026	908,750

7. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At fair value				
Islamic debt securities	3,016,285	2,736,259	3,016,285	2,736,259
Government investment issues	7,492,530	7,384,890	7,492,530	7,384,890
Government sukuk	3,018,291	2,521,156	3,018,291	2,521,156
Khazanah sukuk	71,965	100,117	71,965	100,117
Cagamas sukuk	867,454	310,530	867,454	310,530
Quoted shares	559,170	234,304	559,170	234,304
Unit trust shares	1,576	1,730	1,576	1,730
At cost, net of impairment loss				
Unquoted shares	8,136	7,987	7,583	6,833
Net carrying amount	15,035,407	13,296,973	15,034,854	13,295,819

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

8. FINANCIAL ASSETS HELD-TO-MATURITY

	Group and Bank	
	2016	2015
	RM'000	RM'000
At amortised cost		
Islamic debt securities	759,283	513,405
Government investment issues	7,772,769	8,289,353
Government sukuk	1,857,907	1,096,603
Khazanah sukuk	510,015	467,356
Cagamas sukuk	279,840	177,946
Negotiable Islamic debt certificates	199,258	198,440
	11,379,072	10,743,103
Less: accumulated impairment losses		
Islamic debt securities	(23,606)	(24,260)
	(23,606)	(24,260)
Net carrying amount	11,355,466	10,718,843

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

8. FINANCIAL ASSETS HELD-TO-MATURITY (CONTINUED)

Movement of accumulated impairment losses for financial assets held-to-maturity is as follows:

	Group and Bank	
	2016	2015
	RM'000	RM'000
As of 1 January	24,260	266,287
Recoveries of impairment loss during the year (Note 30(ii))	(654)	(745)
Amount written off during the year	-	(241,282)
As of 31 December	23,606	24,260

The maturity structure of the instruments is as follows:

	Group and Bank	
	2016	2015
	RM'000	RM'000
Maturity within one year	2,190,555	1,077,026
More than one year to five years	6,786,522	7,380,637
More than five years	2,401,995	2,285,440
	11,379,072	10,743,103

9. FINANCING AND ADVANCES

Group and Bank 2016	Bai` `Inah RM'000	Bai` Bithaman Ajil RM'000	Ar-Rahn RM'000	Qard RM'000	Murabahah RM'000	Ijarah Thumma Al-Bai` RM'000	Musharakah RM'000	Tawarruq RM'000	Total RM'000
At amortised cost									
Term financing									
- Personal financing	30,233,516	-	-	-	-	-	-	25,418,814	55,652,330
- House financing	-	1,544,343	-	-	197,061	-	-	2,142,923	3,884,327
- Hire-purchase receivables	-	825,417	-	-	-	506,876	-	1,246	1,333,539
- Syndicated financing	-	-	-	-	249,008	-	45,667	-	294,675
- Bridging financing	-	-	-	-	254,879	-	-	-	254,879
- Other term financing	117,823	1,171,055	-	29	3,455,202	9	-	8,897	4,753,015
Pawn broking	-	-	1,637,851	-	-	-	-	-	1,637,851
Revolving credit	15	-	-	-	542,720	-	-	-	542,735
Credit card	-	-	-	-	-	-	-	479,350	479,350
Staff financing	-	347,072	-	-	-	-	-	-	347,072
	30,351,354	3,887,887	1,637,851	29	4,698,870	506,885	45,667	28,051,230	69,179,773

Individual assessment impairment	(455,390)
Collective assessment impairment	(917,676)

Net financing and advances	67,806,707
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9. FINANCING AND ADVANCES (CONTINUED)

Group and Bank 2015	Bai` `Inah RM'000	Bai` Bithaman Ajil RM'000	Ar-Rahn RM'000	Qard RM'000	Murabahah RM'000	Ijarah Thumma Al-Bai` RM'000	Musharakah RM'000	Tawarruq RM'000	Total RM'000
At amortised cost									
Term financing									
- Personal financing	34,177,876	-	-	-	-	-	-	18,796,275	52,974,151
- House financing	-	1,760,636	-	-	261,616	-	-	857,356	2,879,608
- Hire-purchase receivables	-	-	-	-	-	693,219	-	-	693,219
- Syndicated financing	-	-	-	-	149,362	-	51,621	-	200,983
- Bridging financing	-	-	-	-	402,442	-	-	-	402,442
- Other term financing	141,137	524,542	-	167	3,606,482	-	-	288,806	4,561,134
Pawn broking	-	-	1,556,226	-	-	-	-	-	1,556,226
Revolving credit	68	-	-	-	408,165	-	-	-	408,233
Credit card	-	-	-	-	-	-	-	476,799	476,799
Staff financing	2	227,588	-	-	-	-	-	83,266	310,856
	34,319,083	2,512,766	1,556,226	167	4,828,067	693,219	51,621	20,502,502	64,463,651

Individual assessment impairment	(316,652)
Collective assessment impairment	(1,009,815)

Net financing and advances	63,137,184
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

9. FINANCING AND ADVANCES (CONTINUED)

(ii) Financing and advances analysed by geographical distribution

	Group and Bank	
	2016	2015
	RM'000	RM'000
Central Region	28,393,838	26,726,373
Southern Region	9,959,271	9,302,359
Eastern Region	10,544,856	9,703,878
Northern Region	8,143,005	7,676,331
East Malaysia Region	12,138,803	11,054,710
	69,179,773	64,463,651

(iii) Financing and advances analysed by economic sector

	Group and Bank	
	2016	2015
	RM'000	RM'000
Purchase of securities	56,040	71,482
Purchase of non-residential property	4,126,567	1,930,704
Consumption credit	60,485,990	58,021,238
Agriculture	347,125	365,995
Manufacturing	137,875	189,274
Electricity, gas and water	100,310	100,341
Construction	1,312,201	1,139,670
Wholesale and retail trade	126,760	117,907
Transportation and communication	267,624	155,563
Financial, takaful and business services	2,187,859	2,342,040
Community, social and personal services	31,422	29,437
	69,179,773	64,463,651

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

9. FINANCING AND ADVANCES (CONTINUED)

(iv) Financing and advances analysed by remaining contractual maturity

	Group and Bank	
	2016	2015
	RM'000	RM'000
Up to 1 week	174,448	137,494
More than 1 week - 1 month	1,021,516	926,713
More than 1 month - 3 months	2,263,275	2,071,613
More than 3 months - 6 months	3,446,023	3,210,683
More than 6 months - 1 year	5,093,507	4,666,301
More than 1 year	57,181,004	53,450,847
	69,179,773	64,463,651

(v) Financing and advances analysed by customer type

	Group and Bank	
	2016	2015
	RM'000	RM'000
Individuals	64,463,394	59,603,949
Business enterprises	2,777,397	2,918,535
Non-bank financial institutions:		
Co-operatives	1,829,530	1,828,831
Others	43,135	47,354
Foreign entities	1,431	1,404
Other entities	64,886	63,564
Banking institutions	-	14
	69,179,773	64,463,651

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

9. FINANCING AND ADVANCES (CONTINUED)

(vi) Financing and advances analysed by profit rate sensitivity

	Group and Bank	
	2016	2015
	RM'000	RM'000
Fixed rate		
Personal financing	34,834,303	39,478,010
House financing	1,238,970	1,759,920
Others	5,095,645	3,973,189
Floating rate		
Personal financing	20,818,021	13,496,141
House financing	2,645,357	1,119,688
Others	4,547,477	4,636,703
	69,179,773	64,463,651

(vii) Impaired financing and advances analysed by geographical distribution

	Group and Bank	
	2016	2015
	RM'000	RM'000
Central Region	1,183,254	1,027,733
Southern Region	57,816	62,112
Eastern Region	50,079	44,519
Northern Region	44,879	45,774
East Malaysia Region	42,598	37,747
	1,378,626	1,217,885

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

9. FINANCING AND ADVANCES (CONTINUED)

(viii) Impaired financing and advances analysed by economic sector

	Group and Bank	
	2016	2015
	RM'000	RM'000
Purchase of securities	7	595
Purchase of non-residential property	61,916	143,240
Consumption credit	357,492	419,767
Agriculture	133,853	99
Manufacturing	17,261	17,745
Construction	659,457	282,901
Wholesale and retail trade	-	30,296
Transportation and communication	-	20
Financial, takaful and business services	148,640	305,956
Community, social and personal services	-	17,266
	1,378,626	1,217,885

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
As of 1 January	1,217,885	1,267,307
Classified as impaired during the year	1,531,032	1,819,529
Amount written back in respect of recoveries	(901,461)	(1,104,141)
Amount written off during the year	(468,830)	(764,810)
	160,741	(49,422)
As of 31 December	1,378,626	1,217,885
Gross impaired financing and advances as a percentage of gross financing and advances	1.99%	1.89%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

9. FINANCING AND ADVANCES (CONTINUED)

(x) Movements in allowance for individual assessment impairment losses on financing and advances are as follows:

	Group and Bank	
	2016 RM'000	2015 RM'000
Individual assessment impairment		
As of 1 January	316,652	492,436
Allowance made during the year (Note 29(i))	280,592	272,273
Amount written back in respect of recoveries (Note 29(i))	(141,854)	(166,882)
	138,738	105,391
Amount written off during the year	-	(281,175)
	138,738	(175,784)
As of 31 December	455,390	316,652

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

9. FINANCING AND ADVANCES (CONTINUED)

(xi) Movements in allowance for collective assessment impairment on financing and advances are as follows:

	Group and Bank	
	2016 RM'000	2015 RM'000
Collective assessment impairment		
As of 1 January	1,009,815	1,124,636
Allowance made during the year (Note 29(ii))	1,493,268	1,445,218
Amount written back in respect of recoveries (Note 29(ii))	(1,118,286)	(1,095,656)
	374,982	349,56652
Amount written off during the year	(467,121)	(464,383)
	(92,139)	(114,821)
As of 31 December	917,676	1,009,815
Collective impairment (inclusive of regulatory reserve) as a percentage of gross financing and advances after deduction of individual assessment impairment	1.82%	1.98%

10. TRADE RECEIVABLES

	Group	
	2016 RM'000	2015 RM'000
At amortised cost		
Trade receivables	7,463	10,507
Less: Allowance for doubtful debts	(1,819)	(2,091)
	5,644	8,416

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

10. TRADE RECEIVABLES (CONTINUED)

Trade receivables are classified as financing and receivables and are therefore measured at amortised cost. The credit period granted for sale of goods is 30 days (2015: 30 days). No profit is charged on trade receivables. Allowance for doubtful debts is recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty’s current financial position.

The Group has trade receivables totalling RM4,269,000 (2015: RM7,155,000) that are past due at the end of the reporting period for which the Group has not recognised allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

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

	Group	
	2016 RM’000	2015 RM’000
Neither past due nor impaired		
1 day to less than 1 month	1,375	1,261
Past due but not impaired		
2 months to less than 3 months	1,208	1,552
3 months to less than 4 months	2,783	719
4 months and above	278	4,884
	4,269	7,155
Past due and impaired	1,819	2,091
	7,463	10,507

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

10. TRADE RECEIVABLES (CONTINUED)

Movements in the allowance for doubtful debts are as follows:

	Group	
	2016 RM’000	2015 RM’000
As of 1 January	2,091	1,499
Impairment losses recognised during the year (Note 31(ii))	182	990
Amount recovered during the year (Note 30(ii))	(454)	(318)
Amount written off during the year	-	(80)
As of 31 December	1,819	2,091

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.

11. OTHER ASSETS

	Group		Bank	
	2016 RM’000	2015 RM’000	2016 RM’000	2015 RM’000
Amount due from subsidiaries (i)	-	-	11,641	4,089
Other receivables, deposits and prepayments (ii)	638,196	413,474	586,471	372,787
Defined benefit plan (iii)	-	284,820	-	284,820
	638,196	698,294	598,112	661,696

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. OTHER ASSETS (CONTINUED)

(i) Amount due from subsidiaries

The amount due from subsidiaries is non-trade in nature, not subject to financing charges and has no fixed terms of repayment.

	Bank	
	2016 RM'000	2015 RM'000
Outstanding balances	13,151	5,596
Less: Allowance for doubtful debts	(1,510)	(1,507)
	11,641	4,089

Movements in the allowance for doubtful debts are as follows:

	Bank	
	2016 RM'000	2015 RM'000
As of 1 January	1,507	19,983
Impairment losses recognised during the year (Note 31(iii))	3	-
Amount recovered during the year (Note 30(ii))	-	(18,476)
As of 31 December	1,510	1,507

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. OTHER ASSETS (CONTINUED)

(ii) Other receivables, deposits and prepayments

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables	344,261	162,961	331,217	156,198
Allowance for doubtful debts *	(16,109)	(15,399)	(15,998)	(15,288)
Refundable deposits	78,937	42,642	42,879	9,697
Prepayments	31,107	23,270	28,373	22,180
Contribution to Central Liquidity Monetary Fund **	200,000	200,000	200,000	200,000
	638,196	413,474	586,471	372,787

* Movements in the allowance for doubtful debts are as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
As of 1 January	15,399	15,371	15,288	15,260
Impairment losses recognised during the year (Note 31(iii))	762	94	762	94
Amount recovered during the year (Note 30(ii))	(1)	(4)	(1)	(4)
Amount written off during the year	(51)	(62)	(51)	(62)
As of 31 December	16,109	15,399	15,998	15,288

** This contribution is required under sub-section 42(i) of Malaysia Co-operative Societies Commission Act 2007 (Act 665) either at a rate of 1% 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 2016 (CONTINUED)

11. OTHER ASSETS (CONTINUED)

(iii) Defined benefit plan

The Bank sponsors a funded defined benefit plan for all of its qualifying employees. The defined benefit plan is administrated by a separate Fund that is legally separated from the Bank. Under the Fund, the eligible employees are entitled to compensation based on last drawn salary and years of service with the Bank upon their retirement.

The principal assumptions used for the purposes of the actuarial valuation are as follows:

Group and Bank		
	2016	2015
Normal retirement age: Male and Female (years)	-	60
Discount rate	-	5.75%
Rate of salary increases	-	8-9%

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

Group and Bank		
	2016 RM'000	2015 RM'000
Service cost:		
Current service cost	21,279	35,816
Past service cost	-	(40,522)
Loss on settlement	29,302	-
Net profit income	(9,552)	(16,428)
Components of defined benefit costs recognised in profit or loss (Note 31(i))	41,029	(21,134)
Remeasurement on the net defined benefit liability:		
Actuarial loss arising from changes in experience adjustments	(4,964)	(2,051)
Net return on plan assets	11,601	12,511
Components of defined benefit costs recognised in other comprehensive income	6,637	10,460
Total	47,666	(10,674)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. OTHER ASSETS (CONTINUED)

(iii) Defined benefit plan (continued)

Amount recognised in the statements of financial position arising from the Bank's obligation in respect of its defined benefit plan is as follows:

Group and Bank		
	2016 RM'000	2015 RM'000
Present value of funded obligations	-	(513,023)
Fair value of plan assets	-	797,843
Net assets	-	284,820

Movements in the present value of funded obligations are as follows:

Group and Bank		
	2016 RM'000	2015 RM'000
As of 1 January	513,023	501,195
Current service cost	21,279	35,816
Past service cost	-	(40,522)
Loss on settlement	29,302	-
Finance cost	17,109	27,969
Benefits paid	(6,990)	(9,384)
Settlement payments	(568,759)	-
Actuarial loss arising from changes in experience adjustments	(4,964)	(2,051)
As of 31 December	-	513,023

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. OTHER ASSETS (CONTINUED)

(iii) Defined benefit plan (continued)

Movements in the fair value of plan assets are as follows:

	Group and Bank	
	2016 RM'000	2015 RM'000
As of 1 January	797,843	775,341
Profit income	26,661	44,397
Proceeds from realisation of the plan assets	(805,913)	-
Benefits paid from defined benefit plan	(6,990)	(9,384)
Net return on plan assets	(11,601)	(12,511)
As of 31 December	-	797,843

The fair value of the plan assets at the end of the reporting period is as follows:

	Group and Bank	
	2016 RM'000	2015 RM'000
Term deposits	-	797,843
	-	797,843

The actual return on plan assets was RM15,060,000 (2015: RM31,886,000).

The Bank wound up the defined benefit plan effective 31 July 2016. The accrued retirement benefit was calculated using employees' service and salaries as at the wind up date. The calculated accrued retirement benefit was paid directly by the Bank to all eligible employees.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

12. INVENTORIES

Inventories consist of the following:

	Group	
	2016 RM'000	2015 RM'000
Trading inventories, at cost	4,338	4,358
Completed property units	589	588
	4,927	4,946

13. INVESTMENT IN SUBSIDIARIES

	Bank	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	65,976	61,976

During the year, Rakyat Management Services Sdn Bhd and Rakyat Nominees Sdn Bhd ordinary shares were transferred from Rakyat Holdings Sdn Bhd to the Bank by dividend-in-specie amounting RM4,000,000. Subsequent to that, the investment in subsidiaries recorded at cost amounts to RM65,976,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries, all incorporated in Malaysia, are as follows:

Name	Proportion of ownership interest and voting power held by the Group		Principal activities
	2016	2015	
	%	%	
Directly owned			
Rakyat Holdings Sdn Bhd *	100	100	Investment and property management
Rakyat Management Services Sdn Bhd *	100	-	Management of Ar-Rahnu business and franchise
Rakyat Nominees Sdn Bhd *	100	-	Dormant
Indirectly owned through Rakyat Holdings Sdn Bhd			
Rakyat Hartanah Sdn Bhd *	100	100	Property development and project management
Rakyat Management Services Sdn Bhd *	-	100	Management of Ar-Rahnu business and franchise
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 Travel Sdn Bhd *	100	100	Transportation and travelling services
Rakyat Nominees Sdn Bhd *	-	100	Dormant
Rakyat Niaga Sdn Bhd *	100	100	Trading and supply of goods

* 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 2016 (CONTINUED)

13. 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	
		2016	2015	2016	2015
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
Transportation and travelling services	Malaysia	-	-	1	1
Trading and supply of goods	Malaysia	-	-	1	1
Dormant	Malaysia	1	-	-	1
		3	1	5	7

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. PROPERTY AND EQUIPMENT

Group 2016	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	41,521	377,508	107,539	928	16,326	257,549	565,727	9,179	1,376,277
Additions	-	-	-	-	99,814	13,276	59,991	373	173,454
Disposals	(860)	-	-	-	-	-	(44)	(355)	(1,259)
Write-offs	-	(541)	-	-	(3)	(1,174)	(5,634)	-	(7,352)
Reclassifications	-	(6,171)	-	-	(5,549)	11,032	-	688	-
Transfer to investment properties (Note 15)	-	-	-	-	(110,472)	-	-	-	(110,472)
At 31 December	40,661	370,796	107,539	928	116	280,683	620,040	9,885	1,430,648
Accumulated depreciation									
At 1 January	-	20,628	14,835	341	-	182,177	405,401	5,594	628,976
Charge for the year	-	7,219	4,066	12	-	24,699	61,946	985	98,927
Disposals	-	-	-	-	-	-	(44)	(306)	(350)
Write-offs	-	-	-	-	-	(1,049)	(5,249)	-	(6,298)
At 31 December	-	27,847	18,901	353	-	205,827	462,054	6,273	721,255
Net book value									
At 31 December	40,661	342,949	88,638	575	116	74,856	157,986	3,612	709,393

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. PROPERTY AND EQUIPMENT (CONTINUED)

Group 2015	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	51,941	420,250	97,715	868	5,085	219,740	499,229	8,502	1,303,330
Additions	-	28,978	5,087	60	37,681	23,888	72,364	1,387	169,445
Disposals	(10,420)	(865)	(3,325)	-	-	(125)	(564)	(710)	(16,009)
Write-offs	-	(498)	-	-	-	(714)	(4,537)	-	(5,749)
Reclassifications	-	1,479	-	-	(17,378)	15,899	-	-	-
Transfer to investment properties (Note 15)	-	(84,434)	(20,616)	-	(9,062)	(1,139)	(765)	-	(116,016)
Transfer from investment properties (Note 15)	-	12,598	28,678	-	-	-	-	-	41,276
At 31 December	41,521	377,508	107,539	928	16,326	257,549	565,727	9,179	1,376,277
Accumulated depreciation									
At 1 January	-	15,037	12,541	302	-	153,465	351,988	4,584	537,917
Charge for the year	-	7,406	4,250	39	-	29,897	56,162	1,077	98,831
Disposals	-	(15)	-	-	-	(125)	(549)	(67)	(756)
Write-offs	-	(50)	-	-	-	(374)	(1,575)	-	(1,999)
Transfer to investment properties (Note 15)	-	(1,750)	(1,956)	-	-	(686)	(625)	-	(5,017)
At 31 December	-	20,628	14,835	341	-	182,177	405,401	5,594	628,976
Net book value									
At 31 December	41,521	356,880	92,704	587	16,326	75,372	160,326	3,585	747,301

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2016	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	40,001	364,910	78,863	928	7,326	255,177	562,242	1,729	1,311,176
Additions	-	-	-	-	4,513	13,061	59,293	373	77,240
Disposals	(860)	-	-	-	-	-	(44)	-	(904)
Write-offs	-	(541)	-	-	(3)	(1,174)	(5,634)	-	(7,352)
Reclassifications	-	-	-	-	(11,720)	11,032	-	688	-
At 31 December	39,141	364,369	78,863	928	116	278,096	615,857	2,790	1,380,160
Accumulated depreciation									
At 1 January	-	20,347	14,177	341	-	181,530	403,753	1,372	621,520
Charge for the year	-	6,938	3,406	12	-	24,416	61,560	231	96,563
Disposals	-	-	-	-	-	-	(44)	-	(44)
Write-offs	-	-	-	-	-	(1,049)	(5,249)	-	(6,298)
At 31 December	-	27,285	17,583	353	-	204,897	460,020	1,603	711,741
Net book value									
At 31 December	39,141	337,084	61,280	575	116	73,199	155,837	1,187	668,419

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2015	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	50,421	420,250	73,776	868	7,631	217,500	495,772	1,729	1,267,947
Additions	-	28,978	5,087	60	17,073	22,070	70,870	338	144,476
Disposals	(10,420)	(865)	-	-	-	(125)	(564)	(338)	(12,312)
Write-offs	-	(498)	-	-	-	(167)	(3,836)	-	(4,501)
Reclassifications	-	1,479	-	-	(17,378)	15,899	-	-	-
Transfer to investment properties (Note 15)	-	(84,434)	-	-	-	-	-	-	(84,434)
At 31 December	40,001	364,910	78,863	928	7,326	255,177	562,242	1,729	1,311,176
Accumulated depreciation									
At 1 January	-	15,037	10,587	302	-	152,072	349,440	1,188	528,626
Charge for the year	-	7,125	3,590	39	-	29,634	55,823	189	96,400
Disposals	-	(15)	-	-	-	(125)	(549)	(5)	(694)
Write-offs	-	(50)	-	-	-	(51)	(961)	-	(1,062)
Transfer to investment properties (Note 15)	-	(1,750)	-	-	-	-	-	-	(1,750)
At 31 December	-	20,347	14,177	341	-	181,530	403,753	1,372	621,520
Net book value									
At 31 December	40,001	344,563	64,686	587	7,326	73,647	158,489	357	689,656

Land titles of certain freehold land of the Bank with carrying amount of RM3,324,916 (2015: RM3,531,519) have not yet been issued by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

15. INVESTMENT PROPERTIES

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
As of 1 January	708,590	539,288	685,145	524,179
Additions	11,601	16,081	-	16,081
Gain on revaluation (Note 30(ii))	20,320	73,983	3,076	66,236
Disposal	-	(4,369)	-	(4,035)
Transfer from property and equipment (Note 14)	110,472	110,999	-	82,684
Transfer from prepaid lease payments (Note 16)	-	13,884	-	-
Transfer to property and equipment (Note 14)	-	(41,276)	-	-
As of 31 December	850,983	708,590	688,221	685,145

Investment properties include the following:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Freehold land	7,656	7,448	7,767	7,568
Buildings	716,926	580,119	571,239	571,389
Long-term leasehold land	126,401	121,023	109,215	106,188
	850,983	708,590	688,221	685,145

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 2016 and 31 December 2015 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 reference to current prices in an active market for similar properties in the same location and condition. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

15. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's and the Bank's investment properties and information about the fair value hierarchy are as follows:

	Carrying amount	Fair value	Level 1	Level 2	Level 3
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
As of 31 December 2016	850,983	850,983	-	850,983	-
As of 31 December 2015	708,590	708,590	-	708,590	-
Bank					
As of 31 December 2016	688,221	688,221	-	688,221	-
As of 31 December 2015	685,145	685,145	-	685,145	-

Land titles for certain freehold land and leasehold land of the Group and the Bank with fair value amounting to RM18,025,000 (2015: RM15,665,000) and RM950,000 (2015: RM950,000) have not been issued to the Group and the Bank by the relevant authorities.

The investment properties held by the Group and the Bank are let under operating leases to third parties, from which rental income of RM22,483,000 (2015: RM16,024,000) and RM21,900,000 (2015: RM15,483,000) has been earned during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

16. PREPAID LEASE PAYMENTS

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cost				
As of 1 January	76,680	93,682	76,680	76,680
Transfer to investment properties (Note 15)	-	(17,002)	-	-
As of 31 December	76,680	76,680	76,680	76,680
Accumulated amortisation				
As of 1 January	11,422	13,008	11,422	9,890
Charge for the year (Note 31 (ii))	1,498	1,532	1,498	1,532
Transfer to investment properties (Note 15)	-	(3,118)	-	-
As of 31 December	12,920	11,422	12,920	11,422
	63,760	65,258	63,760	65,258

Prepaid lease payments include:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Long-term leasehold land	55,840	57,153	55,840	57,153
Short-term leasehold land	7,920	8,105	7,920	8,105
	63,760	65,258	63,760	65,258

The remaining period of the leasehold land of the Group and of the Bank ranges from 17 to 90 years (2015: 18 to 91 years) and 17 to 90 years (2015: 18 to 91 years) respectively.

The land titles of certain leasehold land of the Bank amounting to RM14,204,924 (2015: RM12,882,032) have not yet been issued to the Bank by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

17. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets/(liabilities) presented in the statements of financial position are in respect of the tax effects of the following:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets				
Temporary differences arising from:				
Financing and advances	36,000	66,000	36,000	66,000
Provision for retirement benefits	-	11,000	-	11,000
Provisions	45,014	44,000	45,000	44,000
Trade receivables	302	362	-	-
	81,316	121,362	81,000	121,000
Offsetting	(71,218)	(66,198)	(71,000)	(66,000)
Deferred tax assets (after offsetting)	10,098	55,164	10,000	55,000
Deferred tax liabilities				
Temporary differences arising from:				
Property and equipment	(71,694)	(66,764)	(71,000)	(66,000)
Offsetting	71,218	66,198	71,000	66,000
Deferred tax liabilities (after offsetting)	(476)	(566)	-	-
Net	9,622	54,598	10,000	55,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

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

Movement in temporary differences during the year:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
As of 1 January	54,598	139,221	55,000	140,000
Transfer to/(from) profit or loss (Note 32)				
Property and equipment	(4,930)	15,231	(5,000)	15,000
Financing and advances	(30,000)	(52,000)	(30,000)	(52,000)
Provision for retirement benefits	(11,000)	(7,000)	(11,000)	(7,000)
Other payables	1,014	(29,000)	1,000	(29,000)
Profit equalisation reserve	-	(12,000)	-	(12,000)
Trade receivables	(60)	146	-	-
	(44,976)	(84,623)	(45,000)	(85,000)
As of 31 December	9,622	54,598	10,000	55,000

18. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2016 RM'000	2015 RM'000
Savings deposits		
Wadiah	4,124,178	3,750,568
Term deposits		
Tawarruq	64,901,919	58,114,929
General investment deposits		
Mudarabah	25	156
Negotiable Islamic debt certificates	8,877,200	9,116,119
	77,903,322	70,981,772

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

18. DEPOSITS FROM CUSTOMERS (CONTINUED)

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

	Group and Bank	
	2016 RM'000	2015 RM'000
Government	36,391,751	30,251,363
Business enterprises	25,265,336	27,743,606
Co-operatives	1,191,572	943,212
Individuals	12,032,141	10,774,077
Others	3,022,522	1,269,514
	77,903,322	70,981,772

Maturity structure of deposits from customers is as follows:

	Group and Bank	
	2016 RM'000	2015 RM'000
Maturity within six months	63,893,599	58,102,637
More than six months to one year	9,626,602	9,675,259
More than one year to five years	4,383,121	3,203,876
	77,903,322	70,981,772

19. DEPOSITS AND PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	Group and Bank	
	2016 RM'000	2015 RM'000
Licensed Islamic banks	900,000	1,940,000
	900,000	1,940,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

20. RECURSE 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.

21. DEBT SECURITIES ISSUED

		Group and Bank	
		2016 RM'000	2015 RM'000
Issued under the RM1.0 billion Senior IMTN Programme:			
Second tranche:			
RM700 million IMTN due in 2017	(i)	704,711	704,775
Issued under the RM9.0 billion Senior IMTN Programme:			
First tranche:			
RM200 million IMTN due in 2016	(ii)(a)	-	200,190
Second tranche:			
RM300 million IMTN due in 2018	(ii)(a)	300,399	300,453
Third tranche:			
RM575 million IMTN due in 2017	(ii)(b)	581,443	581,551
Fourth tranche:			
RM425 million IMTN due in 2019	(ii)(b)	430,014	430,128
Fifth tranche:			
RM150 million IMTN due in 2019	(ii)(c)	150,538	150,519
Sixth tranche:			
RM350 million IMTN due in 2021	(ii)(c)	351,287	351,255
Issued under the RM5.0 billion Tier II Subordinated Programme:			
First tranche:			
RM300 million Tier II due in 2026	(iii)(a)	300,220	-
		2,818,612	2,718,871

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

21. DEBT SECURITIES ISSUED (CONTINUED)

- (i) On 26 September 2012, the Bank obtained the approval from the Securities Commission for the establishment of a Senior Islamic Medium Term Notes (IMTNs) Programme to issue a Sukuk Musharakah of up to RM1.0 billion. The issuance was made via a Special Purpose Vehicle (SPV), Imtiaz Sukuk Berhad. The Senior IMTNs Programme has a tenor of up to 10 years from the date of the first issuance and shall be issued for a maturity of up to 10 years provided that the Senior IMTNs mature prior to the expiry of the Senior IMTNs Programme.

On 23 November 2012, the Bank issued its inaugural RM1.0 billion Sukuk Musharakah made in two tranches. The first tranche of RM300 million in nominal value of Senior IMTNs for a tenor of 3 years with profit distribution rate at 3.88% and were fully redeemed on 23 November 2015. The second tranche of RM700 million in nominal value of Senior IMTN for a tenor of 5 years with profit distribution rate at 4.08% and maturity date at 23 November 2017.

- (ii) On 25 October 2013, the Bank established a RM9.0 billion Senior IMTNs Programme to issue Sukuk Musharakah via Imtiaz Sukuk (II) Berhad with a programme tenor of 10 years.

- (a) On 20 December 2013, the Bank issued the first tranche and second tranche of the Senior IMTNs of RM200 million and RM300 million respectively. The first tranche has a tenor of 3 years with profit distribution rate at 4.30%, matured and fully redeemed on 23 December 2016 and the second tranche has a tenor of 5 years with profit distribution rate at 4.45%, maturing in December 2018. The profit is payable semi-annually each year commencing 20 June 2014.

- (b) On 24 March 2014, the Bank issued the third tranche and fourth tranche of RM575 million and RM425 million of the Senior IMTNs. The third tranche has a tenor of 3 years with profit distribution rate at 4.30% and the fourth tranche has a tenor of 5 years with profit distribution rate at 4.60%. The notes mature on 24 March 2017 and 22 March 2019 respectively. The profit is payable semi-annually each year commencing 24 September 2014.

- (c) On 24 November 2014, the Bank issued the fifth tranche and the sixth tranche 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 Sukuk Musharakah constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu without discrimination, preference or priority among themselves and at least pari passu with all other unsecured and unsubordinated obligations of the Issuer, subject to the provisions of the Transaction Documents and those preferred by law.

- (iii) On 8 March 2016, the Bank obtained approval from the Securities Commission for the establishment of a Subordinated Sukuk Programme to issue a 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 in nominal value of Tier II Subordinated Sukuk for a tenor of 10 years with profit distribution rate at 4.95% and maturity date at 19 June 2026.

The Subordinated Sukuk Murabahah will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking pari passu without any preference among themselves and at least pari passu with all other present and future unsecured and subordinated obligations of the Issuer, except those preferred by law and the Transaction Documents.

The proceeds from the issuances were utilised by the Bank for Shariah-compliant working capital and general corporate purposes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

22. OTHER LIABILITIES

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Amount due to subsidiaries (i)	-	-	184,738	249,781
Sundry creditors	192,953	194,322	167,371	171,734
Income payable	565,118	487,537	565,118	487,537
Other liabilities and accruals	308,937	349,544	312,332	349,190
Government fund	185,273	177,571	185,273	177,571
Zakat payable	43,457	42,355	40,979	40,307
	1,295,738	1,251,329	1,455,811	1,476,120

(i) Amount due to subsidiaries

	Bank	
	2016	2015
	RM'000	RM'000
Term deposits	164,859	235,499
Savings deposits	19,879	14,282
	184,738	249,781

The amount due to subsidiaries of RM184,738,000 (2015: RM249,781,000) represents deposits placed with the Bank. The average profit rate paid/payable to subsidiaries is 3.65% (2015: 3.74%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

23. PROFIT EQUALISATION RESERVE

	Group and Bank	
	2016	2015
	RM'000	RM'000
As of 1 January	-	48,641
Net utilisation during the year (Note 28)	-	(48,641)
As of 31 December	-	-

24. FINANCING FROM OTHER FINANCIAL INSTITUTIONS

	Group	
	2016	2015
	RM'000	RM'000
Secured		
Term financing	1,021	-

As of 31 December 2016, one of the subsidiaries had a Tawarruq Business Financing-i of RM9,154,000 from a local licensed bank, of which RM8,132,778 has yet to be utilised as of 31 December 2016. The facilities bear profit at 4.85% per annum and secured by way of fixed charge over the investment properties of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

25. SHARE CAPITAL

	Group and Bank	
	2016 RM'000	2015 RM'000
Authorised		
3,000,000,000 ordinary shares of RM1 each	3,000,000	3,000,000
Issued and fully paid - Ordinary shares of RM1 each		
As of 1 January	2,983,923	2,973,677
Net issuance during the year	506	11,117
Transfer from/(to) share redemption fund *	1,601	(871)
As of 31 December	2,986,030	2,983,923

Membership as of 31 December is as follows:

	Group and Bank	
	2016	2015
Individual	890,314	905,790
Co-operative	2,154	2,128
	892,468	907,918

* 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 2016 (CONTINUED)

26. RESERVES

Group	Non-distributable					Distributable	
	Capital reserve RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2015	14,617	4,288,740	(77,414)	245,566	4,471,509	5,201,933	9,673,442
Profit after taxation and zakat	-	-	-	-	-	1,824,121	1,824,121
Transfer from retained profits	-	454,087	-	13,087	467,174	(467,174)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	(39,191)	(39,191)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	(19,596)	(19,596)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	(14,824)	(14,824)
Remeasurement of defined benefit plan	-	-	-	-	-	(10,460)	(10,460)
Unrealised net gain on revaluation of financial assets available-for-sale	-	-	13,703	-	13,703	-	13,703
Dividends	-	-	-	-	-	(443,502)	(443,502)
At 31 December 2015	14,617	4,742,827	(63,711)	258,653	4,952,386	6,031,307	10,983,693
At 1 January 2016	14,617	4,742,827	(63,711)	258,653	4,952,386	6,031,307	10,983,693
Profit after taxation and zakat	-	-	-	-	-	1,633,028	1,633,028
Transfer from retained profits	-	409,985	-	71,019	481,004	(481,004)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	(34,007)	(34,007)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	(17,003)	(17,003)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	(14,788)	(14,788)
Remeasurement of defined benefit plan	-	-	-	-	-	(6,637)	(6,637)
Unrealised net gain on revaluation of financial assets available-for-sale	-	-	35,215	-	35,215	-	35,215
Dividends	-	-	-	-	-	(384,822)	(384,822)
At 31 December 2016	14,617	5,152,812	(28,496)	329,672	5,468,605	6,726,074	12,194,679

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

26. RESERVES (CONTINUED)

Bank	Non-distributable					Distributable	
	Capital reserve RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2015	15,358	4,288,740	(77,414)	245,566	4,472,250	4,915,527	9,387,777
Profit after taxation and zakat	-	-	-	-	-	1,779,005	1,779,005
Transfer from retained profits	-	454,087	-	13,087	467,174	(467,174)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	(39,191)	(39,191)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	(19,596)	(19,596)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	(14,824)	(14,824)
Remeasurement of defined benefit plan	-	-	-	-	-	(10,460)	(10,460)
Unrealised net gain on revaluation of financial assets available-for-sale	-	-	13,703	-	13,703	-	13,703
Dividends	-	-	-	-	-	(443,502)	(443,502)
At 31 December 2015	15,358	4,742,827	(63,711)	258,653	4,953,127	5,699,785	10,652,912
At 1 January 2016	15,358	4,742,827	(63,711)	258,653	4,953,127	5,699,785	10,652,912
Profit after taxation and zakat	-	-	-	-	-	1,602,092	1,602,092
Transfer from retained profits	-	409,985	-	71,019	481,004	(481,004)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	(34,007)	(34,007)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	(17,003)	(17,003)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	(14,788)	(14,788)
Remeasurement of defined benefit plan	-	-	-	-	-	(6,637)	(6,637)
Unrealised net gain on revaluation of financial assets available-for-sale	-	-	35,215	-	35,215	-	35,215
Dividends	-	-	-	-	-	(384,822)	(384,822)
At 31 December 2016	15,358	5,152,812	(28,496)	329,672	5,469,346	6,363,616	11,832,962

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

26. 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

This reserve relates to unrealised fair value gains and losses on financial assets available-for-sale.

(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 (2015: RM925,000,000) earmarked to improve the Rate of Return Risk (ROR) exposure as part of asset and liability management strategies.

27. INCOME

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income derived from investment of depositors' fund (i)	4,740,919	4,436,480	4,740,919	4,436,480
Income derived from investment of shareholders' fund (ii)	1,218,477	1,182,138	1,218,477	1,182,138
Income generated by subsidiary companies (iii)	43,945	67,669	-	-
	6,003,341	5,686,287	5,959,396	5,618,618

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

27. INCOME (CONTINUED)

(i) Income derived from investment of depositors' fund

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income from financing and advances *	3,900,456	3,667,767	3,900,456	3,667,767
Income from deposits and placements with banks and financial institutions	70,558	65,657	70,558	65,657
Income from financial assets	769,905	703,056	769,905	703,056
	4,740,919	4,436,480	4,740,919	4,436,480

(ii) Income derived from investment of shareholders' fund

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income from financing and advances *	1,002,468	977,308	1,002,468	977,308
Income from deposits and placements with banks and other financial institutions	18,134	17,495	18,134	17,495
Income from financial assets	197,875	187,335	197,875	187,335
	1,218,477	1,182,138	1,218,477	1,182,138

* Included in income from financing and advances for the current year is profit accrued on impaired financing of RM77,573,480 (2015: RM66,427,853).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

27. INCOME (CONTINUED)

(iii) Income generated by subsidiaries

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Agency income	9,222	15,722	-	-
Pawning income	24,385	36,999	-	-
Rental income	2,100	2,046	-	-
Management fee	7,692	12,072	-	-
Sale of goods	246	393	-	-
Other charges	300	437	-	-
	43,945	67,669	-	-

28. EXPENDITURE

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income attributable to depositors (i)	2,951,292	2,694,941	2,958,723	2,702,164
Profit expense on financing sold with recourse to Cagamas	58,445	65,736	58,445	65,736
Transfer from profit equalisation reserve (Note 23)	-	(48,641)	-	(48,641)
Profit expense on debt securities issued	125,610	127,701	125,610	127,701
Cost of sales	52,164	78,303	-	-
	3,187,511	2,918,040	3,142,778	2,846,960

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

28. EXPENDITURE (CONTINUED)

(i) Income attributable to depositors

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits from customers				
Mudarabah	4,401	26,752	4,401	33,975
Non-Mudarabah	2,929,428	2,596,043	2,936,859	2,596,043
Deposits and placements from banks and other financial institutions				
Mudarabah	-	36,981	-	36,981
Non-Mudarabah	17,463	35,165	17,463	35,165
	2,951,292	2,694,941	2,958,723	2,702,164

29. ALLOWANCES FOR IMPAIRMENT

	Group and Bank	
	2016 RM'000	2015 RM'000
Allowance for impairment on financing and advances (i)	522,281	463,366
Allowance for impairment on financial assets (ii)	9,582	10,070
	531,863	473,436

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

29. ALLOWANCES FOR IMPAIRMENT (CONTINUED)

(i) Allowance for impairment on financing and advances

	Group and Bank	
	2016 RM'000	2015 RM'000
Individual impairment (Note 9(x))	138,738	105,391
Individual impairment on rescheduled financing *	8,561	8,413
Collective impairment (Note 9(xi))	374,982	349,562
	522,281	463,366

* This refers to individual impairment on rescheduled accounts during the year that was adjusted against balance of financing and advances.

(ii) Allowance for impairment on financial assets

	Group and Bank	
	2016 RM'000	2015 RM'000
Financial assets available-for-sale	9,582	10,070
	9,582	10,070

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30. OTHER OPERATING INCOME

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fees and commission (i)	70,483	63,600	70,483	63,600
Other income (ii)	584,203	681,438	569,077	643,762
	654,686	745,038	639,560	707,362

(i) Fees and commission

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Takaful commission	22,955	17,199	22,955	17,199
ATM service fees	12,983	12,454	12,983	12,454
Wasiat commission	1,568	2,626	1,568	2,626
Other commission	13,936	18,106	13,936	18,106
Processing fees	2,547	492	2,547	492
MEPS fees	10,784	8,831	10,784	8,831
Guarantee fees	3,217	1,083	3,217	1,083
Other fees	2,493	2,809	2,493	2,809
	70,483	63,600	70,483	63,600

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30. OTHER OPERATING INCOME (CONTINUED)

(ii) Other income

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other income from financial instruments				
Dividend from financial assets available-for-sale	11,535	9,057	11,535	9,057
Net gain on disposal of financial assets held-for-trading	1,375	83	1,375	83
Net gain on disposal of financial assets available-for-sale	20,745	22,599	20,745	22,599
Others				
Rental income	20,383	13,978	21,900	15,483
Compensation for late payment	3,492	3,332	3,492	3,332
Charges from credit card services	14,693	15,532	14,693	15,532
Other service charges	8,293	9,042	8,293	9,042
Recoveries from financing written off	404,048	415,354	404,048	415,354
Recoveries from financial assets written-off	4,233	-	4,233	-
Allowance for doubtful debts no longer required				
Trade receivables (Note 10)	454	318	-	-
Amount due from subsidiaries (Note 11(i))	-	-	-	18,476
Other receivables (Note 11(ii))	1	4	1	4
Allowance for impairment loss on financial assets held-to-maturity no longer required (Note 8)	654	745	654	745
Gain on disposal of property and equipment	1,707	5	1,232	5
Other income	72,270	67,406	69,800	65,978
Gain on revaluation of investment properties (Note 15)	20,320	73,983	3,076	66,236
Dividend from subsidiary	-	-	4,000	1,836
Compensation from legal case	-	50,000	-	-
	584,203	681,438	569,077	643,762

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. OPERATING EXPENSES

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Personnel expenses (i)	614,827	466,602	599,026	451,441
Other overheads and expenditure (ii)	585,716	561,524	624,959	594,570
	1,200,543	1,028,126	1,223,985	1,046,011

(i) Personnel expenses

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	298,374	277,118	288,202	267,949
Allowances, compensation and bonuses	149,932	104,752	146,882	100,570
Defined benefit plan (Note 11(iii))	41,029	(21,134)	41,029	(21,134)
Defined contribution plan - EPF	76,665	71,121	75,267	69,981
Social security contributions - SOCSO	3,612	2,992	3,444	2,873
Other staff related costs	45,215	31,753	44,202	31,202
	614,827	466,602	599,026	451,441

Total number of staffs (excluding the Board of Directors) for the Group is 5,441 persons (2015: 5,459) and for the Bank is 5,043 persons (2015: 5,135).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Establishment				
Rental	20,845	23,240	27,714	28,781
Depreciation of property and equipment	98,927	98,831	96,563	96,400
Amortisation of prepaid lease payments	1,498	1,532	1,498	1,532
Repair and maintenance	88,015	97,935	87,865	97,601
Takaful	6,603	9,041	6,507	8,930
	215,888	230,579	220,147	233,244

Promotion

Advertisement and publicity	72,821	68,580	72,151	67,698
	72,821	68,580	72,151	67,698

General expenses

Legal and professional fees	17,516	15,719	17,758	12,640
Auditors' remuneration	1,454	1,120	1,246	1,000
Communication expenses	26,729	18,299	26,423	18,027
Utilities expenses	22,135	7,972	21,986	7,731
Printing and stationery	21,697	20,247	21,298	19,955
Postage and courier	14,559	15,305	14,497	15,274
Security expenses	24,291	26,650	24,244	26,590
Service charges	23,537	25,486	56,659	56,335
Loss on financing written off	21,198	26,541	21,198	26,541
Property and equipment written off	1,054	3,750	1,054	3,439
Commission expenses	73,330	60,696	73,330	60,696
Travelling and transportation	13,946	2,082	17,282	8,954
Others	35,561	38,498	35,686	36,446
	297,007	262,365	332,661	293,628
	585,716	561,524	624,959	594,570

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

The above expenditure includes the following statutory disclosures:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Impairment losses on:				
Trade receivables (Note 10)	182	990	-	-
Amount due from subsidiaries (Note 11(i))	-	-	3	-
Other receivables, deposits and prepayments (Note 11(ii))	762	94	762	94
Auditors' remuneration:				
Current year:				
Statutory audit fees	1,413	888	1,200	720
Other services	68	295	46	280
Overprovision in prior year	(27)	(63)	-	-
Amortisation of prepaid lease payment (Note 16)	1,498	1,532	1,498	1,532
Depreciation of property and equipment (Note 14)	98,927	98,831	96,563	96,400
Property and equipment written off	1,054	3,750	1,054	3,439
Finance cost on financing from other financial institutions	19	-	-	-
Rental of premises	20,777	23,198	27,714	28,781
Rental of equipment	68	42	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Included in general expenses are the following Directors' remuneration:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive Director				
Salary and other remuneration	1,101	966	1,101	966
Bonuses	713	879	713	879
EPF contributions	319	314	319	314
Other emoluments	7	47	7	47
	2,140	2,206	2,140	2,206
Non-Executive Directors				
Fees	2,605	2,431	1,903	1,822
Other emoluments	144	874	144	874
	2,749	3,305	2,047	2,696
	4,889	5,511	4,187	4,902

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Directors is as follows:

2016	Remuneration received from Bank			Remuneration received from Subsidiary Companies			Group	
	Salary and Bonus RM'000	Fees RM'000	Other Emolu-ments RM'000	Total RM'000	Fees RM'000	Other Emolu-ments RM'000	Total RM'000	Total RM'000
Executive Director								
Dato' Mustafha Haji Abd. Razak	2,133	-	7	2,140	67	-	67	2,207
	2,133	-	7	2,140	67	-	67	2,207
Non-Executive Directors								
Dato' Sri Alias Haji Ahmad	-	234	-	234	49	-	49	283
Datuk Haji Abdul Rahman Kasim	-	195	1	196	35	-	35	231
Datuk Haji Mohd Idris Haji Mohd Isa	-	211	-	211	71	-	71	282
Dato' Siti Zaayah Md. Desa	-	182	-	182	28	-	28	210
Dato' Haji Ismail Nordin	-	177	1	178	54	-	54	232
Razalee Amin	-	199	2	201	59	-	59	260
Dato' Sri Jamil Salleh	-	45	-	45	13	-	13	58
Datin Dr. Nik Sarina Lugman Hashim	-	106	-	106	16	-	16	122
	-	1,349	4	1,353	325	-	325	1,678
Former Non-Executive Directors								
General Tan Sri Dato' Sri Abdul Aziz Zainal (R)	-	234	19	253	150	-	150	403
Dato' Dr. Roselan Baki	-	56	2	58	26	-	26	84
Dato' Abdul Mutalib Alias	-	-	118	118	-	-	-	118
Tan Sri Dr. Alies Anor Abdul	-	106	1	107	55	-	55	162
Dato' Haji Abdullah Haji Abas	-	158	-	158	79	-	79	237
	-	554	140	694	310	-	310	1,004
	2,133	1,903	151	4,187	702	-	702	4,889

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

2015	Remuneration received from Bank			Remuneration received from Subsidiary Companies			Group	
	Salary and Bonus RM'000	Fees RM'000	Other Emolu-ments RM'000	Total RM'000	Fees RM'000	Other Emolu-ments RM'000	Total RM'000	Total RM'000
Executive Director								
Dato' Mustafha Haji Abd. Razak	2,159	-	47	2,206	85	-	85	2,291
	2,159	-	47	2,206	85	-	85	2,291
Non-Executive Directors								
General Tan Sri Dato' Sri Abdul Aziz Zainal (R)	-	152	13	165	71	-	71	236
Dato' Sri Alias Haji Ahmad	-	169	2	171	37	-	37	208
Dato' Abdul Mutalib Alias	-	163	4	167	-	-	-	167
Dato' Dr. Roselan Baki	-	175	16	191	44	-	44	235
Datuk Haji Abdul Rahman Kasim	-	188	12	200	48	-	48	248
Tan Sri Dr. Alies Anor Abdul	-	178	1	179	77	-	77	256
Datuk Haji Mohd Idris Haji Mohd Isa	-	203	4	207	41	-	41	248
Dato' Haji Abdullah Haji Abas	-	177	9	186	72	-	72	258
Dato' Siti Zaayah Md. Desa	-	79	2	81	8	-	8	89
Dato' Haji Ismail Nordin	-	83	2	85	21	-	21	106
Razalee Amin	-	83	2	85	22	-	22	107
	-	1,650	67	1,717	441	-	441	2,158
Former Non-Executive Directors								
Datuk Mat Noor Nawi	-	172	131	303	83	-	83	386
Tan Sri Sabbaruddin Chik	-	-	106	106	-	-	-	106
Dato' Mangsor Saad	-	-	124	124	-	-	-	124
Datuk Seri Haji Saripuddin Kasim	-	-	118	118	-	-	-	118
Dato' Zuraidah Atan	-	-	116	116	-	-	-	116
Dato' Haji Amirul Rahman Abdul Rahim	-	-	106	106	-	-	-	106
Dato' Dr. Syed Hussain Syed Husman	-	-	106	106	-	-	-	106
	-	172	807	979	83	-	83	1,062
	2,159	1,822	921	4,902	609	-	609	5,511

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

32. TAXATION

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysian income tax				
Current year	39,397	84,607	33,190	78,762
Overprovision in prior years	(18,375)	(20,938)	(17,801)	(20,537)
	21,022	63,669	15,389	58,225
Deferred tax (Note 17)				
Current year	44,993	84,723	45,000	85,000
(Over)/Underprovision in prior years	(17)	(100)	-	-
	44,976	84,623	45,000	85,000
Total	65,998	148,292	60,389	143,225

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

32. TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation and zakat	1,738,110	2,011,723	1,700,330	1,959,573
Tax expense at statutory tax rate of 24% (2015: 24%)	417,146	482,814	408,039	470,298
Effect of different tax rates of subsidiaries	-	731	-	-
Non-taxable income	(126,016)	(66,119)	(122,239)	(55,018)
Non-deductible expenses	153,069	103,324	152,199	99,873
Tax exempt under Section 65(A) of the Income Tax Act 1967	(359,809)	(351,391)	(359,809)	(351,391)
Effect of deferred tax due to reduction in tax rate	-	(29)	-	-
(Over)/Underprovision in prior years:				
Current tax	(18,375)	(20,938)	(17,801)	(20,537)
Deferred tax	(17)	(100)	-	-
	65,998	148,292	60,389	143,225

33. ZAKAT

In computing for zakat, the Group and the Bank have been applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and subjected to allowable adjustments.

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Provision for current year	39,235	39,315	38,000	37,343
Overprovision in prior years	(151)	(5)	(151)	-
	39,084	39,310	37,849	37,343

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

34. 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.

35. EARNINGS PER SHARE

Basic earnings per ordinary share have been calculated based on the Group's profit after taxation and zakat of RM1,633,028,000 (2015: RM1,824,121,000) divided by the weighted average number of ordinary shares of 2,985,110,000 (2015: 2,978,814,000) of RM1 each in issue during the financial year.

36. DIVIDENDS

	Group and Bank	
	2016 RM'000	2015 RM'000
Cash dividend of 13% for the year ended 31 December 2015 (2014: 15%)	384,822	443,502
	384,822	443,502

During the financial year, the Bank paid a final cash dividend of 13% amounting to RM385 million in respect of the financial year ended 31 December 2015 on 23 March 2016.

In respect of the current financial year, the Board of Directors has proposed a cash dividend of 17% amounting to RM510 million. The proposed dividend will be recognised in the subsequent financial period upon approval by the relevant authorities of the Bank.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

37. 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	
	2016 RM'000	2015 RM'000
Contingent liabilities		
Bank guarantee given in respect of banking facilities granted to customers	644,403	236,015
Claims for damages from litigation taken against the Bank	1,225	28,586
Commitments		
Undrawn financing	1,754,983	2,336,334
	2,400,611	2,600,935

38. CAPITAL COMMITMENTS

Capital expenditure approved but not provided for in the financial statements are as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital expenditure				
- approved and contracted for	399,716	16,988	-	4,360
- approved but not contracted for	-	315,709	-	301,475
	399,716	332,697	-	305,835

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

39. OPERATING LEASES

The Bank leases a number of premises under operating leases. None of the leases include contingent rentals. Total future minimum lease payments under these non-cancellable operating leases are as follows:

	Bank	
	2016 RM'000	2015 RM'000
Within one year	734	930
Between one and two years	675	159
Between two to three years	195	86
	1,604	1,175

40. 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:

40.1 Subsidiaries

Details of the subsidiaries are shown in Note 13.

40.2 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

40.2 Key Management Personnel (continued)

Remuneration of Directors and other members of key management are as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term employee benefits				
Fees	2,605	2,431	1,903	1,822
Salary	3,864	3,760	3,129	3,247
Allowances	349	398	349	398
EPF contribution	1,149	1,081	1,020	947
Bonuses	4,378	2,362	3,968	2,032
Other emoluments	241	4,325	151	4,229
	12,586	14,357	10,520	12,675

Included in the total compensation for key management personnel are the following items:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' remuneration				
From the Bank	4,187	4,902	4,187	4,902
From subsidiaries	702	609	-	-
	4,889	5,511	4,187	4,902

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

40.3 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	
	2016	2015
	RM'000	RM'000
Income earned		
Rental income	(1,531)	(1,538)
Expenditure incurred		
Profit expenses	7,431	7,223
Management fee expenses	29,615	29,428
Rental expenses	5,538	4,894
Purchase of goods and services	3,165	6,183
Travelling and transportation	2,931	7,154
	47,149	53,344

41. FINANCING FACILITIES WITH CONNECTED PARTIES

	Group and Bank
	2016
	RM'000
Outstanding exposures with connected parties	553,817
% of outstanding exposures to connected parties as a proportion of total exposure	0.80%
% of outstanding exposures financing exposures with connected parties which is non-performing or in default	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 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT

42.1 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

42.2 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
- 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."

42.2.1 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.2 Risk management framework (continued)

42.2.1 Risk governance (continued)

(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.

Roles and responsibilities of the Oversight Committee:

Roles and responsibilities of the Board Risk Committee (BRC):

- a) The BRC shall be responsible to review and recommend risk management strategies, policies, appetite and tolerance for Board’s approval.
- b) The BRC with the recommendation of Management Risk Committee periodically reviews the Risk Management Framework.
- c) The BRC shall be responsible to assess the adequacy of risk management policies, processes and infrastructure to manage various types of risks is comprehensive and recommend to the Board for approval.
- d) Review management’s periodic reports on risk exposure, risk portfolio composition and risk management activities.

Roles and responsibilities of Management Risk Committee:

- a) Assess whether the Bank’s corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities.
- b) Establish, review and implement Board approved risk management framework and policies.
- c) Communicate approved policies to employees and monitor as well as enforce compliance with these policies.
- d) Periodically review Risk Management Framework and recommend to Management Risk Committee for escalation to BRC and Board.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.2 Risk management framework (continued)

42.2.1 Risk governance (continued)

Roles and responsibilities of Operational Risk Management Committee:

- a) Review and recommend operational risk management strategies, policies, guidelines and procedures.
- b) Review and assess adequacy of operational risk management framework, policies, guidelines and procedures in identifying, assessing, controlling and monitoring of operational risk and the extent to which these are operating effectively.
- c) Ensure that infrastructure, resources and systems are in place to effectively manage operational risks.
- d) Review operational risk profiles and periodic reports, including progress and follow-up actions.
- e) Monitor the identified operational risks, key risk indicators and loss incidents in the business and functional units’ operations.

Roles and responsibilities of Financing Review Committee:

- a) Direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Bank’s financing book.
- b) Conduct post-mortem on impaired financing and to learn weaknesses in existing credit policies and processes.
- c) Ensure the procedures and resources are effective to identify and manage irregular and problem credits, minimize credit loss and maximize recoveries.
- d) Review and recommend any enhancement of credit related policies, process and procedures.

42.3 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 fulfil 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.

42.3.1 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (continued)

42.3.1 Management of credit risk (continued)

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.

42.3.2 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.

42.3.3 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.

42.3.4 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.

42.3.5 Impaired financing and investment debt 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).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (continued)

42.3.6 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.

42.3.7 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, but it is believed that impairment is not appropriate on the basis of the level of security/ collateral available and/or the stage of collection of amounts owed to the Bank.

42.3.8 Financing with renegotiated terms

Financing with renegotiated terms are financing that have been restructured due to deterioration in the borrower’s financial position. Once the financing is restructured it remains in this category independent of satisfactory performance after restructuring.

42.3.9 Allowances for impairment

The Bank establishes an allowance for impairment losses on assets carried at amortised cost that represents estimate of incurred losses in its 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 the group of homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

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.

42.3.10 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 borrower’s/issuer’s financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (continued)

42.3.11 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.

42.3.12 Credit grading for investment securities

Credit qualities of financial instruments are assessed based on ratings from external credit ratings agencies.

At the end of the reporting period, instruments rated with “Grade D” are those that have defaulted beyond their maturity period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (continued)

42.3.13 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 granter to customers.

	Group		Bank	
	2016 RM’000	2015 RM’000	2016 RM’000	2015 RM’000
Assets				
Cash and short-term funds	2,391,083	1,899,146	2,389,341	1,897,976
Deposits and placements with financial institutions	204,150	933,286	203,026	908,750
Financial assets available-for-sale	15,035,407	13,296,973	15,034,854	13,295,819
Financial assets held-to-maturity	11,355,466	10,718,843	11,355,466	10,718,843
Financing and advances	67,806,707	63,137,184	67,806,707	63,137,184
Trade receivables	5,644	8,416	-	-
Other receivables	328,152	147,562	326,860	144,999
	97,126,609	90,141,410	97,116,254	90,103,571
Commitments				
Undrawn financing	1,754,983	2,336,334	1,754,983	2,336,334
Total maximum exposure to credit risk	98,881,592	92,477,744	98,871,237	92,439,905

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (continued)

42.3.14 Credit risk exposure on financing and advances

	Group and Bank	
	2016 RM'000	2015 RM'000
At amortised cost		
Neither past due nor impaired		
0 month	64,549,455	60,401,701
	64,549,455	60,401,701
Past due but not impaired		
1 month	2,212,441	1,878,677
2 months	729,303	656,124
3 months	309,948	308,751
More than 3 months	-	513
	3,251,692	2,844,065
Past due and impaired		
Less than 4 months	313,131	306,852
4 months to 6 months	397,703	334,810
7 months to 9 months	184,364	132,675
More than 9 months	483,428	443,548
	1,378,626	1,217,885
Gross financing and advances	69,179,773	64,463,651
Less:		
- Individual assessment impairment	(455,390)	(316,652)
- Collective assessment impairment	(917,676)	(1,009,815)
Net financing and advances	67,806,707	63,137,184

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (continued)

42.3.15 Credit risk exposure on investment securities

Group 2016	Financial assets available- for-sale RM'000	Financial assets held- to-maturity RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AA	76,343	45,758	122,101
Grade AA+	30,319	85,949	116,268
Grade AAA	2,466,660	481,205	2,947,865
Grade AA1	363,349	50,932	414,281
Grade AA2	55,625	5,044	60,669
Grade AA3	23,989	66,790	90,779
	3,016,285	735,678	3,751,963
Cagamas sukuk			
Grade AAA	867,454	279,839	1,147,293
Negotiable Islamic debt certificates			
Grade AA1	-	199,258	199,258
	3,883,739	1,214,775	5,098,514
Unrated securities			
Government investment issues	7,492,530	7,772,769	15,265,299
Government sukuk	3,018,291	1,857,907	4,876,198
Khazanah sukuk	71,965	510,015	581,980
	10,582,786	10,140,691	20,723,477
Shares			
Quoted and unit trust shares	560,746	-	560,746
Unquoted shares	8,136	-	8,136
	568,882	-	568,882
	15,035,407	11,355,466	26,390,873

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (continued)

42.3.15 Credit risk exposure on investment securities (continued)

Bank 2016	Financial assets available- for-sale RM'000	Financial assets held- to-maturity RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AA	76,343	45,758	122,101
Grade AA+	30,319	85,949	116,268
Grade AAA	2,466,660	481,205	2,947,865
Grade AA1	363,349	50,932	414,281
Grade AA2	55,625	5,044	60,669
Grade AA3	23,989	66,790	90,779
	3,016,285	735,678	3,751,963
Cagamas sukuk			
Grade AAA	867,454	279,839	1,147,293
Negotiable Islamic debt certificates			
Grade AA1	-	199,258	199,258
	3,883,739	1,214,775	5,098,514
Unrated securities			
Government investment issues	7,492,530	7,772,769	15,265,299
Government sukuk	3,018,291	1,857,907	4,876,198
Khazanah sukuk	71,965	510,015	581,980
	10,582,786	10,140,691	20,723,477
Shares			
Quoted and unit trust shares	560,746	-	560,746
Unquoted shares	7,583	-	7,583
	568,329	-	568,329
	15,034,854	11,355,466	26,390,320

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (continued)

42.3.15 Credit risk exposure on investment securities (continued)

Group 2015	Financial assets available- for-sale RM'000	Financial assets held- to-maturity RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AA	-	-	-
Grade AA+	9,932	85,897	95,829
Grade AAA	2,356,475	298,364	2,654,839
Grade AA1	289,808	35,753	325,561
Grade AA2	55,645	-	55,645
Grade AA3	24,399	69,131	93,530
	2,736,259	489,145	3,225,404
Cagamas sukuk			
Grade AAA	310,530	177,946	488,476
Negotiable Islamic debt certificates			
Grade AA1	-	198,440	198,440
	3,046,789	865,531	3,912,320
Unrated securities			
Government investment issues	7,384,890	8,289,353	15,674,243
Government sukuk	2,521,156	1,096,603	3,617,759
Khazanah sukuk	100,117	467,356	567,473
	10,006,163	9,853,312	19,859,475
Shares			
Quoted and unit trust shares	236,034	-	236,034
Unquoted shares	7,987	-	7,987
	244,021	-	244,021
	13,296,973	10,718,843	24,015,816

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (continued)

42.3.15 Credit risk exposure on investment securities (continued)

Bank 2015	Financial assets available- for-sale RM'000	Financial assets held- to-maturity RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AA	-	-	-
Grade AA+	9,932	85,897	95,829
Grade AAA	2,356,475	298,364	2,654,839
Grade AA1	289,808	35,753	325,561
Grade AA2	55,645	-	55,645
Grade AA3	24,399	69,131	93,530
	2,736,259	489,145	3,225,404
Cagamas sukuk			
Grade AAA	310,530	177,946	488,476
Negotiable Islamic debt certificates			
Grade AA1	-	198,440	198,440
	3,046,789	865,531	3,912,320
Unrated securities			
Government investment issues	7,384,890	8,289,353	15,674,243
Government sukuk	2,521,156	1,096,603	3,617,759
Khazanah sukuk	100,117	467,356	567,473
	10,006,163	9,853,312	19,859,475
Shares			
Quoted and unit trust shares	236,034	-	236,034
Unquoted shares	6,833	-	6,833
	242,867	-	242,867
	13,295,819	10,718,843	24,014,662

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 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.

42.4.1 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.

42.4.2 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (continued)

42.4.2 Exposure to liquidity risk (continued)

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 2016	2015
At 31 December	31.58%	32.78%
Average for the year	32.98%	33.56%
Maximum for the year	34.17%	35.75%
Minimum for the year	31.36%	32.56%

42.4.3 Liquidity risk of assets and liabilities

The main thrust of liquidity management is the projection of up to one year of the maturity profile of the Bank’s assets, liabilities and off-balance sheet commitments from a given position.

The focus is on the ability of the Bank to match its short-term liquidity requirement arising from maturing obligations with maturing assets, followed by a medium-term assessment of liquidity up to one year.

The primary basis for determining the appropriate time bands is the contractual maturity, which is when the cash flows crystallise.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (continued)

42.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities

Bank 2016	Up to 1 week RM’000	More than 1 week - 1 month RM’000	More than 1 month - 3 months RM’000	More than 3 months -6 months RM’000	More than 6 months -1 year RM’000	More than 1 year RM’000	No specific maturity RM’000	Total RM’000
Assets								
Cash, deposits and placements with financial institutions	2,139,284	250,057	203,026	-	-	-	-	2,592,367
Investment securities	-	10,181	199,258	808,021	1,920,312	23,452,548	-	26,390,320
Financing and advances	174,448	1,021,516	2,263,275	3,446,023	5,093,507	57,181,004	(1,373,066)	67,806,707
Other assets	-	-	-	-	-	-	2,222,200	2,222,200
	2,313,732	1,281,754	2,665,559	4,254,044	7,013,819	80,633,552	849,134	99,011,594
Liabilities								
Deposits from customers	9,732,979	20,175,700	19,623,078	14,361,842	9,626,602	4,383,121	-	77,903,322
Deposits and placements from banks and financial institutions	400,000	500,000	-	-	-	-	-	900,000
Recourse obligations on financing sold to Cagamas	-	-	-	-	277,392	785,395	-	1,062,787
Debt securities issued	-	-	596,605	14,745	704,714	1,502,548	-	2,818,612
Other liabilities	-	-	-	-	-	-	1,455,811	1,455,811
	10,132,979	20,675,700	20,219,683	14,376,587	10,608,708	6,671,064	1,455,811	84,140,532
Shareholders’ fund	-	-	-	-	-	14,871,062	-	14,871,062
	-	-	-	-	-	14,871,062	-	14,871,062
Net maturity mismatch	(7,819,247)	(19,393,946)	(17,554,124)	(10,122,543)	(3,594,889)	59,091,426	(606,677)	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (continued)

42.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2016	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	-	-	13,400	86,550	37,182	507,271	-	644,403
Claims for damages from litigation taken against the Bank	-	-	-	-	-	1,225	-	1,225
Undrawn financing	-	-	-	-	-	1,754,983	-	1,754,983
	-	-	13,400	86,550	37,182	2,263,479	-	2,400,611

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (continued)

42.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2015	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	1,545,403	352,573	908,750	-	-	-	-	2,806,726
Investment securities	242,867	71,936	868,680	281,915	1,355,720	21,193,544	-	24,014,662
Financing and advances	137,494	926,713	2,071,613	3,210,683	4,666,301	53,450,847	(1,326,467)	63,137,184
Other assets	-	-	-	-	-	-	2,327,356	2,327,356
	1,925,764	1,351,222	3,849,043	3,492,598	6,022,021	74,644,391	1,000,889	92,285,928
Liabilities								
Deposits from customers	11,114,998	16,457,420	19,463,484	11,066,735	9,675,259	3,203,876	-	70,981,772
Deposits and placements from banks and financial institutions	805,000	700,000	435,000	-	-	-	-	1,940,000
Recourse obligations on financing sold to Cagamas	-	-	-	429,371	287,059	762,229	-	1,478,659
Debt securities issued	-	-	-	-	200,190	2,518,681	-	2,718,871
Other liabilities	-	-	-	-	-	-	1,476,120	1,476,120
	11,919,998	17,157,420	19,898,484	11,496,106	10,162,508	6,484,786	1,476,120	78,595,422
Shareholders' fund	-	-	-	-	-	13,690,506	-	13,690,506
	-	-	-	-	-	13,690,506	-	13,690,506
Net maturity mismatch	(9,994,234)	(15,806,198)	(16,049,441)	(8,003,508)	(4,140,487)	54,469,099	(475,231)	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (continued)

42.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2015	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	-	-	14,477	7,792	15,177	198,569	-	236,015
Claims for damages from litigation taken against the Bank	-	-	-	-	-	28,586	-	28,586
Undrawn financing	-	-	-	-	-	2,336,334	-	2,336,334
	-	-	14,477	7,792	15,177	2,563,489	-	2,600,935

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 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 optimize 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.

42.5.1 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.

42.5.2 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 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk (continued)

42.5.2 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.

Bank				
Sensitivity of projected net profit income	Increase by 100 bp	Decrease by 100 bp	Increase by 50 bp	Decrease by 50 bp
	RM'000	RM'000	RM'000	RM'000
2016				
Year ended 31 December	(222,492)	198,027	(111,258)	107,535
Average for the year	(159,654)	116,661	(79,835)	62,950
Maximum for the year	(323,266)	321,007	(161,651)	161,686
Minimum for the year	208,079	(239,405)	104,027	(109,095)
2015				
Year ended 31 December	(327,092)	325,234	(163,562)	163,593
Average for the year	(297,078)	271,351	(148,544)	136,067
Maximum for the year	(344,208)	342,279	(172,119)	172,148
Minimum for the year	(251,146)	193,024	(125,576)	96,508

42.5.3 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 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk (continued)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments

Bank 2016	Non-trading book					Non-profit sensitive	Trading book	Total
	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash, deposits and placements with financial institutions	1,942,901	203,026	-	-	-	446,440	-	2,592,367
Financial assets available-for-sale	10,181	-	761,627	9,008,897	2,082,752	-	3,171,397	15,034,854
Financial assets held-to-maturity	-	199,258	1,967,692	6,816,744	2,371,772	-	-	11,355,466
Financing and advances								
- Non-impaired	26,798,053	4,063	107,529	2,886,382	36,376,150	1,628,970	-	67,801,147
- Impaired, net of allowances	-	-	-	-	-	5,560	-	5,560
Other non-profit sensitive balances	-	-	-	-	-	2,222,200	-	2,222,200
	28,751,135	406,347	2,836,848	18,712,023	40,830,674	4,303,170	3,171,397	99,011,594

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk (continued)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank 2016	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	Non-profit sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Liabilities								
Deposits from customers	27,130,137	19,741,874	23,928,777	6,345,604	756,930	-	-	77,903,322
Deposits and placements from banks and financial institutions	900,000	-	-	-	-	-	-	900,000
Recourse obligations on financing sold to Cagamas	-	-	277,392	367,489	417,906	-	-	1,062,787
Debt securities issued	-	581,443	704,714	1,232,237	300,218	-	-	2,818,612
Other non-profit sensitive balances	-	-	-	-	-	1,455,811	-	1,455,811
	28,030,137	20,323,317	24,910,883	7,945,330	1,475,054	1,455,811	-	84,140,532
Shareholders' fund	-	-	-	-	-	14,871,062	-	14,871,062
On-balance sheet profit sensitivity gap	720,998	(19,916,970)	(22,074,035)	10,766,693	39,355,620	(12,023,703)	3,171,397	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	720,998	(19,916,970)	(22,074,035)	10,766,693	39,355,620	(12,023,703)	3,171,397	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk (continued)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank 2015	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	Non-profit sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Assets								
Cash, deposits and placements with financial institutions	1,492,576	908,750	-	-	-	405,400	-	2,806,726
Financial assets available-for- sale	51,216	415,900	1,058,369	6,385,518	3,215,535	-	2,169,281	13,295,819
Financial assets held-to-maturity	20,720	452,780	579,266	7,380,637	2,285,440	-	-	10,718,843
Financing and advances								
- Non-impaired	18,381,717	7,125	90,495	2,687,567	40,063,405	2,015,457	-	63,245,766
- Impaired, net of allowances	-	-	-	-	-	(108,582)	-	(108,582)
Other non-profit sensitive balances	-	-	-	-	-	2,327,356	-	2,327,356
	19,946,229	1,784,555	1,728,130	16,453,722	45,564,380	4,639,631	2,169,281	92,285,928

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk (continued)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank 2015	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	
Liabilities								
Deposits from customers	27,572,417	19,463,485	20,741,994	2,867,571	336,305	-	-	70,981,772
Deposits and placements from banks and financial institutions	1,505,000	435,000	-	-	-	-	-	1,940,000
Recourse obligations on financing sold to Cagamas	-	-	716,430	327,515	434,714	-	-	1,478,659
Debt securities issued	-	-	200,190	2,167,427	351,254	-	-	2,718,871
Other non-profit sensitive balances	-	-	-	-	-	1,476,120	-	1,476,120
	29,077,417	19,898,485	21,658,614	5,362,513	1,122,273	1,476,120	-	78,595,422
Shareholders' fund	-	-	-	-	-	13,690,506	-	13,690,506
On-balance sheet profit sensitivity gap	(9,131,188)	(18,113,930)	(19,930,484)	11,091,209	44,442,107	(10,526,995)	2,169,281	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(9,131,188)	(18,113,930)	(19,930,484)	11,091,209	44,442,107	(10,526,995)	2,169,281	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 Operational risk

The Bank defines operational risk as the risk of loss or non-achievement of business objectives due to inadequate or failed internal processes, people and system, or from external events.

The Bank's Operational Risk Management (ORM) Framework sets out the governance and oversight structure, roles and relationships of the three lines of defense mechanism as well as the high level principles and methodologies for operational risk identification, assessment, control and monitoring.

The framework recognises the relationships between operational risk and other risk types such as strategic, credit, market and reputation risks; and is cascaded to also govern the management of operational risk sub-types i.e. legal and compliance risk, Shariah non-compliance risk, Information Technology risk and outsourcing risk.

The Bank has no appetite for losses arising from inadequate internal controls, systems, and processes; which can be elaborated as zero appetite for:

- Failure to maintain a sound and proportionate system of internal controls to manage the expected operational risk losses and avoid the unexpected operational risk losses;
- Regulatory censures, fines or prosecution relating to the laws and regulations applicable to the Bank; and
- Failure to comply with Shariah rules and parameters as set out by the Shariah Committee (SC) and/or the Shariah Advisory Council of Bank Negara Malaysia.

The Bank continuously monitors its operational risk exposure to ensure the level of exposure is within the acceptable tolerance. This is conducted by means of the established governance and oversight structure as well as through the day-to-day operational risk management processes.

ORM processes are undertaken through the implementation of tools such as Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI) and Loss Event Data (LED) collection. RCSA is a tool used to identify and assess the risks in key business processes, evaluate the effectiveness of internal controls and provide the basis for determining risk responses/strategies in pursuing business objectives. KRI provides early warning signal of any increase in risk exposure and/or occurrence of control failures. To support operational risk analytics, the Bank collects LED based on BNM's Operational Risk Integrated Online Network (ORION) requirements.

To improve its operational resilience, the Bank has revamped its Business Continuity Management (BCM) framework and processes by streamlining the governance structure and response matrix based on severity of disruption; namely code Amber, Red and Black. Code Amber incidents are isolated disruption affecting only a particular business/activity which shall be managed by the respective business involved. The entire crisis management hierarchy headed by Managing Director/President shall be activated under Code Black, which is a full-on crisis that could potentially affect the going concern of the Bank. To ensure effectiveness of the business continuity plans and to be in line with regulatory requirements, regular exercises, disaster simulations and recovery drills are conducted throughout the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.7 Capital management

The Bank’s objectives when managing capital, which is a broader concept than the ‘equity’ on the face of the statement of financial position, are:

- i) To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;
- ii) To safeguard the Bank’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank’s management, employing techniques based on the guidelines under the New Liquidity Framework developed by Bank Negara Malaysia. The required information is filed with Bank Negara Malaysia on a monthly basis.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with Bank Negara Malaysia which takes into account the risk profile of the Bank. The regulatory capital requirements are strictly observed when managing economic capital.

The Bank’s regulatory capital comprises two tiers:

- i) Tier 1 capital: share capital, statutory reserve, capital reserve and retained profits; and
- ii) Tier 2 capital: collective impairment allowances on non-impaired financing and regulatory reserve.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statement of financial position.

The Bank’s policy is to maintain a strong capital base so as to ensure investors’, creditors’ and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders’ return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.7 Capital management (continue)

42.7.1 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	
	2016	2015 Restated
Before proposed dividend		
Core capital ratio	19.74%	19.48%
Risk-weighted capital adequacy ratio	21.26%	20.70%
After proposed dividend		
Core capital ratio	19.05%	18.93%
Risk-weighted capital adequacy ratio	20.57%	20.14%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.7 Capital management (continue)

42.7.1 Capital adequacy ratio (continue)

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	
	2016	2015
	RM'000	RM'000
Tier I capital		
Paid-up share capital	2,986,030	2,983,923
Retained profits	6,363,616	5,699,785
Other reserves	5,168,170	4,758,185
Total Tier I capital (core)	14,517,816	13,441,893
Tier II capital		
Subordinated sukuk	300,000	-
Collective impairment *	555,503	642,077
Regulatory reserve	329,672	258,653
Total Tier II capital	1,185,175	900,730
Total capital	15,702,991	14,342,623
Less: Investment in subsidiaries	(65,976)	(61,976)
	(65,976)	(61,976)
Total capital base	15,637,015	14,280,647

* This is a surplus amount allowable after taking into account the collective impairment allowance on impaired financing of the Bank.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.7 Capital management (continue)

42.7.1 Capital adequacy ratio (continue)

Assets in various categories are risk-weighted as follows:

	Bank	
	2016	2015
	RM'000	RM'000
Total assets assigned 20% risk-weighted	630,739	482,475
Total assets assigned 50% risk-weighted	2,049,690	1,520,233
Total assets assigned 100% risk-weighted	70,183,842	65,830,370
Off-Balance Sheet claims assigned 100% risk-weighted	677,134	1,158,093
	73,541,405	68,991,171

43. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which the financial asset could be exchanged or a financial liability could be settled, between knowledgeable and willing parties in an arm’s length transaction. The information presented herein represents the best estimates of fair values as at the end of the reporting period.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on appropriate methodologies and assumptions on risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of MFRS 132 (‘Financial Instruments: Disclosure and Presentation’) which requires the fair value information to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.1 Valuation of financial instruments

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- ii) Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- iii) Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Group and the Bank determine fair values using valuation techniques.

There were no financial liabilities of the Group and the Bank at the end of the reporting period that were measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 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					
2016					
Financial assets available-for-sale					
Islamic debt securities	3,016,285	3,016,285	-	3,016,285	-
Government investment issues	7,492,530	7,492,530	-	7,492,530	-
Government sukuk	3,018,291	3,018,291	-	3,018,291	-
Khazanah sukuk	71,965	71,965	-	71,965	-
Cagamas sukuk	867,454	867,454	-	867,454	-
Quoted shares	559,170	559,170	559,170	-	-
Unit trust shares	1,576	1,576	-	1,576	-
Unquoted shares	8,136	8,136	-	-	8,136
	15,035,407	15,035,407	559,170	14,468,101	8,136
Group					
2015					
Financial assets available-for-sale					
Islamic debt securities	2,736,259	2,736,259	-	2,736,259	-
Government investment issues	7,384,890	7,384,890	-	7,384,890	-
Government sukuk	2,521,156	2,521,156	-	2,521,156	-
Khazanah sukuk	100,117	100,117	-	100,117	-
Cagamas sukuk	310,530	310,530	-	310,530	-
Quoted shares	234,304	234,304	234,304	-	-
Unit trust shares	1,730	1,730	-	1,730	-
Unquoted shares	7,987	7,987	-	-	7,987
	13,296,973	13,296,973	234,304	13,054,682	7,987

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 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					
2016					
Financial assets available-for-sale					
Islamic debt securities	3,016,285	3,016,285	-	3,016,285	-
Government investment issues	7,492,530	7,492,530	-	7,492,530	-
Government sukuk	3,018,291	3,018,291	-	3,018,291	-
Khazanah sukuk	71,965	71,965	-	71,965	-
Cagamas sukuk	867,454	867,454	-	867,454	-
Quoted shares	559,170	559,170	559,170	-	-
Unit trust shares	1,576	1,576	-	1,576	-
Unquoted shares	7,583	7,583	-	-	7,583
	15,034,854	15,034,854	559,170	14,468,101	7,583
Bank					
2015					
Financial assets available-for-sale					
Islamic debt securities	2,736,259	2,736,259	-	2,736,259	-
Government investment issues	7,384,890	7,384,890	-	7,384,890	-
Government sukuk	2,521,156	2,521,156	-	2,521,156	-
Khazanah sukuk	100,117	100,117	-	100,117	-
Cagamas sukuk	310,530	310,530	-	310,530	-
Quoted shares	234,304	234,304	234,304	-	-
Unit trust shares	1,730	1,730	-	1,730	-
Unquoted shares	6,833	6,833	-	-	6,833
	13,295,819	13,295,819	234,304	13,054,682	6,833

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 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 2016 RM'000	Fair value 2016 RM'000	Carrying amount 2015 RM'000	Fair value 2015 RM'000
Group				
Financial assets				
Cash and short-term funds	2,391,083	2,391,083	1,899,146	1,899,146
Deposits and placements with financial institutions	204,150	204,150	933,286	933,286
Financial assets held-to-maturity	11,355,466	11,206,739	10,718,843	10,554,180
Financing and advances	67,806,707	74,283,496	63,137,184	70,273,216
Trade receivables	5,644	5,644	8,416	8,416
Other receivables and deposits	607,089	607,089	390,204	390,204
Financial liabilities				
Deposits from customers	77,903,322	77,903,322	70,981,772	70,981,772
Deposits and placements from banks and financial institutions	900,000	900,000	1,940,000	1,940,000
Recourse obligations on financing sold to Cagamas	1,062,787	901,283	1,478,659	1,300,284
Debt securities issued	2,818,612	2,485,612	2,718,871	2,396,634
Financing from other financial institutions	1,021	1,021	-	-
Trade payables	4,288	4,288	3,582	3,582
Other liabilities	1,295,738	1,295,738	1,251,329	1,251,329

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount 2016 RM'000	Fair value 2016 RM'000	Carrying amount 2015 RM'000	Fair value 2015 RM'000
Bank				
Financial assets				
Cash and short-term funds	2,389,341	2,389,341	1,897,976	1,897,976
Deposits and placements with financial institutions	203,026	203,026	908,750	908,750
Financial assets held-to-maturity	11,355,466	11,206,739	10,718,843	10,554,180
Financing and advances	67,806,707	74,283,496	63,137,184	70,273,216
Other receivables and deposits	558,098	558,098	350,606	350,606
Financial liabilities				
Deposits from customers	77,903,322	77,903,322	70,981,772	70,981,772
Deposits and placements from banks and financial institutions	900,000	900,000	1,940,000	1,940,000
Recourse obligations on financing sold to Cagamas	1,062,787	901,283	1,478,659	1,300,284
Debt securities issued	2,818,612	2,485,612	2,718,871	2,396,634
Other liabilities	1,455,811	1,455,811	1,476,120	1,476,120

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 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 2016					
Financial assets					
Cash and short-term funds	2,391,083	2,391,083	-	-	2,391,083
Deposits and placements with financial institutions	204,150	204,150	-	-	204,150
Financial assets held-to-maturity					
Government sukuk	1,857,907	1,827,227	-	1,827,227	-
Government investment issues	7,772,769	7,666,820	-	7,666,820	-
Islamic debt securities	735,678	725,244	-	725,244	-
Khazanah sukuk	510,015	510,679	-	510,679	-
Cagamas sukuk	279,839	277,511	-	277,511	-
Negotiable Islamic debt certificates	199,258	199,258	-	-	199,258
Financing and advances	67,806,707	74,283,496	-	-	74,283,496
Trade receivables	5,644	5,644	-	-	5,644
Other receivables and deposits	607,089	607,089	-	-	607,089
	82,370,139	88,698,201	-	11,007,481	77,690,720

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 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					
2016					
Financial liabilities					
Deposits from customers	77,903,322	77,903,322	-	-	77,903,322
Deposits and placements from banks and financial institutions	900,000	900,000	-	-	900,000
Recourse obligations on financing sold to Cagamas	1,062,787	901,283	-	-	901,283
Debt securities issued	2,818,612	2,485,612	-	-	2,485,612
Financing from other financial institutions	1,021	1,021	-	-	1,021
Trade payables	4,288	4,288	-	-	4,288
Other liabilities	1,295,738	1,295,738	-	-	1,295,738
	83,985,768	83,491,264	-	-	83,491,264

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 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					
2015					
Financial assets					
Cash and short-term funds	1,899,146	1,899,146	-	-	1,899,146
Deposits and placements with financial institutions	933,286	933,286	-	-	933,286
Financial assets held-to-maturity					
Government sukuk	1,096,603	1,077,494	-	1,077,494	-
Government investment issues	8,289,353	8,152,622	-	8,152,622	-
Islamic debt securities	489,145	481,458	-	481,458	-
Khazanah sukuk	467,356	468,180	-	468,180	-
Cagamas sukuk	177,946	176,006	-	176,006	-
Negotiable Islamic debt certificates	198,440	198,420	-	-	198,420
Financing and advances	63,137,184	70,273,216	-	-	70,273,216
Trade receivables	8,416	8,416	-	-	8,416
Other receivables and deposits	390,204	390,204	-	-	390,204
	77,087,079	84,058,448	-	10,355,760	73,702,688

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 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					
2015					
Financial liabilities					
Deposits from customers	70,981,772	70,981,772	-	-	70,981,772
Deposits and placements from banks and financial institutions	1,940,000	1,940,000	-	-	1,940,000
Recourse obligations on financing sold to Cagamas	1,478,659	1,300,284	-	-	1,300,284
Debt securities issued	2,718,871	2,396,634	-	-	2,396,634
Trade payables	3,582	3,582	-	-	3,582
Other liabilities	1,251,329	1,251,329	-	-	1,251,329
	78,374,213	77,873,601	-	-	77,873,601

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 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					
2016					
Financial assets					
Cash and short-term funds	2,389,341	2,389,341	-	-	2,389,341
Deposits and placements with financial institutions	203,026	203,026	-	-	203,026
Financial assets held-to-maturity					
Government sukuk	1,857,907	1,827,227	-	1,827,227	-
Government investment issues	7,772,769	7,666,820	-	7,666,820	-
Islamic debt securities	735,678	725,244	-	725,244	-
Khazanah sukuk	510,015	510,679	-	510,679	-
Cagamas sukuk	279,839	277,511	-	277,511	-
Negotiable Islamic debt certificates	199,258	199,258	-	-	199,258
Financing and advances	67,806,707	74,283,496	-	-	74,283,496
Other receivables and deposits	558,098	558,098	-	-	558,098
	82,312,638	88,640,700	-	11,007,481	77,633,219

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 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 2016					
Financial liabilities					
Deposits from customers	77,903,322	77,903,322	-	-	77,903,322
Deposits and placements from banks and financial institutions	900,000	900,000	-	-	900,000
Recourse obligations on financing sold to Cagamas	1,062,787	901,283	-	-	901,283
Debt securities issued	2,818,612	2,485,612	-	-	2,485,612
Other liabilities	1,455,811	1,455,811	-	-	1,455,811
	84,140,532	83,646,028	-	-	83,646,028

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 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 2015					
Financial assets					
Cash and short-term funds	1,897,976	1,897,976	-	-	1,897,976
Deposits and placements with financial institutions	908,750	908,750	-	-	908,750
Financial assets held-to-maturity					
Government sukuk	1,096,603	1,077,494	-	1,077,494	-
Government investment issues	8,289,353	8,152,622	-	8,152,622	-
Islamic debt securities	489,145	481,458	-	481,458	-
Khazanah sukuk	467,356	468,180	-	468,180	-
Cagamas sukuk	177,946	176,006	-	176,006	-
Negotiable Islamic debt certificates	198,440	198,420	-	-	198,420
Financing and advances	63,137,184	70,273,216	-	-	70,273,216
Other receivables and deposits	350,606	350,606	-	-	350,606
	77,013,359	83,984,728	-	10,355,760	73,628,968

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 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					
2015					
Financial liabilities					
Deposits from customers	70,981,772	70,981,772	-	-	70,981,772
Deposits and placements from banks and financial institutions	1,940,000	1,940,000	-	-	1,940,000
Recourse obligations on financing sold to Cagamas	1,478,659	1,300,284	-	-	1,300,284
Debt securities issued	2,718,871	2,396,634	-	-	2,396,634
Other liabilities	1,476,120	1,476,120	-	-	1,476,120
	78,595,422	78,094,810	-	-	78,094,810

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 Valuation of financial instruments not carried at fair value (continued)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

43.3.1 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.

43.3.2 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.

43.3.3 Financial assets held-to-maturity

Financial assets held-to-maturity 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.

43.3.4 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.

43.3.5 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.

43.3.6 Deposits from customers

The fair values of deposits payable on demand (demand and savings deposits), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts.

The fair values of deposits with remaining maturities of more than one year are estimated using discounted cash flows based on effective profit rates for similar deposits from customers at the reporting date.

However, since all deposits received can be classified as Islamic deposits, their fair values are deemed to approximate their carrying amounts as profit rates are determined at the end of the maturity period based on the sharing of profits generated from investments of the deposits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 Valuation of financial instruments not carried at fair value (continued)

43.3.7 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.

43.3.8 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.

43.3.9 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.

43.3.10 Trade and other liabilities

The carrying amounts of trade and other liabilities reported in the statement of financial position approximate their fair values due to the relatively short-term maturity of these instruments.

CORPORATE OFFICE & BRANCHES

CORPORATE OFFICE

BANK RAKYAT

Menara 1
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat, KL Sentral
50470 Kuala Lumpur
Tel : 03-2612 9600
Website : www.bankrakyat.com.my
Tele-Rakyat : 1-300-80-5454
International Call : +603-5526 9000
i-Rakyat : www.irakyat.com.my
Instagram/Twitter/Fb : /myBankRakyat

BRANCHES

REGION OFFICE 1
(SELANGOR)

No. 9 & 11, Level 3
Jalan Tuanku Ampuan Zabedah H/9H
Seksyen 9
40000 Shah Alam, Selangor

SUBANG PERDANA

No. 39, Jalan Dinar GU 3/G
Seksyen U3, Taman Subang Perdana
40150 Shah Alam, Selangor

KELANA JAYA

Ground Floor, Wisma Glomac
Glomac Business Centre
Jalan SS 5/1, Kelana Jaya
47301 Petaling Jaya, Selangor

KAJANG

No. 18 & 19, Jalan Jelok 3
Off Jalan Bukit Kajang
43000 Kajang, Selangor

BANTING

No. 239, Jalan Sultan Abdul Samad
42700 Banting, Selangor

BANDAR BARU KLANG

No. 28 & 30, Jalan Tiara 2C
Bandar Baru Klang
41500 Klang, Selangor

PETALING JAYA

No. 1-1, Jalan 14/22
Wisma Federal Academy Ballet
46100 Petaling Jaya, Selangor

GLO DAMANSARA

G.01, G.01AL, 1.01
Glo Damansara
Jalan Damansara
60000 Kuala Lumpur

AMPANG

No.2, Jalan Dagang1/1A
Taman Dagang
68000 Ampang
Selangor

SHAH ALAM

No. 9 & 11
Jalan Tuanku Ampuan Zabedah H/9H
Seksyen 9
40000 Shah Alam, Selangor

USJ, SUBANG JAYA

No. 22 & 24, Jalan USJ 9/5Q, UEP
47600 Subang Jaya, Selangor

SUNGAI BESAR

A12 & A13, Jalan Menteri
45300 Sungai Besar, Selangor

MELAWATI

No. 326, Jalan Bandar Melawati
Melawati Square, Pusat Bandar
Melawati
68000 Ulu Klang, Selangor

PUCHONG

No. 28 & 30, Jalan Puteri 4/2
Bandar Puteri
47100 Puchong, Selangor

PORT KLANG

No. 2 & 4, Harbour Point
Commercial Centre, Jalan Sungai Aur
42000 Port Klang, Selangor

SUNGAI BULOH

Lot 101, TSB Commercial Centre
Jalan Nautika B U20/B
Seksyen U20, Sungai Buloh
40160 Shah Alam, Selangor

PJ STATE

No. 11 & 13
Jalan Yong Shook Lin, Seksyen 52
46200 Petaling Jaya, Selangor

BANDAR BARU BANGI

No. 37 & 39
Jalan Medan Pusat 2D, Seksyen 9
43650 Bandar Baru Bangi, Selangor

SERDANG RAYA

No. C1-00-28, Section 9, Jalan SR 1/9
Taman Serdang Raya
43300 Seri Kembangan, Selangor

KUALA SELANGOR

No. 70, Jalan Melati 3/1
Bandar Melawati
45000 Kuala Selangor, Selangor

RAWANG

No. 73, Jalan Bandar Rawang 2
Rawang City Centre
48000 Rawang, Selangor

SEKSYEN 23, SHAH ALAM

No. 23 & 25, Jalan Pelabur B/23B
Seksyen 23
40300 Shah Alam, Selangor

TANJONG KARANG

No. 1 & 3, Jalan Makmur 1
Taman Makmur, Batu 7
45500 Tanjong Karang, Selangor

CYBERJAYA

Unit F03 & F03A, Fasa 1
Glomac Cyberjaya, Persiaran APEC
63000 Cyberjaya, Selangor

CORPORATE OFFICE & BRANCHES

REGION OFFICE 2 (KL/PUTRAJAYA)	
Level 6, No. 140, Bangunan Bank Rakyat 51200 Kuala Lumpur	
JALAN TANGSI, KL Ground Floor, Bangunan Bank Rakyat Jalan Tangsi 50732 Kuala Lumpur	
JALAN IPOH, KL No. 140, Bangunan Bank Rakyat Jalan Ipoh 51200 Kuala Lumpur	
BANDAR TUN RAZAK G11, G12, 01-11 & 01-12, Wisma Zelan Bandar Tun Razak 56000 Kuala Lumpur	
JALAN PINANG, KL 19-1-1 Ground Floor & 19-1-1A Mezzanine Floor, UOA Centre No. 19 Jalan Pinang 50450 Kuala Lumpur	
BANGSAR BARU No. 60 & 62, Ground Floor Level 1 & 2, Jalan Maarof Bangsar Baru 59100 Kuala Lumpur	
DESA PANDAN No. 33 & 35 Jalan 1/76 Desa Pandan 55100 Kuala Lumpur	
SHAMELIN (FORMERLY KNOWN AS PUDU) No. 68-1-1 & 68-1-2, Jalan 4/91 Dataran Shamelin Taman Shamelin Perkasa 56100 Kuala Lumpur	
SELAYANG Ground Floor, Block B, KIP Tower Jalan Kuching 68100 Kuala Lumpur	
SETAPAK No. 1, Jalan 2/50, Diamond Square Off Jalan Gombak 53000 Kuala Lumpur	KEPONG No. 11 & 15, Jalan Rimbunan Raya 1 Laman Rimbunan Raya 1 Laman Rimbunan 52100 Kepong, Kuala Lumpur
PUTRAJAYA Ayer @ 8, Lot 3 & 3A, Blok B8C1 Jalan P8G, Presint 8 62250 Putrajaya	PRESINT 15, PUTRAJAYA No. 22 & 24, Jalan Diplomatik 3/1 Presint 15 62050 Putrajaya
DESA SRI HARTAMAS Lot B-02 & B-03, Galeria Hartamas Jalan 26/70A, Desa Seri Hartamas 50480 Kuala Lumpur	UTAMA, MKBR Ground Floor, Menara Kembar Bank Rakyat No. 33, Jalan Rakyat 50470 Kuala Lumpur
REGION OFFICE 3 (KEDAH/PULAU PINANG/PERLIS)	
No. 66, Level 2, Jalan Langgar 05460 Alor Setar, Kedah	
BALING Ground Floor, Bangunan UMNO Pekan Baru 09100 Baling, Kedah	KULIM No. 203 & 204, Jalan Lunas Taman Seluang, Kelang Lama 09000 Kulim, Kedah

MERGONG No. 7 & 8, Tuanku Haminah Business Centre Mergong 05150 Alor Setar, Kedah	JITRA No. 247 & 248, Jalan PJ 2/2 Pekan Jitra 2 06000 Jitra, Kedah
LANGKAWI No. 140 & 142, Persiaran Bunga Raya Langkawi Mall, Kuah 07000 Langkawi, Kedah	SUNGAI PETANI No. 28, Jalan Petani 08000 Sungai Petani, Kedah
ALOR SETAR 66, Jalan Langgar 05460 Alor Setar, Kedah	KUALA NERANG No. 32-33 Pekan Baru Jalan Semeliang 06300 Kuala Nerang, Kedah
GURUN No. 19 C & 19 D, Jalan Sungai Petani 08300 Gurun, Kedah	PENDANG Lot 9-11, Pendang Square 06700 Pendang, Kedah
SEBERANG JAYA No. 1, Ground Floor & Level 1 Jalan Todak 1, City Centre Seberang Jaya 13700 Prai, Pulau Pinang	GEORGETOWN No. 137, Jalan Magazine 10300 Georgetown, Pulau Pinang
BUKIT MERTAJAM No. 22 & 24, Jalan Perda Selatan Bandar Perda 14000 Bukit Mertajam, Pulau Pinang	

CORPORATE OFFICE & BRANCHES

BAYAN BARU No. 49, 51 & 53, Block H Persiaran Mahsuri 1/3 Sunway Avenue 11950 Bayan Baru, Pulau Pinang	AYER KEROH No. G-4 & G-6, Jalan KC 1 Kota Cemerlang, 75450 Ayer Keroh, Melaka
JELUTONG No. 13 & 13A, Metro Avenue Jelutong Express Way 11600 Pulau Pinang	MASAI No. 31, Jalan Suria 3 Bandar Seri Alam 81750 Masai, Johor
JAWI No. 56 & 58, Jalan Jawi Jaya 1 Taman Jawi Jaya Seberang Prai Selatan 14200 Sungai Jawi, Pulau Pinang	JOHOR BAHRU Podium 2, Unit 2B, Ansar Tower No. 65, Jalan Trus, P.O. Box 112 80000 Johor Bahru, Johor
KEPALA BATAS No. 8, Jalan Dagangan 2 Bertam Perdana City Centre 13200 Kepala Batas, Pulau Pinang	MUAR No. 222, Jalan Abdullah 84000 Muar, Johor
KANGAR No. 13, Jalan Hospital 01000 Kangar, Perlis	BATU PAHAT No. 3 & 4, Jalan Maju Barat, Taman Maju Bukit Pasir 83000 Batu Pahat, Johor
ARAU No. 6, 8 & 10, Jalan Pauh Taman Pauh Utama 02600 Pekan Pauh, Perlis	PONTIAN No. 11, Jalan Delima 2 Pontian Trade Centre 82000 Pontian, Johor
REGION OFFICE 4 (MELAKA/JOHOR)	
No. 4-5 & 6-5, Level 5, Jalan KC 1 Kota Cemerlang 75450 Ayer Keroh, Melaka	
MELAKA Bangunan Bank Rakyat Jalan Hang Tuah, P.O Box No. 354 75760 Melaka	LARKIN PERDANA No. 61 & 63, Susur Larkin Perdana 1 Persiaran Larkin Perdana Taman Larkin Perdana 81100 Johor Bahru, Johor
JASIN JA 9943 Bandar Baru Jasin III 77000 Jasin, Melaka	KLUANG No. 27 & 29, Jalan Md Lazim Saim 86000 Kluang, Johor
MASJID TANAH MT 2893-2895 Jalan Taman Bandar Baru Utama Taman Bandar Baru Masjid Tanah 78300 Masjid Tanah, Melaka	TAMAN UNIVERSITI, SKUDAI No. 1 & 3, Jalan Kebudayaan 1 Taman Universiti 81300 Skudai, Johor

KULAI No. 4 & 5, Jalan Anggerik Satu Taman Kulai Utama 81000 Kulai, Johor	MERSING No. 6 & 7, Jalan Ismail 86800 Mersing, Johor
YONG PENG No. 5 & 6, Jalan Tropika Utama Taman Bukit Tropika 83700 Yong Peng, Johor	NUSAJAYA Lot 1610 Indahwalk 2 Jalan Indah 15/2 Bukit Indah 81200 Johor Bahru, Johor
LABIS No. 4A & 4B Jalan Segamat 85300 Labis, Johor	REGION OFFICE 5 (SABAH)
Tingkat 5, Block B, Harbour City Lot 20 & 21, Jalan Pantai Baru Sembulan 88000 Kota Kinabalu, Sabah	
KOTA KINABALU Lot 20 & 21, Blok B, Harbour City Jalan Pantai Baru, Sembulan 88000, Kota Kinabalu, Sabah	LAHAD DATU Lot 27 & 28, Block D, Airport Plaza Fajar Centre, Jalan Segama 91100 Lahad Datu, Sabah
TAWAU TB 4615-4617 Ba Zhong Commercial Centre Jalan Tawau Lama 91000 Tawau, Sabah	BEAUFORT Lot 21 & 22, Block C, Commercial Lot New Beaufort Jaya, Beaufort Bridge 89800 Beaufort, Sabah

CORPORATE OFFICE & BRANCHES

SANDAKAN

Lot 4 & 5, Phase 2,
Sandakan Square, Jalan Prayer
90000 Sandakan, Sabah

PENAMPANG

No. 49 & 50, Block H,
Donggongan Square, Penampang
89500 Kota Kinabalu, Sabah

LIKAS

No. 1, Block A, Plaza Juta
Jalan Tuaran
88400 Kota Kinabalu, Sabah

KOTA BELUD

Lot 3 & 4, Block E
Yick Ming Commercial Centre
89157 Kota Belud, Sabah

LABUAN

Ground Floor, Bangunan UMNO
Pekan Baru, Unit No. E001
Ground Floor
Financial Park Labuan Complex
Jalan Merdeka
87000 Labuan

KOTA MARUDU

No. 6 & 7, WTK Phase 2
89108 Kota Marudu, Sabah

KENINGAU

Lot 7 & 8, Block C, Keningau Plaza
P.O. Box 910
89008 Keningau, Sabah

PUTATAN

Lot 5 & 6, Tapak Putatan Baru
Jalan Putatan
88300 Kota Kinabalu, Sabah

SEMPORNA

Lot D2 & A19, Jalan Bubul
Bandar Utama Semporna
91308 Semporna, Sabah

REGION OFFICE 6
(KELANTAN/TERENGGANU)

No. 25 & 26, Level 4
Bazar Maidam, Jalan Masjid Abidin
20100 Kuala Terengganu, Terengganu

KOTA BHARU

Lot 206 & 207, Jalan Pengkalan Chepa
15400 Kota Bharu, Kelantan

PASIR MAS

PT 315 & PT 316
Wisma Majlis Daerah Pasir Mas
Jalan Pasir Pekan
17000 Pasir Mas, Kelantan

MACHANG

Lot 90-92,
Bangunan Usahasama Sentosa Jaya
Dev. Sdn Bhd, Jalan Bakat
18500 Machang, Kelantan

GUA MUSANG

Lot PT 7841 & PT 7842
Jalan Persiaran Raya, Taman Mesra
18300 Gua Musang, Kelantan

KUBANG KERIAN

Lot PT 1709 & 1710
Jalan Raja Perempuan Zainab 2
Bandar Baru Kubang Kerian
16150 Kubang Kerian, Kelantan

TANAH MERAH

Lot PT 237 & PT 238
Bandar Tanah Merah
17500 Tanah Merah, Kelantan

WAKAF CHE YEH

No. J-105 & J-106
Wakaf Che Yeh Commercial Zone
15050 Kota Bharu, Kelantan

KUALA KRAI

No. PT 5572 & PT 5573
KM 2, Jalan Kuala Krai - Gua Musang
18000 Kuala Krai, Kelantan

KUALA TERENGGANU

No. 8 & 9
Paya Keladi Business Centre
Jalan Paya Keladi
20000 Kuala Terengganu, Terengganu

DUNGUN

PT 12447 & 12448
Taman Saujana, Sura Gate
23000 Dungun, Terengganu

KEMAMAN

Lot K12086 & K12087
Jalan Kubang Kurus
24000 Kemaman, Terengganu

GONG BADAK

No. 1, 2 & 3, Taman Tanjung Permata
Kampung Gong Badak
Jalan Batu Rakit
21300 Kuala Terengganu, Terengganu

JERTIH

Lot 4123 & 4124, Jalan Pasar
Bandar Jertih
22000 Jertih, Terengganu

KUALA BERANG

PT 11282 & 11283, Batu 23
Jalan Kuala Berang
21700 Kuala Berang, Terangganu

MARANG

Lot 8996 & 8997
Marang Commercial Complex
21600 Marang, Terengganu

KERTEH

Lot PT14507, 14508 & 14509
Kampung Baru, Mukim Kerteh
24300 Kerteh, Terengganu

CORPORATE OFFICE & BRANCHES

REGION OFFICE 7
(PAHANG/NEGERI SEMBILAN)

B160 & B162, Level 1, Jalan IM 8/33
Indera Mahkota City
25000 Kuantan, Pahang

KUANTAN

G-15, Mahkota Square, Jalan Mahkota
25000 Kuantan, Pahang

TEMERLOH

No. 7 & 9, Jalan Sudirman 2
Bandar Sri Semantan
28000 Temerloh, Pahang
JENGKA
Lot 92, Jalan Zamrud Nadi Kota
26400 Bandar Jengka, Pahang

JERANTUT

No. 1, Jalan Pine 1, Taman Pine
27000 Jerantut, Pahang

RAUB

No. 25 & 26
Bandar Raub Perdana, Jalan Lipis
27600 Raub, Pahang

PEKAN

G-1, Bangunan UMNO Pekan
Jalan Teng Quee
26600 Pekan, Pahang

MUADZAM SHAH

No. 117, 118 & 119
Jalan Medan Mewah 7, Medan Mewah
26700 Bandar Muadzam Shah, Pahang

BANDAR INDERA MAHKOTA

No. B 56 & B 58, Persiaran Sultan
Abu Bakar, Bandar Indera Mahkota
25000 Kuantan, Pahang

BERA

No. 13, 15 & 17, Jalan Angsana 1
Taman Angsana, Bandar Bera
28200 Bera, Pahang

KUALA LIPIS

Lot 2891, Jalan BBKL, 2-3-1
No. 2-3-1, Bandar Baru Kuala Lipis
27200 Kuala Lipis, Pahang

BENTONG

No. P18 & P19
Jalan Prima 1, Bentong Prima
28700 Bentong, Pahang

SEREMBAN

Bangunan Bank Rakyat, Lot 5750
Jalan Tuanku Munawir, Peti Surat 70
70000 Seremban, Negeri Sembilan

BAHAU

No. 25 & 27, Jalan Ara 1
Ara Business Centre
72100 Bahau
Negeri Sembilan

LUKUT

No. 137 & 138, Jalan D8 1/11
Bandar Dataran Segar, Lukut
71010 Port Dickson, Negeri Sembilan

TAMPIN

No. 1135 Taman Seri Intan
73000 Tampin, Negeri Sembilan

NILAI

PT 7436, Jalan BBN 1/2F
Bandar Baru Nilai
71800 Nilai, Negeri Sembilan

SENAWANG

No. 156 & 157, Block L,
Senawang Commercial Park,
70450 Seremban, Negeri Sembilan

KUALA PILAH

Lot No. 3803 & 3804
Jalan Dato' Muar, Ulu Muar
70000 Kuala Pilah, Negeri Sembilan

REGION OFFICE 8
(PERAK)

No. 47B, Jalan Meru Bestari A2
Medan Meru Bestari
30020 Ipoh, Perak

TELUK INTAN

No. 187, Jalan Intan 5, Bandar Baru
36000 Teluk Intan, Perak

MEDAN GOPENG

No. 37 & 39, Medan Gopeng 1
Jalan Raja Dr Nazrin Shah,
Peti Surat 494
30750 Ipoh, Perak

BAGAN SERAI

No. 132, Jalan Setia, Pusat Bandar
34300 Bagan Serai, Perak

TAIPING

Lot 2478 & 2482, Jalan Berek
34000 Taiping, Perak

MERU RAYA

No. 42 & 44, Jalan Meru, Impian A1
Meru Impian Business Centre
Bandar Meru Raya
30010 Ipoh, Perak

MANJUNG

No. 41, 43 & 45, Persiaran PM 3/2
Seri Manjung City Centre, Section III
32040 Seri Manjung, Perak

TAPAH

No. 56 & 57, Jalan Besar
35000 Tapah, Perak

KUALA KANGSAR

No. 1 & 2, Bangunan Bank Rakyat
Jalan Daeng Selili
33000 Kuala Kangsar, Perak

SRI ISKANDAR

No. 24 & 26, Jalan Maju Satu
Taman Maju, Bandar Sri Iskandar
32610 Bandar Seri Iskandar, Perak

CORPORATE OFFICE & BRANCHES

TANJUNG MALIM

Lot 27 & 29, Jalan Permai 1
Taman Ketoyong Permai 2
35900 Tanjung Malim, Perak

GREENTOWN

No. 8 & 10, Jalan Greentown 5
Greentown Nova
30450 Ipoh, Perak

GRIK

No. 1, Jalan Indah 1
33600 Grik, Perak

REGION OFFICE 9
(SARAWAK)

Level 3, Sublot 9 & 10, Block 16
KCLD, Jalan Tun Jugah
93350 Kuching, Sarawak

SIMPANG TIGA

Ground Floor & Level 1, No. 9 & 10
Block 16, KCLD, Jalan Tun Jugah
93350 Kuching, Sarawak

SATOK (FORMERLY KNOWN AS
KUCHING)

Lot 504, Section 6
KTLD, Jalan Kulas Tengah
93400 Kuching, Sarawak

SIBU

Lot 12 E & 12 F, Block 4
Jalan Kampung Datu
96000 Sibu, Sarawak

MIRI

Lot 1111 & 1112
Bangunan Tabung Baitul Mal
Sarawak Pelita Commercial Central
98000 Miri, Sarawak

SRI AMAN

Lot 1467 & 1468
Seksyen 3 S.T.D, Jalan Hospital
95000 Sri Aman, Sarawak

BINTULU

Lot 22 & 23, Commerce Square
Jalan Tun Ahmad Zaidi
97000 Bintulu, Sarawak

SARIKEI

No. 22 & 22A, Lorong Tun Razak 1
96100 Sarikei, Sarawak

KOTA SAMARAHAN

Lot 18 & 19
Uni Capital Commercial Centre
Kuching/Kota Samarahan
Express Way
94300 Kota Samarahan, Sarawak

MUKAH

No. 1152 & 1153, Block C
Mukah Town Extension Phase II
96400 Mukah, Sarawak

MATANG JAYA

No. 3 & 4, Taman Lee Ling
Commercial Centre, Jalan Matang
93050 Kuching, Sarawak

KAPIT

Lot 542 & 54
Wisma Ngieng Ping Toh
Jalan Airport
96800 Kapit, Sarawak

LIMBANG

Lot 11 & 12, Limbang Town District
Jalan Pandaruan
98700 Limbang, Sarawak

KOTA PADAWAN

Lot 42 & 43
10th Mile Commercial Centre
Jalan Kuching-Serian, Kota Padawan
93250 Kuching, Sarawak

PERMYJAYA

Lot 7971 & 7972, Phase 3 City Centre
Bandar Baru Permyjaya
98000 Miri, Sarawak

AR-RAHNU X'CHANGE

KELANTAN

JELAWAT

Lot 164, Pekan Jelawat
16070 Bachok, Kelantan

KOTA BHARU

Ground Floor, Lot PT 68
Bangunan Yabmud
Jalan Kebun Sultan
15350 Kota Bharu, Kelantan

SELANGOR

AMPANG

No. 53G, Jalan Wawasan 2/1
Bandar Baru Ampang
68000 Ampang, Selangor

BALAKONG

No. 7G, Jalan Cheras Maju
Cheras Maju Business Centre
43200 Balakong, Selangor

BATANG KALI

No. 37, Jalan Mahogani 7/1, Seksyen 4
Bandar Utama Batang Kali
44300 Batang Kali, Selangor

ULU KELANG

No. 3-G, Ground Floor, Ukay Boulevard
Jalan Lingkaran Tengah 2
68000 Hulu Klang, Selangor

TERENGGANU

KEMAMAN

No. 22, Jalan Sulaimi Chukai
24000 Kemaman, Terengganu

PAHANG

KUANTAN

G-14, Mahkota Square, Jalan Mahkota
25000 Kuantan, Pahang

MENTAKAB

No. 119, Ground Floor, Jalan Temerloh
28400 Mentakab, Pahang

KUALA ROMPIN

No. 70 & 71 Jalan Pasar
Bandar Baru Rompin
26800 Kuala Rompin, Pahang

KEDAH

SUNGAI PETANI

No. 21 F, Jalan Ibrahim
08000 Sungai Petani, Kedah

ALOR SETAR

No. 47, Jalan PSK Satu
Pekan Simpang Kuala
05400 Alor Setar, Kedah

MERGONG

No. 19, Lorong Putih 9
Taman Rakyat Mergong
05150 Alor Setar, Kedah

LANGKAWI

No. 66, Persiaran Dayang 1
Dayang Business Center
07000 Langkawi, Kedah

CHANGLUN

No. 61-A & B, Pekan Baru
Jalan Kodiang
06010 Changlun, Kedah

MELAKA

MELAKA SENTRAL

No. 49, Ground Floor, Jalan PMS 1
Plaza Melaka Sentral
75400 Melaka

SUNGAI UDANG

No. 2, Ground Floor, Jalan Pahlawan 7
Taman Pahlawan
76300 Sungai Udang, Melaka

JOHOR

ULU TIRAM

Unit S-18-B, Ground Floor
Jalan Tembusu
81800 Ulu Tiram, Johor

MUAR

No. 25-2, Jalan Majidi
84000 Muar, Johor

KLUANG

No. 22, Ground Floor, Jalan Pesona 2
Taman Pesona
86000 Kluang, Johor

TANGKAK

No. 9, Ground & Mezzanine Floor
Jalan Muar
84900 Tangkak, Johor

MASAI

No. 16, Jalan Sejambak 14
Taman Bukit Dahlia
81700 Pasir Gudang, Johor

KUALA LUMPUR

SENTUL

No. 22, Jalan 14/48 A
Sentul Raya Boulevard
51000 Kuala Lumpur

JALAN RAKYAT

GB, Menara 1
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat
50470 Kuala Lumpur

PERAK

TELUK INTAN

Jalan Selat
36000 Teluk Intan, Perak

PEKAN SIMPANG

No. 31, Ground Floor
Susur Simpang Jalan Kg. Dew
34700 Simpang, Perak

BATU GAJAH

No. 5, Ground Floor, Jalan Dewangsa
31000 Batu Gajah, Perak

SITIAWAN

No. 25, Ground Floor
Taman Sentosa Jalan Lumut
32000 Sitiawan, Perak

NEGERI SEMBILAN

KUALA PILAH

No. 511, Ground Floor, Taman Sentosa
72000 Kuala Pilah, Negeri Sembilan

REMBAU

No. 990, Ground Floor, Jalan Terentang
71300 Rembau, Negeri Sembilan

ENSTEK

No. 78, Bandar Baru Enstek
71670 Seremban, Negeri Sembilan

SARAWAK

SATOK

Lot 497, Section 6
KTLD Jalan Kulas Tengah
93400 Kuching, Sarawak

SUBSIDIARIES

RAKYAT HOLDINGS SDN BHD

Level 12, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat
50470 Kuala Lumpur
Email : admin@rakyatholdings.com.my
Tel : 03-2265 7676

RAKYAT TRAVEL SDN BHD

Level 11, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat
50470 Kuala Lumpur
Email : info@rakyatravel.com.my
Website : www.rakyatravel.com.my
Tel : 03-2276 6980 / 6981 / 6983 / 6984
Fax : 03-2276 5233

RAKYAT NIAGA SDN BHD

Level 11, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat
50470 Kuala Lumpur
Email : admin@rakyatholdings.com.my
Tel : 03-2276 4516 / 4517 / 4518
Fax : 03-2276 5332

RAKYAT MANAGEMENT SERVICES SDN BHD

Level 11, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat
50470 Kuala Lumpur
Email : rms@bankrakyat.com.my
Website : www.arrahnuxchange.com.my
Tel : 03-2265 7566 / 67 / 68 / 69
Fax : 03-2265 7571

RAKYAT HARTANAH SDN BHD

Level 10, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat
50470 Kuala Lumpur
Tel : 03-2276 4510 / 4512 / 4513
Fax : 03-8737 0828

RAKYAT FACILITY MANAGEMENT SDN BHD

Level 10, Menara 2
Menara Kembar Bank Rakyat
No. 33, Jalan Rakyat
50470 Kuala Lumpur
Email : admin@rakyatholdings.com.my
Tel : 03-2265 7661 / 7662
Fax : 03-2265 7663

SERVICE AGENTS

KEDAH

KOPERASI UNIVERSITI UTARA MALAYSIA BERHAD

Management’s Office, No. 66, Level 1
Pekan Changlun 2
06010 Changlun, Kedah
Tel : 04-928 5507
Fax : 04-924 2539

KOPERASI GURU-GURU MELAYU KEDAH BERHAD

Bangunan Guru
Persiaran Sultan Abdul Hamid
05050 Alor Star, Kedah
Tel : 04-777 3373
Fax : 04-771 1215

BRANCH

Hotel Darulaman
Bandar Darul Aman
06000 Jitra, Kedah
Tel : 04-918 3868
Fax : 04-918 3866

KOPERASI PESERTA-PESERTA RANCANGAN FELCRA PULAU BELANTIK SIK BERHAD

Felcra Pulau Belantik, Kota Aur
08210 Sik, Kedah
Tel : 04-752 1440
Fax : 04-752 1773 (Felcra’s Office)

KOPERASI PASAR MINGGUAN GUAR CHEMAPEDAK 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, North-South Expressway
Pekan Napoh
06000 Jitra, Kedah
Tel : 04-917 2172

PULAU PINANG

KOPERASI UNIVERSITI SAINS MALAYSIA BERHAD

Universiti Sains Malaysia
11800 Minden, Pulau Pinang
Tel : 04-653 3888
Fax : 04-657 5688

KOPERASI POS DAN TELEKOM PULAU PINANG BERHAD

No. 80, Jalan Rangoon
10400 Georgetown, Pulau Pinang
Tel : 04-226 1346
Fax : 04-227 1346

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 GURU AGAMA KERAJAAN NEGERI PULAU PINANG BERHAD

2640, Level 1
Taman Haji Ahmad Jamil
Tasek Gelugor
13300 Seberang Perai, Pulau Pinang
Tel : 04-575 9566
Fax : 04-575 9566

PERAK

KOPERASI KAKITANGAN KERAJAAN HULU PERAK BERHAD

Level 2, Wisma KOSEK
Jalan Takong Datok
33300 Grik, Perak
Tel : 05-791 1887
Fax : 05-791 1887

KOPERASI SELAMA PERAK BERHAD

Lot No. 4, Jalan Besar Selama
34100 Selama, Perak
Tel : 05-839 4532
Fax : 05-839 2940

KOPERASI BINA BERSAMA KAMPONG GAJAH PERAK BERHAD

No. 14A, Medan Koperasi
36800 Kampong Gajah, Perak
Tel : 05-631 1368
Fax : 05-631 1368

KOPERASI GURU-GURU MELAYU KERIAN DAN SELAMA BERHAD

No. 1, Jalan Helang, Pekan Baru
34200 Parit Buntar, Perak

KOPERASI GURU-GURU MELAYU KERIAN DAN SELAMA BERHAD (BRANCH)

No. 41, Jalan Wawasan 3
Taman Wawasan Jaya
34200 Parit Buntar, Perak
Tel : 05-716 1157
Fax : 05-716 1287

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

SELANGOR

KOPERASI KAKITANGAN UNIVERSITI TEKNOLOGI MARA BERHAD

B13-2, Jalan Lazuardi 7/9, Seksyen 7
40000 Shah Alam, Selangor
Tel : 03-5519 5912
Fax : 03-5513 0540

SERVICE AGENTS

KOPERASI PEMBANGUNAN PEKERJA
INDUSTRI SELANGOR BERHAD

Suite 1-17, Jalan Dagang B/3A
Taman Dagang
68000 Ampang, Selangor
Tel : 03-4270 4331
Fax : 03-4270 7659

KOPERASI PENEROKA SUNGAI TENGI
BERHAD

BH Petrol Station Building
Jalan Merdeka
Desa Maju Sungai Tengi
44010 Kuala Kubu Bharu, Selangor
Tel : 03-6042 1034

KOPERASI UNIKEB BERHAD

Wisma UNIKEB
Universiti Kebangsaan Malaysia
43600 Bangi, Selangor
Tel : 03-8925 2540
Fax : 03-8925 7177

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 TERAS SEMENYIH
SELANGOR BERHAD

24 & 25, Section 2, Jalan Besar
43500 Semenyih, Selangor
Tel : 03-8723 8615
Fax : 03-8723 4479

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 UNIVERSITI PUTRA
MALAYSIA BERHAD

Level 1, Business Centre
P.O. Box 260, UPM Post Office
Universiti Putra Malaysia
43400 Serdang, Selangor
Tel : 03-8946 7980
Fax : 03-8948 9796

KOPERASI PELABURAN PEKERJA
PROTON BERHAD

Investment Co-op Store
Pekerja Proton Berhad, Seksyen 26
40400 Shah Alam, Selangor
Tel : 03-5192 5611
Fax : 03-5102 6148

KOPERASI KAKITANGAN UNIKL MIAT
SEPANG BERHAD

Lot 2891, Jalan Jenderam Hulu
43800 Dengkil, Selangor
Tel : 03-8768 0804
Fax : 03-8768 8485

KOPERASI WANITA BISTARI PANTAI
SEPANG PUTRA SEPANG BERHAD

No. 7, Jalan Perling 2
Pantai Sepang Putra, Sungai Pelek
43950 Sepang, Selangor
Tel : 03-3141 3054
Fax : 03-3141 3054

WILAYAH PERSEKUTUAN

KOPERASI PEKERJA FELDA
MALAYSIA BERHAD

No. 2F, Jalan Gurney
54000 Kuala Lumpur
Tel : 03-2698 4202
Fax : 03-2693 4511

KOPERASI KAKITANGAN BANK
RAKYAT BERHAD (SEKATARAKYAT)

No. 74B & 74C, Level 2 & 3
Jalan Kampung Attap
Off Jalan Sulaiman
50460 Kuala Lumpur
Tel : 03-2273 3314
Fax : 03-2274 1314

KOPERASI PEKERJA-PEKERJA BANK
MALAYSIA BERHAD

Lot No. 1108-1109B
Level 11, Wisma MPL
Jalan Raja Chulan
50200 Kuala Lumpur
Tel : 03-2031 4933
Fax : 03-2031 7298

KOPERASI KEDAI BUKU
UNIVERSITI MALAYA BERHAD

Perdanasiswa, Universiti Malaya
Mailbox 1127, Jalan Pantai Baru
59700 Kuala Lumpur
Tel : 03-7955 2595
Fax : 03-7954 7040

KOPERASI SIMPANAN DAN KREDIT
BERSATU MALAYSIA BERHAD

A-G-5, Block A, Glomac Damansara
No. 699, Jalan Damansara
60000 Kuala Lumpur
Tel : 03-7732 9102

NEGERI SEMBILAN

KOPERASI MELAYU BERJAWATAN
KERAJAAN NEGERI SEMBILAN
BERHAD

No. 39 & 40, Wisma Bukti
Taman Bukti Ampangan
70400 Seremban, Negeri Sembilan
Tel : 06-679 1633
Fax : 06-679 1733

KOPERASI SERBAMAJU DAERAH
JEMPOL BERHAD

Level 10, Jalan Beringin 2
72200 Batu Kikir, Negeri Sembilan
Tel : 06-454 8621

KOPERASI SERBAMAJU DAERAH
JEMPOL BERHAD (BRANCH)

ESSO Serting Station
Lot 511 Bandar Serting
72120 Bandar Seri Jempol
Negeri Sembilan
Tel : 06-458 1454
Fax : 06-458 5101

SERVICE AGENTS

KOPERASI JELAI TIGA GEMAS
BERHAD

Co-op Petrol Station
Kampung Felda Jelai Tiga
73480 Gemas, Negeri Sembilan
Tel : 06-434 7495
Fax : 06-434 7495

MELAKA

KOPERASI KAKITANGAN PENJARA
MELAKA BERHAD

2S & 2S-1, Jalan Seri Emas 17
Taman Seri Telok Emas
75460 Melaka
Tel : 06-261 7429
Fax : 06-261 9261

JOHOR

KOPERASI PELABURAN PEKERJA-
PEKERJA KEJORA BERHAD

No. 15, Shop Building, City Center
Bandar Penawar
81930 Kota Tinggi, Johor
Tel : 07-822 1394
Fax : 07-822 1394

KOPERASI PERUNDING TAKAFUL
IKHLAS MALAYSIA BERHAD

No. 3, Jalan Langsat, Mailbox 142
88000, Kluang, Johor
Tel : 07-771 9788
Fax : 07-774 4788

KOPERASI KONTRAKTOR DAN
USAHAWAN MELAYU LEDANG
BERHAD

No. 166, Ground Floor, Jalan Muar
84900 Tangkak, Johor
Tel : 06-978 3719
Fax : 06-979 1119

KOPERASI PENULIS DAN PEMBACA
MUAR BERHAD

TL MBP 115, Parit Raja
KM5, Jalan Temenggong Ahmad
84000 Muar, Johor
Tel : 06-981 1226
Fax : 06-981 1292

KOPERASI FELDA LOK HENG TIMUR
BERHAD

Co-op Building, Felda Lok Heng Timur
81909 Kota Tinggi, Johor
Tel : 07-894 7889
Fax : 07-894 7452

PAHANG

KOPERASI GURU-GURU MELAYU
PAHANG BARAT BERHAD

No. 3C, Level 2, Bangunan KGMPB
Lipis Inn Complex
27200 Kuala Lipis, Pahang
Tel : 09-312 1800
Fax : 09-312 3877

KOPERASI PEMBANGUNAN
DAERAH MARAN BERHAD

No. 2, Level 2
Wisma Pemuda, Bangunan UMNO
Jalan Perpustakaan
26500 Maran, Pahang
Tel : 019-966 7186

KOPERASI PESERTA-PESERTA
FELCRA GUGUSAN SRI MAKMUR
BERHAD

Felcra Sri Makmur
26030 Kuantan, Pahang
Tel : 09-546 8878
Fax : 09-546 1040

KOPERASI FELDA SUNGAI KOYAN III
RAUB BERHAD

c/o Felda Sungai Koyan 3
27650 Raub, Pahang
Tel : 09-340 1442
Fax : 09-340 1442

KOPERASI MUKMIN
CAMERON HIGHLANDS BERHAD

Jalan Besar Brinchang, Brinchang
39200 Cameron Highlands
Pahang
Tel : 05-491 1425

KOPERASI SERBAGUNA FELDA CHINI
TIMUR SATU BERHAD

Felda Chini Timur Satu, Chini
26690 Pekan, Pahang
Tel : 09-457 1266
Fax : 09-457 1266

KOPERASI SERBAGUNA
FELDA KERATONG TIGA BERHAD

Felda Keratong Tiga
26900 Bandar Tun Abdul Razak,
Pahang
Tel : 09-445 7452
Fax : 09-445 7452

KOPERASI PENEROKA FELDA
TEMBANGAU SATU KEMAYAN
PAHANG BERHAD

Felda Tembangau Satu Co-op Office
28380 Kemayan, Pahang
Tel : 06-468 5406
Fax : 06-468 5406

TERENGGANU

KOPERASI PEMBANGUNAN DAERAH
SETIU BERHAD

Wisma KPD, Permaisuri City
22100 Setiu, Terengganu
Tel : 09-609 2333
Fax : 09-609 2332

KOPERASI COBE PANTAI TIMUR
BERHAD

No. 102B, Level 2, Bangunan Cobe
Jalan Engku Embong Fatimah
20200 Kuala Terengganu, Terengganu
Tel : 09-622 2796
Fax : 09-624 1498

KOPERASI FELCRA KAWASAN HULU
BERANG HULU TERENGGANU
BERHAD

Lot 3765, Kampung Matang
Jalan Felda Mengkawang, Ajil
21800 Terengganu
Tel : 09-612 4845

SERVICE AGENTS

KELANTAN

KOPERASI PESERTA-PESERTA RANCANGAN FELCRA GUGUSAN GEMANG BERHAD
PT 2103/C Bandar Baru Bukit Bunga
17700 Air Lanas, Kelantan
Tel : 09-946 8799
Fax : 09-946 8513

KOPERASI PEKEBUN KECIL PASIR PUTEH BERHAD
Lot 455, Bangunan PKINK, Jalan Nara
16800 Pasir Puteh, Kelantan
Tel : 09-786 7302
Fax : 09-786 2717

KOPERASI PESERTA-PESERTA FELCRA GUGUSAN BUKIT TANDAK KELANTAN BERHAD
c/o Felcra Berhad Office
Kawasan Bukit Tandak
17200 Rantau Panjang, Kelantan
Tel : 013-933 5259
Fax : 09-958 4288

KOPERASI PENEROKA FELDA KEMAHANG 1 BERHAD
c/o Felda Kemahang 1
17500 Tanah Merah, Kelantan
Tel : 09-958 2007
Fax : 09-958 4288

SABAH

KOPERASI ANAK WATAN RANAU BERHAD
Block B, Lot 10, SEDCO
89300 Ranau, Sabah
Tel : 088-87 9539
Fax : 088-87 6073

KOPERASI PEKERJA YAYASAN SABAH BERHAD
Lot 7-3, Level 3
Bunga Raja Shopping Complex
Lorong Bunga Raja 5, Off Jalan Lintas
88845 Kota Kinabalu, Sabah
Tel : 088-38 9258
Fax : 088-38 3258

KOPERASI BELIA TENOM BERHAD
Asia Rasa Bed & Breakfast,
Jalan Tun Mustafa, W.D.T 32
89907 Tenom, Sabah
Tel : 013-851 6198

KOPERASI UNIVERSITI MALAYSIA SABAH BERHAD
Student Services Centre Building
(Anjung Siswa)
Universiti Malaysia Sabah
88999 Kota Kinabalu, Sabah
Tel : 088-320 714

KOPERASI SERBAGUNA SANYA BERHAD (KOSAN)
Block 2-4, Block B
Wisma KOSAN Likas,
KM 7, Jalan Tuaran,
88992 Kota Kinabalu, Sabah

KOPERASI SERBAGUNA SANYA BERHAD (KOSAN) (BRANCH)
KOSAN Tuaran Clothing Company
Batu 19 1/2, Jalan Tuaran, Mailbox 34
89207 Tuaran, Sabah
Tel : 088-43 2855
Fax : 088-42 3475

KOPERASI CITRA WAWASAN BELURAN BERHAD
Lot 6, Ground Floor, SEDCO
Mailbox 16
90107 Beluran, Sabah
Tel : 012-810 5035
Fax : 089-51 2595

KOPERASI ANAK WAWASAN KOTA KINABALU BERHAD
Lot 3A 34, Level 3,
Central Shopping Plaza
Jalan Banjaran
88200 Kota Kinabalu, Sabah
Tel : 088-25 4534
Fax : 088-25 4534

SARAWAK

KOPERASI KOPERKASA BERHAD
No. 16-19, Wisma KOPERKASA
Jalan Simpang Tiga
93300 Kuching, Sarawak
Tel : 082-41 5611
Fax : 082-23 1650

KOPERASI BUMIPUTERA KANOWIT BERHAD
Lot 125, Pekan Kanowit
96700 Kanowit, Sarawak
Tel : 019-865 2539

KOPERASI SHARIF MASHOR SEBUYAU BERHAD
Lot 178, Pasar Baru
94850 Sebuyau, Sarawak
Tel : 013-895 1553

KOPERASI SARATOK BERHAD
c/o Lot 379, Petronas Petrol Station
Saratok Town District
95400 Saratok, Sarawak
Tel : 083-43 8385

KOPERASI SINARAN LAWAS BERHAD
Batu 1/4, Jalan Punang
98850 Lawas, Sarawak
Tel : 085-28 4340

KOPERASI PERDAGANGAN DAN PERINDUSTRIAN BARAM MIRI BERHAD
Lot 337, Pasar Marudi
98050 Baram, Sarawak
Tel : 019-856 1461
Fax : 085-75 6526

KOPERASI DAERAH JULAU BERHAD
Lot 42, Jalan Lim Ah Din
96600 Julau, Sarawak
Tel : 019-817 5566
Fax : 084-73 4299

RAKYAT XCESS & AR-RAHNU X'CHANGE

JOHOR

RAKYAT XCESS BENUT
No. 39, Ground Floor, Jalan Mutiara 4
Benut Business Centre
82200 Benut, Johor

AR-RAHNU X'CHANGE BENUT
No. 40, Ground Floor, Jalan Mutiara 4
Benut Business Centre
82200 Benut, Johor

RAKYAT XCESS PARIT RAJA
No. 52, Jalan Universiti 1
Taman Universiti
86400 Parit Raja, Johor

AR-RAHNU X'CHANGE PARIT RAJA
No. 53, Jalan Universiti 1
Taman Universiti
86400 Parit Raja, Johor

KEDAH

RAKYAT XCESS SIMPANG KUALA
No. 33 & 34 Jalan SPK 1
Pekan Simpang Kuala
05400 Alor Setar, Kedah

AR-RAHNU X'CHANGE SIMPANG KUALA
No. 33 & 34 Jalan SPK 1
Pekan Simpang Kuala
05400 Alor Setar, Kedah

KELANTAN

RAKYAT XCESS JELI
Lot 6491, Lower & Upper Floor
Opposite Fire and Rescue Station
Taman Haji Hamat
17600 Jeli, Kelantan

AR-RAHNU X'CHANGE JELI
Lot 6491, Lower and Upper Floor
Opposite Fire and Rescue Station
Taman Haji Hamat
17600 Jeli, Kelantan

NEGERI SEMBILAN

RAKYAT XCESS GEMAS
Lot 4642, Ground Floor, Pekan Gemas
73400 Gemas, Negeri Sembilan

AR-RAHNU X'CHANGE GEMAS
Lot 4642, Level 1, Pekan Gemas
73400 Gemas, Negeri Sembilan

PAHANG

RAKYAT XCESS MENTAKAB
No. 121, Ground Floor
Jalan Temerloh
28400 Mentakab, Pahang

AR-RAHNU X'CHANGE MENTAKAB
No. 119, Ground Floor
Jalan Temerloh
28400 Mentakab, Pahang

SELANGOR

RAKYAT XCESS BANDAR TASIK PUTERI
No. 69-G, Jalan 7A/3
Bandar Tasik Puteri
48020 Rawang, Selangor

AR-RAHNU X'CHANGE BANDAR TASIK PUTERI
No. 69-G & 1, Jalan 7A/3, Bandar
Tasik Puteri
48020 Rawang, Selangor

RAKYAT XCESS BANGI
Lot 1.01 Ground Floor, Wisma UNIKEB
43609 Bangi, Selangor

AR-RAHNU X'CHANGE BANGI
Lot 1.01 Ground Floor, Wisma UNIKEB
43609 Bangi, Selangor

RAKYAT XCESS BERANANG
No. 27-G, Jalan TPS 2/1
Taman Pelangi Semenyih 2
43700 Baranang, Selangor

AR-RAHNU X'CHANGE BERANANG
No. 27-G & 1, Jalan TPS 2/1
Taman Pelangi Semenyih 2
43700 Beranang, Selangor

RAKYAT XCESS SAUJANA UTAMA
No. 1-G-50, Jalan Bidara 6/3
Bandar Saujana Utama
47000 Sungai Buloh, Selangor

AR-RAHNU X'CHANGE SAUJANA UTAMA
No. 1-G-52, Jalan Bidara 6/3
Saujana Utama 3
47000 Sungai Buloh, Selangor

TERENGGANU

RAKYAT XCESS CHABANG TIGA
No. 2 & 3, Ground Floor
Wisma KY Kg. Chabang Tiga
Simpang Tok Ku
21000 Kuala Terengganu, Terengganu

AR-RAHNU X'CHANGE CHABANG TIGA
No. 2 & 3, Ground Floor, Wisma KY
Kg. Chabang Tiga, Simpang Tok Ku
21000 Kuala Terengganu, Terengganu

RAKYAT XCESS

NEGERI SEMBILAN

RAKYAT XCESS SEREMBAN 2
No. 115, Ground Floor
Jalan S2 F2, Garden Homes
Seremban 2
70000 Seremban, Negeri Sembilan

PAHANG

RAKYAT XCESS CAMERON HIGHLANDS
No. 6-1, Marigold Square
Tanah Rata
39000 Cameron Highlands, Pahang

SARAWAK

RAKYAT XCESS SERIAN
No. 11, Ground Floor
Louis Junction, Batu 39
Jalan Kuching-Serian
94700 Serian, Sarawak

JOHOR

RAKYAT XCESS BUKIT GAMBIR
No. 6, Jalan Gambir 5
Pusat Komersil Gambir
84800 Bukit Gambir, Johor

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SIVA SANKARAN ULRIC,
15 years old



MUHAMMAD SYAHMI SAIFUL ANWAR,
14 years old



MUHAMMAD AKHTAR MOHD ISMAIL,
18 years old



IRSYAD IZZUDDIN SAIFUL NIZAM,
11 years old



IRSYAD IZZUDDIN SAIFUL NIZAM,
11 years old



ARIF ADIL ISHAM,
11 years old



ARIF ADIL ISHAM,
11 years old



NADEEM NAQUIDDIN ZULKIFLI BACHOK,
12 years old



NABEEL NAJMUDDIN ZULKIFLI BACHOK,
14 years old



AHMAD FIRDAUS HAKIMI AHMAD AZHAR,
12 years old



AFIF SYAZWAN MOHD FAIRUZ,
9 years old



QAMAR HARIZ KAMARUL ARIFFIN,
12 years old



MUHAMMAD ALIFF TAUFIQ MOHD YUSNI,
13 years old



JAMES YAHYA NG,
10 years old

#anakkita