

LEADING CHANGE

Annual Report 2013



Your Choice Bank

Vision

Bank Rakyat is its members' Choice Bank for all its product and service offerings are the best compared with those provided by other competing financial institutions. Since membership in Bank Rakyat is very significant, there is no reason for them to look at others. This vision generates the tagline:-

'Bank Rakyat Your Choice Bank'

Vision

Bank Rakyat Your Choice Bank

By Means of

Offering the best products and services compared to other financial institutions in the market

Tagline

"Your Choice Bank"

Mission

To help improve the economic well-being of members by providing financing facilities at an affordable rate for agriculture, production, marketing, industry, fishing, transportation, housing and business activities deemed beneficial to members and to also promote thrift and savings.

By-law Article 5(l)

Just like a child setting off an imaginative bird in flight, we unleash our potentials beyond borders, challenging traditions to bring meaningful changes. Practicing with imagination, creativity and innovation in our business dynamics, this is about our story of leading change in the lives of millions of Malaysians.



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1954

THE BEGINNING OF BANK RAKYAT

The establishment of Bank Agong, following the amalgamation of 11 cooperative banks under the Cooperative Ordinance 1948



1964

OPERATIONAL EXPANSION

Bank Agong increases its authorised share capital to RM20 million from RM2 million

1968

RAPID EXPANSION

Bank Kerjasama opens its first branch in Sungai Petani, Kedah



59 Years History



MOVING TO THE CAPITAL

Bank Agong head office moves to a temporary building at Cooperative Development Department, at Jalan Swettenham (now Jalan Mahameru), Kuala Lumpur

1961



CHANGING NAME

- Bank Agong changes its name to Bank Kerjasama Malaysia Berhad (Bank Kerjasama)
- Individuals can become members of the Bank and it is not restricted to just cooperatives, automatically expanding the Bank's financing activities
- Bank Kerjasama moves to its own building at Jalan Ipoh, Kuala Lumpur

1967

FROM BANK KERJASAMA TO BANK RAKYAT

- Bank Kerjasama changes its name to Bank Kerjasama Rakyat Malaysia Berhad, also known as Bank Rakyat
- Bank Rakyat is allowed to form subsidiaries after amendments to the Bank's By-Laws

1973

1974

GROWING RAPIDLY

- Angkasaraya Development Sdn Bhd, a subsidiary of Bank Rakyat, develops a 24-storey modern Angkasaraya building at Jalan Ampang, Kuala Lumpur
- Forges cooperation with First National City Bank of New York and the establishment of its investment arm, Rakyat First Merchant Bankers Berhad

1993

TRANSFORMATION TO ISLAMIC BANKING

- Bank Rakyat launches its Shariah Banking System at branches in Alor Star, Kota Bharu, Jalan Ipoh (Kuala Lumpur) and Sungai Besar
- Bank Rakyat introduces Islamic pawn broking Ar-Rahnu at branches in Bandar Tun Razak, Mergong, Seremban, Butterworth, Muar and Kuala Terengganu via cooperation with the Malaysian Islamic Economic Development Foundation (YPEIM)

1999

RAPID GROWTH AND PROGRESS

- Bank Rakyat's Authorised Share Capital is increased to RM1 billion
- Bank Rakyat implements a fully integrated retail banking system to improve efficiencies and cater for the increase in the number of customers
- Bank Rakyat offers Islamic Banking at 80 branches

(1954-2013) - Our Evolution



THE NEW HEADQUARTERS

Bank Rakyat moves to its new 22-storey corporate office at Jalan Tangsi, Kuala Lumpur

1979

AMENDMENTS TO THE ACT

- The Bank Kerjasama Rakyat Malaysia Berhad Act (Special Provisions) 1978 amendments are passed by Parliament. The government provides RM155 million financing facility to Bank Rakyat to expand its financing activities
- Bank Rakyat is placed under the ministry that is responsible for the development and progress of cooperatives

1978



INTRODUCTION OF ISLAMIC BANKING

- Bank Rakyat opens a fully Islamic banking branch in Jertih, Terengganu
- The Bank introduces ATM services and the Bank's Authorised Share Capital is increased to RM100 million
- Bank Rakyat opens its first branch in Sabah after amendments to the Cooperative Act 1993
- The Bank creates the Shariah Monitoring Council to ensure all its activities are Shariah-compliant

1994



OPENING OF AR-RAHNU OUTLET

The Bank launches its first Ar-Rahnu Outlet in Kota Bharu, Kelantan

2000

2001

CORPORATE REBRANDING

- The launch of the Bank's new corporate logo and colours
- Introduction of off-premise ATMs, putting the Bank on an equal playing field with other financial institutions in electronic banking services
- The Bank is placed under direct supervision of Bank Negara Malaysia in accordance with the Development of Financial Institutions Act 2002



2003

SHIFTING GEARS

- The Annual General Meeting approves the resolution to increase the Bank's Authorised Share Capital to RM2 billion
- The Bank launches e-Rakyat or Electronic Banking Centre (EBC) at its branch in Jalan Tangsi, Kuala Lumpur



2006

CUSTOMER CONVENIENCE

- Bank Rakyat launches tele-Rakyat, its call centre to provide easy access to banking services to customers
- Bank Rakyat opens its first Ar-Rahnu X'Change in Sentul, Kuala Lumpur
- RAM Rating Services Berhad assigns a long-term financial rating of AA3 with a stable outlook to Bank Rakyat while the Bank's short-term financial rating remains at P1

59 Years History



FULLY ISLAMIC BANKING

Bank Rakyat's total assets are fully Shariah-compliant

2002



NEW REGULATOR

- Bank Rakyat is placed under the Ministry of Entrepreneur and Cooperative Development
- The Bank joins Malaysian Electronic Payment System (MEPS), the first non-commercial financial institution to do so

2004

AT PAR WITH OTHER BANKS IN INTERNET BANKING

- Bank Rakyat launches its Internet banking service, i-Rakyat, putting it at par with local and international banking institutions
- The opening of the Ar-Rahnu X'change in Klang by Koperasi Pembangunan Pulau Lumut Berhad under the Bank's franchise scheme

2007

2008

EXCEEDING RM1 BILLION AND BRAND STRENGTHENING

- Bank Rakyat records over RM1 billion profit before tax and zakat, the first time in its history
- The launch of credit card-i and Tabung Haji services at Bank's branches and ATM/CDM terminals
- The launch of Bank Rakyat Foundation to provide financial assistance and improve the education level of Malaysians especially the Bank's members
- The first financial institution in Malaysia to use the fuselage of an aircraft for branding purposes

2010

STRENGTHENING THE COOPERATIVE MOVEMENT

The launch of the CO-OP Card and Merchant Partner programme to assist cooperatives and their business activities. The CO-OP Card also functions as an ATM, MEPS e-Debit, discount and loyalty card

2013

EXTENDING EXCELLENCE

- Records a profit before tax and zakat of RM2.13 billion
- The launch of Islamic Medium-Term Notes Sukuk Musharakah worth RM500 million, the second Islamic bond issued by the Bank

(1954-2013) - Our Evolution

BIGGEST IN MALAYSIA AND 12TH LARGEST IN THE WORLD

- International financial magazine, The Asian Banker lists Bank Rakyat as the biggest Islamic Bank in Malaysia and 12th largest in the world based on assets
- The launch of Bank Rakyat Twin Towers Project at Jalan Travers, Kuala Lumpur, the Bank's new corporate headquarters



2009

EXCEEDING RM2 BILLION

- The first time the Bank records a profit before tax and zakat of RM2.02 billion
- Authorised Share Capital of the Bank increases to RM3 billion
- The launch of Debit Card-i Orchid (One Retail Cash Islamic Debit Card)
- RAM Rating Services Berhad upgrades Bank Rakyat's long-term rating financial rating from AA3 to AA2 with a stable prospect while the Bank's short-term financial rating remains at P1

2011

LAUNCH OF RM1 BILLION SUKUK

- The first cooperative Bank to launch its own Islamic Medium-Term Notes Sukuk Musharakah worth RM1 billion
- Records RM2.11 billion profit before tax and zakat
- Introduces 1Malaysia Student Discount Card (KADS1M) for private and public college and university students
- *Malaysia Book Of Records* recognises the Bank as the "First Bank to deploy ATM as an Artificial Reef" following the Bank's marine life conservation programme in Perhentian and Tioman Islands

2012

Business Pillars

Members (Shareholders) – Fulfil responsibly the trust bestowed by shareholders, generating revenue and strengthening the shareholders' confidence by delivering consistent returns.

Society – Affect positive changes to society through financial services and corporate social responsibility activities which can uplift the people's living and well-being standards.

Customers – Provide banking services and products that are true to the principles of Shariah. These include offering fast, courteous and efficient services while ensuring sound corporate governance and upholding responsible lending principle.

Islamic Principles – Uphold an exemplary Islamic financial system by providing Shariah-compliant services which are excellent, respected and trusted so as to be acknowledged as a model Islamic development finance institution.

OUR ASPIRATIONS

Cooperative Movement – Lead in the development and advancement of the cooperative movement as well as contribute towards making the cooperative movement the third engine of economic growth for the nation.

Nation – Become a responsible corporate citizen that is driven not only by profit, but more importantly, an organisation that can affect positive changes to the economy, generate jobs opportunities and economic activities, and assist Malaysia to become a developed nation with a high income economy.

Our Profile

NO.1 Islamic
Cooperative
Bank in Malaysia

NO.2

RM **82.9**
billion

RM **34**
million

Largest Islamic financial
institution in Malaysia

Total Assets in 2013

Zakat Allocation

943,464

144

RM **3.0**
billion

Shareholders

Branches

Members' Share Capital

75

5 million 786

4,695

Ar-Rahnu X'change

Customers

ATM/CDM

Employees

Our Profile

KNOW US

The foundation of Bank Rakyat was established 59 years ago, when on 28th September 1954 - after the amalgamation of 11 cooperatives, the merged entity was named Bank Agong. The Bank's mission was to provide easy access to financing for farmers, fishermen and members. Under the Cooperative Ordinance 1948, the farmers and fishermen who were members of the Bank were encouraged to cultivate a culture of saving and they derived benefits from the dividend distributions.

Bank Rakyat's biggest achievement after 59 years is to continue to remain relevant to its members, society and the nation. To this end, the Bank has evolved to become more than just a credit cooperative.

Today Bank Rakyat is one of the leading and most respected Islamic financial institutions, both in Malaysia and internationally. With RM82.88 billion in total assets at the end of the financial year 2013 we are the largest Cooperative Islamic bank in Malaysia, with the largest number of individual members totalling 943,464 and 2,081 cooperatives.

As a catalyst to the nation's economy, with an income of RM6.07 billion during the year under review, Bank Rakyat is the second largest contributor to the national economy derived from the cooperative sector. The aim of the cooperative movement is to contribute 5% to the nation's Gross Domestic Product (GDP) which is currently estimated at RM1 trillion.

The Bank's success is not only limited to the cooperative sector. In the nation's financial sector Bank Rakyat is the second largest Islamic financial institution based on assets (including that of commercial banks) totalling close to RM83 billion. The Bank's remarkable asset base positions the Bank as the fifth highest in ranking among commercial and cooperative banks in Malaysia.

The 2011 financial year was a key milestone for Bank Rakyat as it achieved a Profit Before Tax and Zakat of RM2.02 billion, the first time the Bank's profit exceeded the RM2 billion mark. The Bank went on to be placed as the number one financial institution based on Return on Asset (ROA) according to *The Asian Banker*, surpassing all commercial banks in Malaysia.

Bank Rakyat continues to lead other commercial banks in income, profit after tax and zakat, deposits, total financing and specific product categories. Furthermore, Bank Rakyat continues its market leadership position in the personal financing segment - with approximately 33 per cent of the market share, and the public sector, where seven out of 10 government employees have a banking relationship with the Bank. These impressive numbers put Bank Rakyat far ahead of the competition.

Bank Rakyat continues to receive local and international awards, garnering recognition by external parties for its success in the banking sector and cooperative movement, due to its sound solid management, steady income and stable growth. In 2013, Bank Rakyat was named the Best Islamic Bank at the *Islamic Finance Award* ceremony.

RAM Ratings Sdn. Bhd. accorded the Bank with a corporate rating of AA2/P1, which is among one of the highest ratings given to a local financial institution. The positive rating reflects the Bank's robust growth, sturdy asset management and stellar financial performance.

THE BANK OF CHOICE – A LEADER IN ISLAMIC BANKING

In 2002, Bank Rakyat converted all of its operations, services, systems and assets from a conventional banking model to an Islamic banking model. This bold move, which was initiated in 1993, saw the transformation of Bank Rakyat into a leading Shariah-compliant financial institution.



This conversion to Islamic banking was well-received by members and the public.

Bank Rakyat now offers a wide range of consumer banking services and innovative financing products that are on a par with commercial banks and fulfil the needs of today's demanding customers. Our financial products include retail, commercial, savings and investments, credit card-i, debit card-i and Islamic pawn-broking, with the Bank managing five million customers, RM65.30 billion in deposits and RM57.30 billion in financing up to the end of the financial year 31 December 2013.

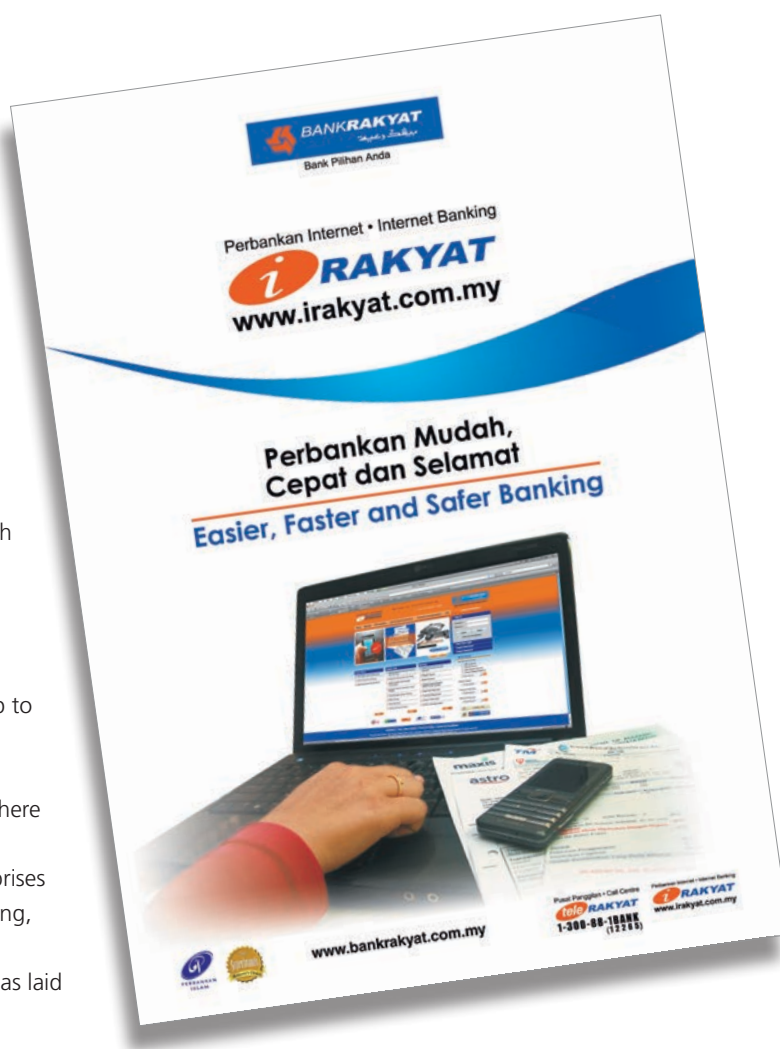
Our services are provided through 144 branches nation-wide where we offer more than 50 financial products that cover personal, property, hire purchase, business, small and medium size enterprises (SME), micro enterprises, rural industries, Takaful, wealth planning, corporate and children's deposits. All our products are Shariah-compliant and have gone through the rigid verification process as laid down by our Shariah Committee.

Our banking services are supported by 786 automated teller machines (ATMs) and cash deposits machines (CDMs) across the nation and Bank Rakyat is also a member of the MEPS ATM network which allows our account holders to conduct financial transactions at over 11,000 ATMs in Malaysia. We also offer 75 Islamic pawn-broking outlets known as Ar-Rahnu X'change whereby 34 of them are managed by our subsidiary - Rakyat Management Services Sdn Bhd, and cooperatives through our franchising scheme.

MAKING BANKING EASIER THROUGH TECHNOLOGY

As part of our transformation programme and the focus on offering banking services anywhere and whenever required by customers, Bank Rakyat utilises the Internet and social media to bring us closer to our customers and the public.

Our customers can perform a wide array of banking transactions through our Internet channel www.irakyat.com.my, obtain the latest information on our new corporate website at www.bankrakyat.com.my or interact with us on Facebook or Twitter/myBankRakyat.



To provide greater access to our customers, we also established a call centre which can be reached at 1-300-88-1BANK (12265) for any information on accounts, products or services.

With all the services offered, Bank Rakyat is now beyond being a cooperative bank, but a bank that is the equal of other financial institutions in Malaysia, offering fully Shariah-compliant financial products that adhere strictly to financing and banking guidelines set by Bank Negara Malaysia (BNM).

Snapshot - About Us

NO.11

Top Islamic financial institutions
- ***The Banker***

NO.271

Top 1,000 World Banks
for 2013 - ***The Banker***

NO.1

Biggest Islamic Cooperative Bank based on Assets, in Malaysia

NO.1

In Return on Asset (ROA) in Malaysia
- ***The Asian Banker***

NO.2

Largest Islamic financial institution in Malaysia

NO.2

Top 100 Best Cooperatives in Malaysia 2013

NO.5

Most profitable bank in Malaysia - ***The Asian Banker***

NO.7

Largest bank in Malaysia - Top 1,000 World Banks for 2013
- ***The Banker***

144

Branches

5 million

Customers

34

Ar-Rahnu X'change managed by Bank Rakyat

41

Ar-Rahnu X'change managed by Rakyat Services (Franchises)

10

Bank Rakyat Service Representations

10

Rakyat Xcess Branches

3

Mobile Banking Vehicles

786

ATM/CDM

4,695

Employees

17,571

i-Rakyat Users

64,168

Facebook Fans

Snapshot - 2013 Financial Summary

PROFIT BEFORE TAX
AND ZAKAT 2013

RM **2.13**
billion

PROFIT AFTER TAX
AND ZAKAT

RM **1.91**
billion

TOTAL INCOME 2013

RM **6.07**
billion

TOTAL ASSET 2013

RM **82.88**
billion

FINANCING AND ADVANCES

RM **57.30**
billion

DEPOSITS AND SAVINGS

RM **65.30**
billion

RETURN ON EQUITY

RM **1.35**
billion

PAYMENT OF DIVIDENDS

15
%

EARNINGS PER SHARE (EPS)

65
cents

RETURN BEFORE TAX AND
ZAKAT ON THE TOTAL
AVERAGE ASSETS (ROA)

2.63
%

RETURN BEFORE TAX AND ZAKAT
ON AVERAGE SHAREHOLDERS'
FUNDS (ROSF)

19.84
%

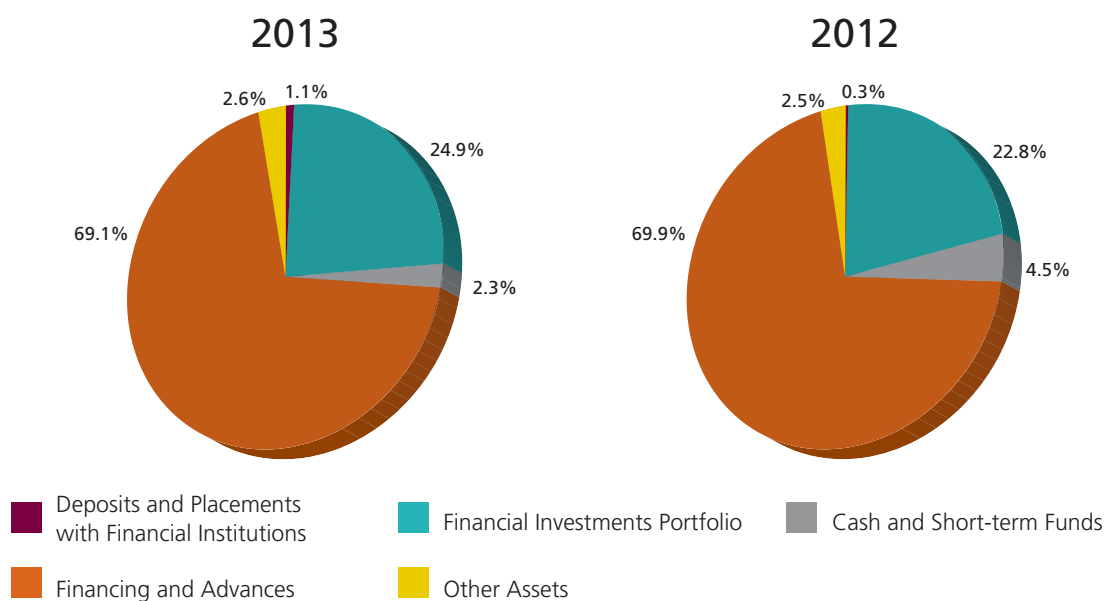
RISK WEIGHTED CAPITAL RATIO
(RWCR)

17.83
%

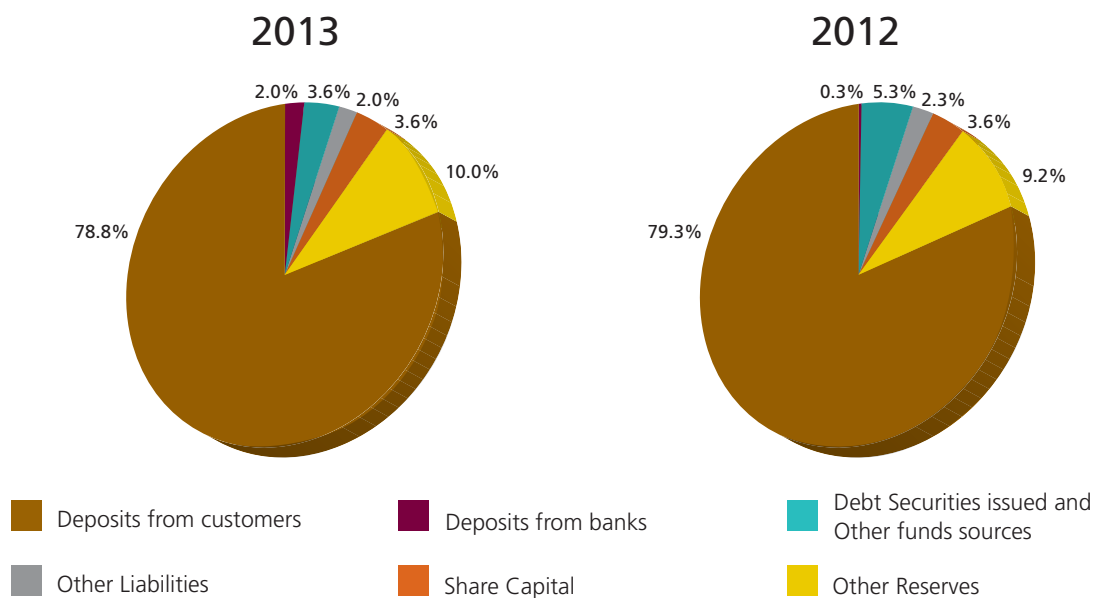
Note: The Facts 2013 (Up to Year Ended 31 December 2013)

Snapshot - Asset and Liability

ASSET

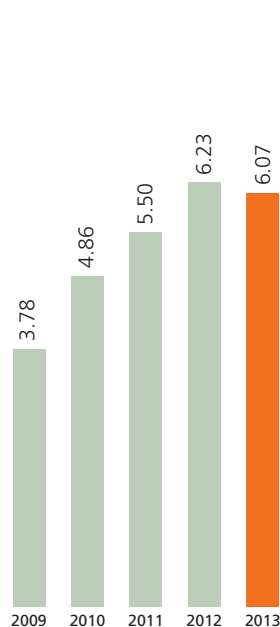


LIABILITY AND EQUITY

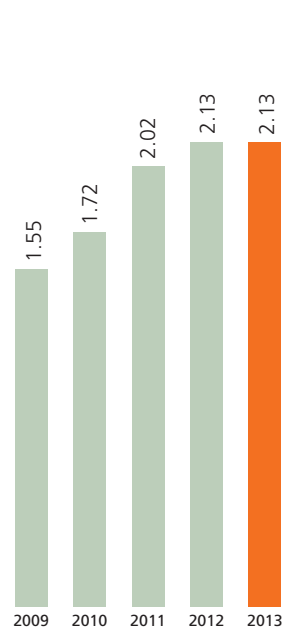


Snapshot - Five Year Performance (Financial)

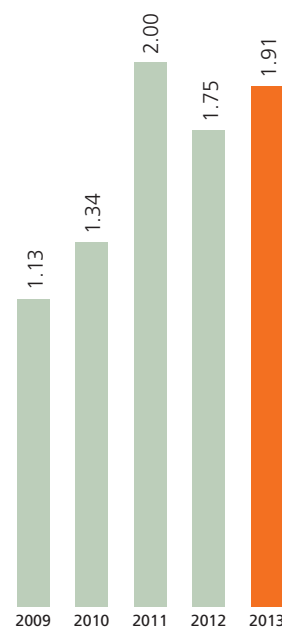
Operating Income
(RM' Billion)



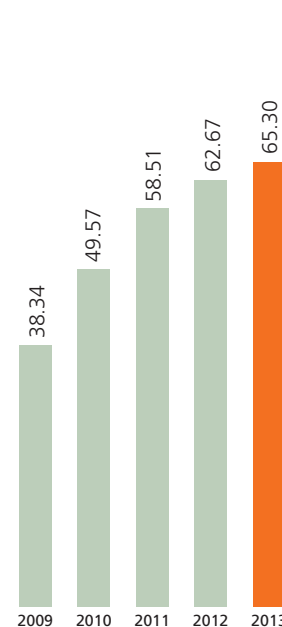
Profit Before Tax and Zakat
(RM' Billion)



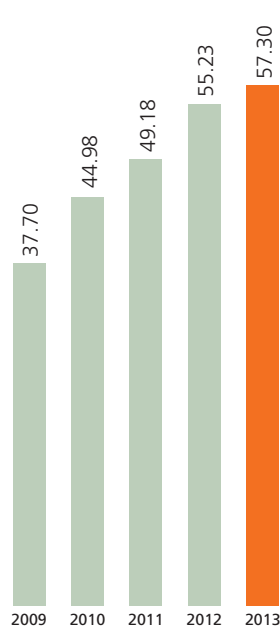
Profit After Tax and Zakat
(RM' Billion)



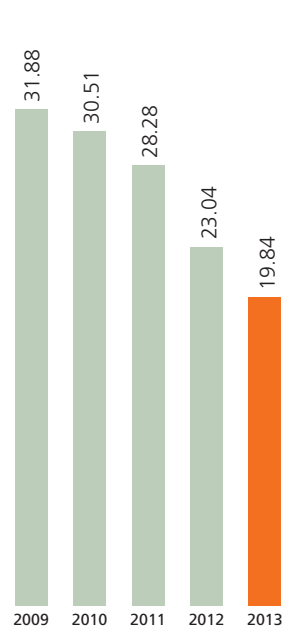
Deposits and Savings
(RM' Billion)



Gross Financing and Advances
(RM' Billion)



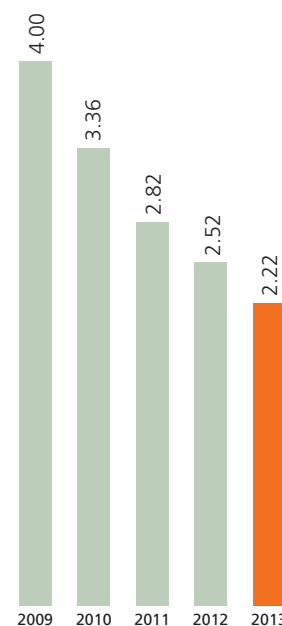
Return on Shareholders Equity Before Tax and Zakat
(%)



Cost to Income
(%)



Gross Impaired Financing Ratio
(%)



Snapshot - Our Members

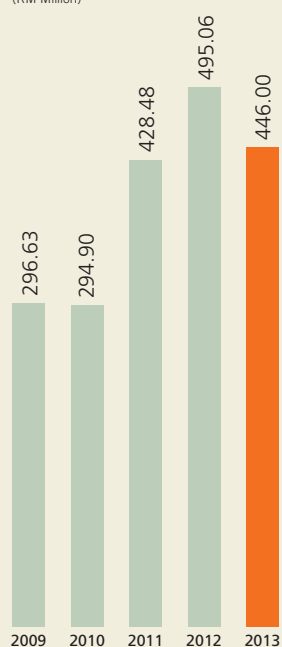
TOTAL MEMBERS INDIVIDUAL AND COOPERATIVE (2009 - 2013)

YEAR	CATEGORY		Total
	INDIVIDUAL	COOPERATIVES	
2009	792,798	1,401	794,199
2010	756,942	1,414	758,356
2011	924,941	1,637	926,578
2012	945,522	2,019	947,541
2013	941,383	2,081	943,464

TOTAL CAPITAL INDIVIDUAL AND COOPERATIVE (2009 - 2013)

YEAR	CATEGORY		TOTAL (RM MILLION)
	INDIVIDUAL	COOPERATIVES	
2009	1,915.34	79.62	1,994.96
2010	1,915.12	79.84	1,994.96
2011	2,244.84	104.22	2,349.06
2012	2,714.29	150.71	2,865.00
2013	2,814.17	159.50	2,973.67

Dividend (RM Million)



Our Corporate Information

CHAIRMAN

Tan Sri Sabbaruddin Chik (Until 8 April 2014)

Dato' Mat Noor Nawawi (From 28 April 2014)

MANAGING DIRECTOR/PRESIDENT

Datuk Mustafha Abd. Razak

BOARD OF DIRECTORS

Dato' Saripuddin Kasim

Dato' Abdul Mutalib Alias

Dato' Mangsor Saad

Dato' Zuraidah Atan

Dr. Roselan Baki (From 15 April 2014)

Abdul Rahman Kasim (From 15 April 2014)

COMPANY SECRETARY

Datin Suria Che Selia

REGISTERED OFFICE

Bank Rakyat

3rd Floor, Bangunan Bank Rakyat

Jalan Tangsi

Peti Surat 11024

50732 Kuala Lumpur

HEAD OFFICE

Bank Rakyat

Tower 1

Bank Rakyat Twin Tower

No. 33, Jalan Travers

50470 Kuala Lumpur

Tel : 03-2612 9600

WEBSITE

www.bankrakyat.com.my

FACEBOOK/TWITTER/YOUTUBE

/myBankRakyat

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

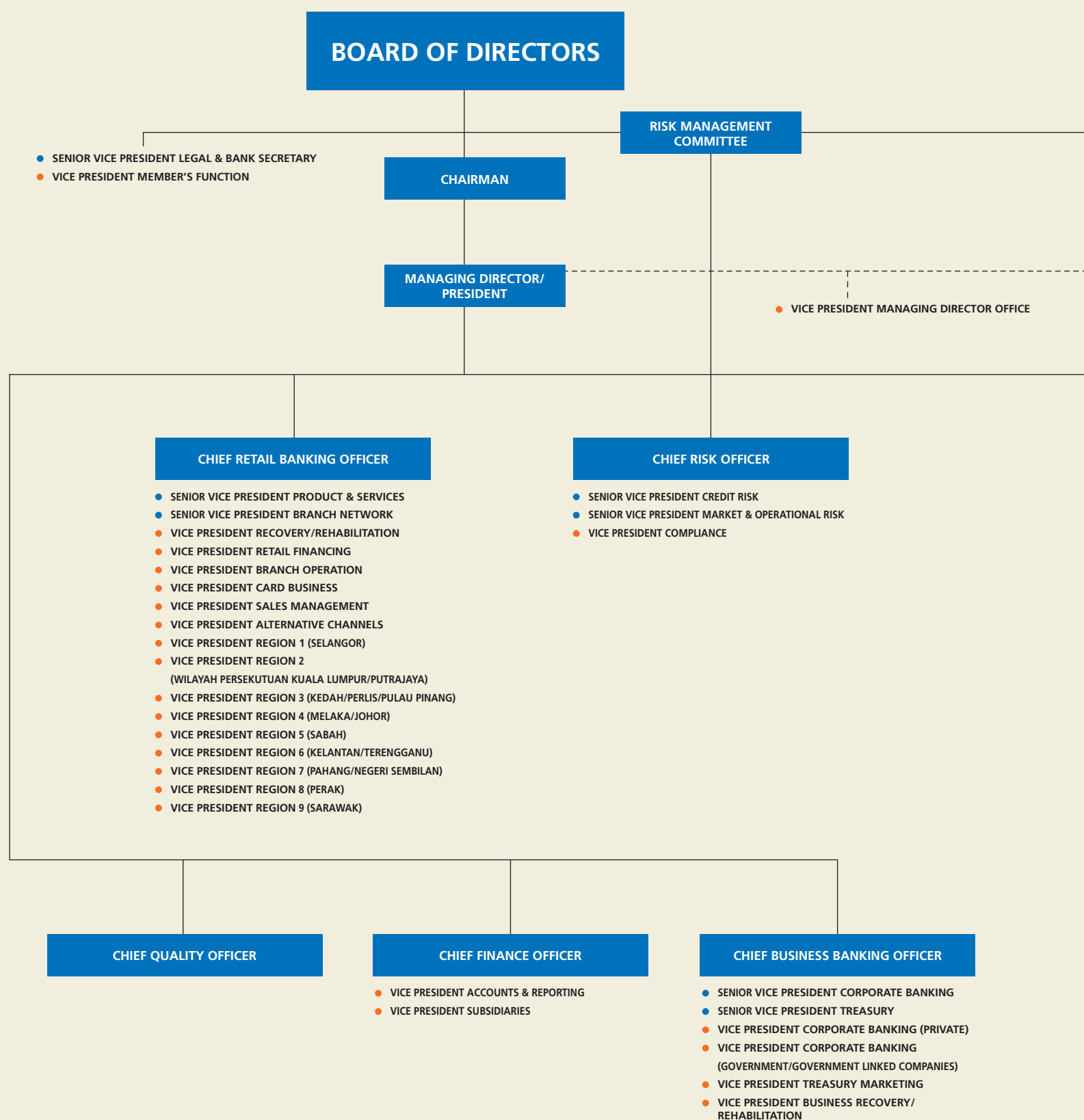
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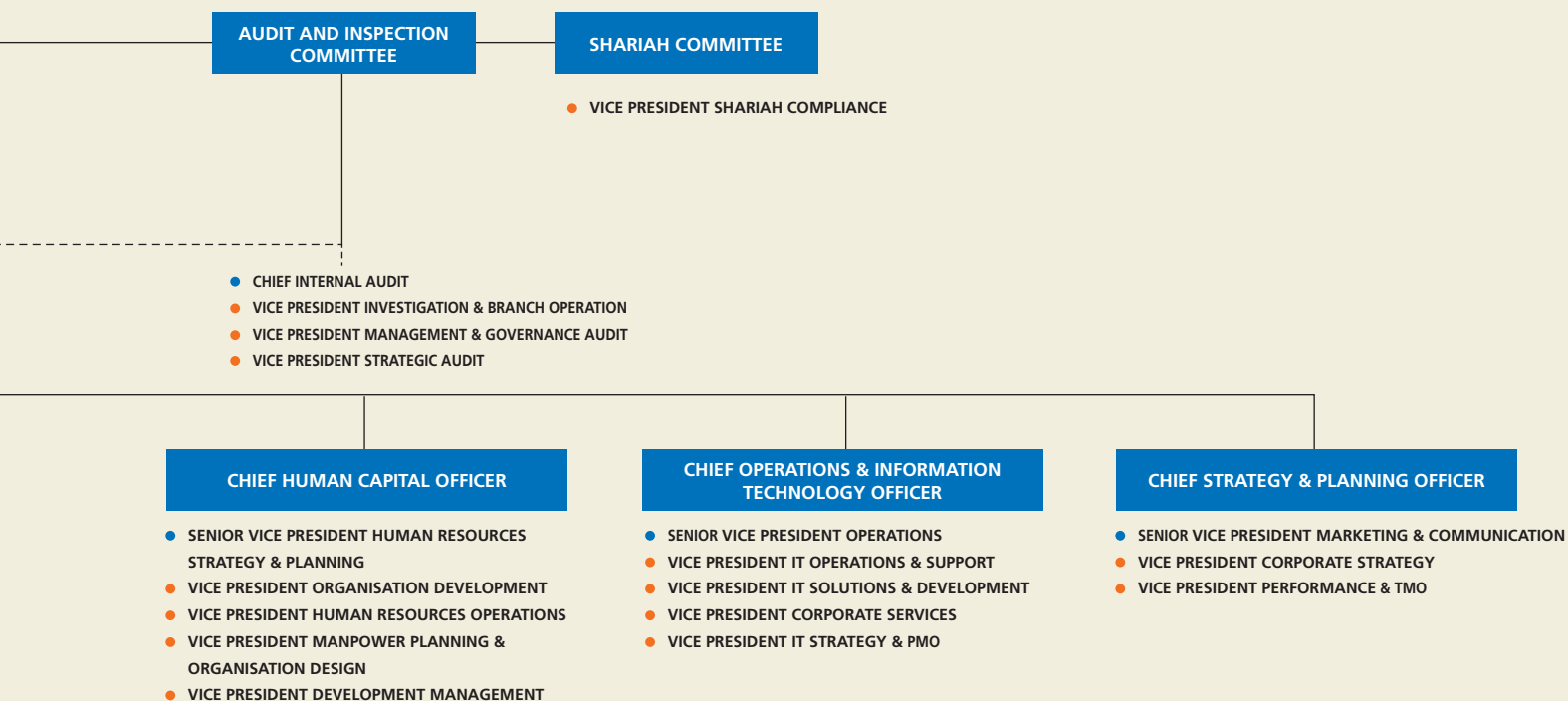
COOPERATIVE REGISTRATION NUMBER

2192



Bank Rakyat Organization Chart





Bank Rakyat and the Government



Ministry of Finance

Bank Kerjasama Rakyat Malaysia Berhad Act
(Special Provision) 1978



By-law



Ministry of Domestic Trade, Co-operatives and Consumerism



Cooperative Act 1993

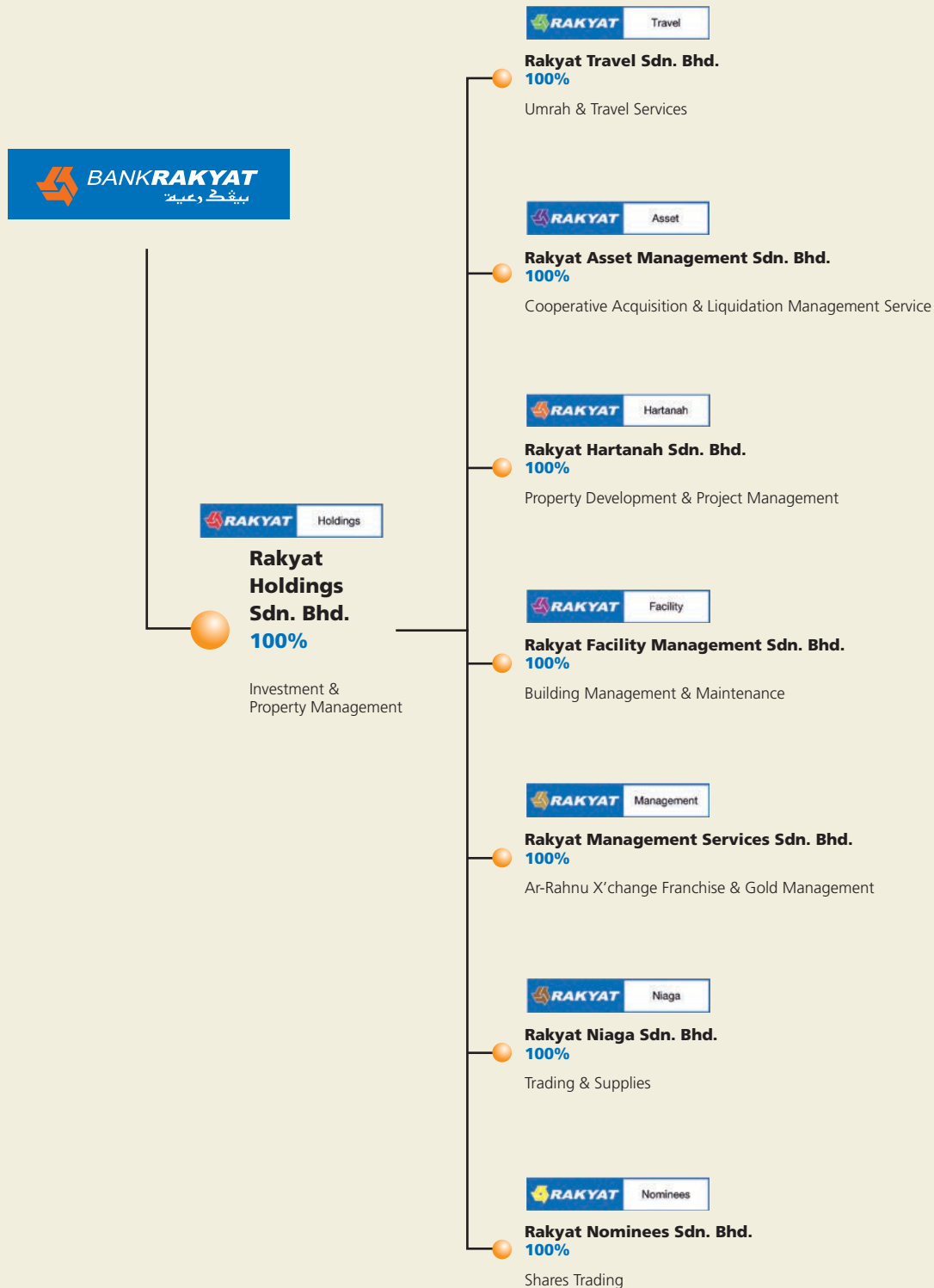
**SURUHANJAYA
KOPERASI**
Malaysia



Central Bank of Malaysia

The Development Financial Institutions Act 2002

Group Corporate Structure



A man in a white shirt is working at a kiosk. In the foreground, there is a large, bright red shopping bag. The background shows a street sign that reads 'JLN PUSAT BCH 1/3' and various products on shelves, including 'Kaw! Kaw!' and 'Smart'. The man is looking down at the kiosk, which has a screen displaying 'EXPECTED SUGAR CRACK'.

Bringing Change to Small and Medium-sized Retailers

We bring hope and change. No matter how small your business, we are always there for you. Bank Rakyat has touched the lives of 339 sundry shop operators through our Sundry Shop Transformation Programme (TUKAR-i) and allowed these operators to generate higher income and lead more meaningful lives.



Our Bond with Customers

5 million

Customers

RM 65.3
billion

Deposits and Savings

RM 57.30
billion

Financing and Advances

667,347

Calls received by
tele-Rakyat

69

Bank Rakyat Service Agents

10

Rakyat Xcess

More than 50

Financing, deposit, takaful and
other products

CUSTOMER RELATIONSHIP

At Bank Rakyat we want to offer the best service to our customers. We realise their continuous and unwavering support for our products and services has been key to our success in the last 59 years.

Our brand promise “Bank Rakyat Your Choice Bank” reflects how important customers are to our future. To be the Choice Bank, our operations must cater to the needs and wants of our customers. And we ensure our employees translate this brand promise while we continue to uphold responsible lending principles. To this end we treat our five million customers as strategic partners. We want to assist them to achieve their financial goals based on the Islamic banking principles which stress fairness and profit sharing.

Without a doubt, competition in the local banking industry is heating up. Bank Rakyat realises products alone do not guarantee a long and sustainable growth. The differences between financial products are getting smaller as banks battle for market share. The Bank's long-term prospect is very much dependent on customer satisfaction and how long they continue to trust the Bank. Bank Rakyat believes service excellence is the only way to put us ahead of the competition.

The Bank wants to become the banker of choice to our customers, and build a long and lasting relationship. To do so, service that exceeds expectations becomes a key strategic fundamental. Our strategic direction towards service excellence has yielded positive results. The Bank's customer base has increased from 3.8 million in 2009 to five million in 2013. What is more encouraging, 32% of our customers have two or more banking products with us.

SERVICE BEYOND EXPECTATIONS

Customer satisfaction and delivering service excellence are our aspirations. It is manifested through our customer charter. The charter outlines our overall service values and the standards customers can expect from us. The Bank's commitment to this charter permeates our brand promise, ensuring service consistencies spread through all our delivery channels. Our aspiration is to deliver a fast, efficient and precise service. We strive to complete a majority of over-the-counter transactions within eight minutes. To ensure the branches deliver on this promise, we have placed a monitoring mechanism to measure their performance. Branch heads and managers are also advised to take a proactive approach in expediting customer transactions.

To further enhance customer satisfaction our customer charter outlines that all calls to the Bank's call centre, tele-Rakyat, should be answered within three rings and 2013 was a busy year for the call centre which received 667,347 calls and 93.14% of those calls were answered in less than 20 seconds.

The charter also states the time required to complete other transactions, like opening of an account, ATM and debit card issuance, check book issuance, and applying for and processing of financing applications.

The Bank's Customer Charter also sets out the following:

Privacy – We treat all information as confidential and personal, and ensure the safety of customer information through enforcement of the Personal Data Protection Act 2010 (PDPA).

Responsibility – We ensure our products and services adhere to the law of the country and are Shariah-compliant, and we are committed to assisting our customers in understanding the benefits of our products and services.

Fairness – We act in a fair, reasonable and ethical manner with clear procedures for resolving disputes in a fair and expeditious manner.

Trustworthy – We cooperate with the relevant governing and professional bodies in the banking sector to ensure you receive a safe and trustworthy banking service.

Transparency – We strive to provide clear, relevant and correct information that will assist you in deciding on our products and services. We also practise zero tolerance towards mis-selling by our employees.



NOT JUST A COUNTER

Bank Rakyat upholds the government's aspiration that no segment of the society should be denied access to quality banking services. As a responsible banking institution, we are always investing to ensure our services are easily accessible by Malaysians irrespective of their location. Easy access to our services only enhances our service quality and it helps us to be closer to our customers. Nevertheless, a single banking model will not deliver us the success we desire. Thus, we have made large investment to identify and diversify our delivery channels including introducing innovative ideas to our customers.

Our branches remain the primary banking channel and between 2002 and 2013 we have increased our branches from 100 to 144. This is one of the strategic initiatives intended to increase our customer base and put us on level terms with other commercial banks in Malaysia. In 2013 our 144 branches, managed by 3,498 trained staff who we regard as our brand "ambassadors", provided services to five million customers. We are also introducing Rakyat Xclusive, a premium banking service which offers many exclusive benefits including a personal banking executive for each customer. In addition a programme called Bank Rakyat Service Representative was created which allows cooperatives to be appointed as agents to market our products and facilities, as at the end of 2013, we appointed 69 Service Representatives throughout

the country. And to further expand our service reach, we introduced Bank Rakyat Mobile Banking, a fully equipped bus that allows customers in rural areas and Felda land redevelopment scheme to perform banking transactions. At the same time, to complement our branches, we introduced mini branches known as Rakyat Xcess to enable rural communities to gain access to our banking facilities. These smaller versions of our full-fledged branches are operational in Gemas and Seremban, Negeri Sembilan, Serian, Sarawak and Cameron Highlands, Pahang.

As the country continues to flourish we will continue to identify new and economically viable locations for Islamic banking services especially in new townships. But at the same time, we realise adding branches alone will not totally aid us to achieving our service excellence goal.

With five million customers the Bank must diversify its service delivery channels. The management are also fully cognisant of the need to invest in new technology. In 2004 we joined Malaysian Electronic Payment System or MEPS, the first cooperative bank to do so. This effort automatically provided our account holder's access to over 11,000 automated teller machines (ATMs) including 577 of our ATMs. Maintenance of our ATMs and cash deposit machines (CDMs) was also given priority with the uptime of our ATMs and CDMs at 98% in 2013.

Bank Rakyat made considerable strides in being the first cooperative bank to introduce internet banking services in 2007. As of 31 December 2013 our internet banking portal www.irakyat.com.my had 135,471 registered users. The Bank is doubling its effort to get more customers to use this cost efficient and customer friendly channel.

We also invested in the latest technologies, technical expertise, and performed continuous monitoring to ensure the security and performance of our Internet channel. Our corporate website www.bankrakyat.com.my has been revamped with a more intuitive and stronger brand image.

With the Smartphone craze, especially among Generation Y, we have also expanded onto social media platforms with our Facebook and Twitter/myBankRakyat initiatives.

We also introduced tele-Rakyat, our dedicated call centre to assist customers to perform certain transactions. The centre is manned by 41 highly trained and knowledgeable service consultants who are ready to assist our customers on our products and services.

ENHANCING SERVICES

As a dynamic and customer-oriented institution we always welcome feedback from our customers. Feedback and/or complaints play an important part in our overall enhancement process. The management views customer engagement seriously and we provide various channels for our customers to voice their opinions and complaints, and make inquiries. The bank provides various channels for our customers to engage with us in writing by using forms that are available at our branches or downloadable at www.bankrakyat.com.my/web/guest/maklumbalas. Customers can also email us their feedback at jkp@bankrakyat.com.my or visit our social media channels at www.facebook.com/myBANKRAKYAT and twitter.com/myBANKRAKYAT

All feedback and complaints received through telephone, email or facsimile will be acknowledged within 24 hours of receipt. All complaints will be treated with urgency, and in a fair and consistent manner.

We aim to provide immediate resolution for telephone complaints, a three-day resolution period for complaints which require follow-up action, and 14-day period to resolve complicated complaints. We apply the same benchmark for complaints via mail or facsimile. Our target is 85 per cent of the customers are satisfied with the way their complaints are handled. Customers can also call Bank Rakyat Customer Service at 03-2697 5011/6011/7011, fax to 03-26129655 or email to aduan@bankrakyat.com.my. We have also put in place a clear process to ensure all complaints are given equal attention and appropriate actions are taken for complaints.

Kerjasama strategik Bank Rakyat, PTPTN

KUALA LUMPUR 29 Ogos - Bank Kerjasama Rakyat Malaysia Bhd. (Bank Rakyat) akan bekerjasama dengan Tabung Pendidikan Tinggi Nasional (PTPTN) dalam membina program untuk menyimpan dalam Skim Simpanan Pendidikan Nasional (SSPN-I).

Pengarah Urusan Bank Rakyat, Datuk Mustafa Abdul Razak berkata, perkhidmatan SSPN-I yang kini ditawarkan di cawangan Bank Rakyat di seluruh negara akan meningkatkan kesedaran masyarakat mengenai perkara tersebut.

"Bermula pada 21 Ogos lalu, semua 142 cawangan Bank Rakyat dan empat Bank Xcess

di seluruh negara menawarkan perkhidmatan real time bagi pelanggan yang ingin membuka akaun SSPN-I serta menambah deposit dan membuat semakan baki.

"Dengan bantuan perkhidmatan Bank Rakyat adalah sebanyak 3.5 juta, kami yakin perkhidmatan ini akan dimanfaatkan oleh pelanggan sedia ada dan menambahkan lagi pelanggan baharu," katanya dalam sidang akhbar majlis pelancaran perkhidmatan SSPN-I, di sini hari ini.

Majlis pelancaran yang disempurnakan Menteri Perda-

gan Dalam Negeri, Koperasi dan Kepenggunaan, Datuk Hassan Malek itu turut dihadiri Timbalannya, Datuk Ahmad Bashah Md Haniffah, Pengerusi Bank Rakyat, Tan Sri Sabarudin Chik, Pengerusi PTPTN, Datuk Shamsul Anwar Nasarah dan Ketua Eksekutif PTPTN, Agos Cholan.

SSPN-I merupakan salah satu program yang ditawarkan oleh Bank Rakyat kepada pelanggan yang ingin menyimpan wang untuk masa depan. Pelanggan boleh membuka akaun SSPN-I melalui aplikasi Bank Rakyat atau datang ke cawangan Bank Rakyat.

Bank Rakyat akan menawarkan perkhidmatan real time bagi pelanggan yang ingin membuka akaun SSPN-I serta menambah deposit dan membuat semakan baki.

Ilak menabung dari usia muda

Selatan, Ilak menabung dari usia muda, iaitu Bank Rakyat menawarkan perkhidmatan real time bagi pelanggan yang ingin membuka akaun SSPN-I serta menambah deposit dan membuat semakan baki.

Bank Rakyat akan menawarkan perkhidmatan real time bagi pelanggan yang ingin membuka akaun SSPN-I serta menambah deposit dan membuat semakan baki.



Bank Rakyat launches RM500m Islamic MTN

KUALA LUMPUR: Bank Rakyat, the country's biggest Islamic cooperative bank, yesterday announced the launch of a RM500 million three-year sukuk (Islamic bond).

The issuance of the RM500 million sukuk is part of a proposed Islamic sukuk program of up to RM5 billion in nominal value issued via an approved funding conduit, Bank Rakyat said.

Bank Rakyat managing director Datuk Mustafa Abdul Razak (pic) said the sukuk program will provide the bank with a more diversified and stable medium and long term funding, and allow Bank Rakyat to achieve a stronger and more robust balance sheet.

Bank Rakyat's profit up 5%

It declares dividends totalling 18% amounting to RM495mil for 2012

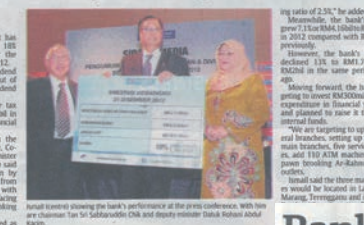
By HENRI FARRAHAN ZAMRI
malaymail@berita.com.my

KUALA LUMPUR: Bank Rakyat has declared dividends totalling 18% amounting to RM495mil for the financial year ended Dec 31, 2012.

The bank announced the dividend of 18% involving a cash payout of RM495mil and bonus share dividend of 23.4 million shares.

Bank Rakyat's profit before tax and after tax for 2012 was RM1.28 billion and RM1.03 billion respectively, up from RM1.18 billion and RM0.98 billion for 2011.

Speaking at a briefing on the bank's results, Director, Corporate and Commercial Matters, Datuk Seri Mustaffa Abdul Razak said the bank's profit was driven by growth in its total income from financing and deposit charges, with strong asset quality "despite facing challenges in the local banking industry".



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Bank Rakyat serah sumbangan

Bank Rakyat has announced a donation of RM500,000 to the Metro newspaper to support its financial literacy program.

The donation is part of Bank Rakyat's commitment to support the financial literacy program and to help improve the financial literacy skills of the Malaysian public.

Bank Rakyat dilantik ejen kutipan cukai LHDN

Bank Rakyat has been appointed as the collection agent for the Land and Development Department (LHDN) for the collection of property taxes.

The appointment is part of a long-term agreement between Bank Rakyat and LHDN to ensure the efficient collection of property taxes.

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Bank Rakyat names new MD

PETALING JAYA: Bank Rakyat has appointed Datuk Mustafa Abdul Razak (pic) as its next managing director, succeeding Datuk Yusof Abdul Rahman.

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YBR, BH anjur Seminar Didik Rakyat 2013

"YBR anjur seminar didik rakyat 2013" - YBR anjur seminar didik rakyat 2013.

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5 bermotosikal rentas dunia

KUALA LUMPUR: Lima rakyat Malaysia mahu mencipta rekod baru dunia dengan menunggang motosikal merentas dunia secara berpasangan tanpa henti selama lebih enam bulan untuk pergi ke 50,000 kilometer bermula dari sini menuju ke sempadan Malaysia-Thailand sebelum menamatkan perjalanan ke Australia.

Bank Rakyat catat untung RM539.5 juta

KUALA LUMPUR: Keuntungan sebelum cukai dan cukai Bank Rakyat (BR) tahun 2013 meningkat 47 peratus kepada RM539.5 juta berbanding RM366.3 juta yang diumumkan pada tahun sebelumnya.

"Keuntungan ini adalah akibat peningkatan pendapatan daripada kegiatan perniagaan, dan peningkatan pendapatan daripada kegiatan perniagaan, dan peningkatan pendapatan daripada kegiatan perniagaan," kata Ketua Pegawai Eksekutif Bank Rakyat, Datuk Seri Mohd Zaid Ibrahim.

Bank Rakyat raih untung RM2.11b

Pendapatan kasar RM6.23b, bayar dividen 18 peratus

KUALA LUMPUR: Bank Rakyat mencatat keuntungan sebelum cukai dan cukai sebanyak RM2.11 bilion tahun 2013, meningkat 47 peratus berbanding RM1.42 bilion tahun 2012.

Bank Rakyat juga mencatat pendapatan sebelum cukai dan cukai sebanyak RM6.23 bilion tahun 2013, meningkat 47 peratus berbanding RM4.24 bilion tahun 2012.

Bank Rakyat serah zakat RM4.3 juta

TANGGUNGJAWAB Lembaga Zakat Selangor (LZS) menerima zakat perniagaan berjumlah RM4,301,559 daripada Bank Rakyat Malaysia (Bank Rakyat) semalam.

Zakat tersebut disampaikan kepada Sultan Selangor, Sultan Sharafuddin Idris Shah oleh Pengerusi Bank Rakyat, Tan Sri Sabbarudin Chik di Istana Bukit Kayaangan, Shah Alam.

Bank Rakyat net profit jumps to RM915m in H1

KUALA LUMPUR: Bank Rakyat mencatat keuntungan bersih (net profit) sebanyak RM915 juta pada semester pertama (H1) tahun 2013, meningkat 47 peratus berbanding RM620 juta pada H1 tahun 2012.

Bank Rakyat juga mencatat pendapatan sebelum cukai dan cukai sebanyak RM6.23 bilion tahun 2013, meningkat 47 peratus berbanding RM4.24 bilion tahun 2012.

Bank Rakyat buka cawangan di Semporna

KOTA KINABALU: Bank Rakyat Malaysia (BRM) membuka cawangan di Semporna, Sabah pada Selasa (12) pagi.

Cawangan ini adalah cawangan Bank Rakyat pertama di Semporna. Cawangan ini akan beroperasi pada Selasa (12) pagi.



BANK RAKYAT ANJUR KEMBARA AMAL RAMADAN

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) menganjurkan kembara amal Ramadan ke Kelantan dan Terengganu pada 15-16 Mac 2013.

Kembara ini bertujuan untuk mengumpul dana untuk projek pembangunan di Kelantan dan Terengganu.



Bank Rakyat serah zakat RM1 juta kepada PZNS

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) menyerahkan zakat berjumlah RM1 juta kepada PZNS (Perkumpulan Zakat Negeri Selangor) semalam.

Zakat ini akan digunakan untuk projek pembangunan di Selangor.

Bank Rakyat agih dividen 18%

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) mengumumkan bahawa dividen tahunan 2013 akan dibayar kepada pemegang saham pada 15 Mac 2013.

Dividen ini adalah 18 peratus daripada harga saham semasa.

Untung enam bulan Bank Rakyat RM1.11b

Perolehan pembiayaan, aktiviti berasaskan yuran meningkat

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) mencatat keuntungan sebelum cukai dan cukai sebanyak RM1.11 bilion untuk enam bulan pertama tahun 2013, meningkat 47 peratus berbanding RM750 juta pada enam bulan pertama tahun 2012.

Bank Rakyat juga mencatat pendapatan sebelum cukai dan cukai sebanyak RM6.23 bilion tahun 2013, meningkat 47 peratus berbanding RM4.24 bilion tahun 2012.

Bank Rakyat serah zakat RM4.3 juta

TANGGUNGJAWAB Lembaga Zakat Selangor (LZS) menerima zakat perniagaan berjumlah RM4,301,559 daripada Bank Rakyat Malaysia (Bank Rakyat) semalam.

Zakat tersebut disampaikan kepada Sultan Selangor, Sultan Sharafuddin Idris Shah oleh Pengerusi Bank Rakyat, Tan Sri Sabbarudin Chik di Istana Bukit Kayaangan, Shah Alam.

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Bank Rakyat tajuk RM150,000 lahirkan bakal pembahas

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) mengumumkan bahawa RM150,000 akan diberikan kepada bakal pembahas Bank Rakyat.

Bakal pembahas ini akan dipilih berdasarkan prestasi mereka dalam menjual produk Bank Rakyat.

Peruntukan pembiayaan mikro ditambah RM100j

KUALA LUMPUR: Kerajaan menambah peruntukan skim pembiayaan mikro untuk pengage dari RM100 juta kepada RM200 juta.

Peruntukan ini akan digunakan untuk membiayai projek-projek pembangunan mikro.

Bank Rakyat diarahkan Bank Peruncitan Islam terbaik

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) diarahkan untuk menjadi bank peruncitan Islam terbaik.

Bank Rakyat akan diberikan insentif jika ia dapat mencapai sasaran ini.

Bank Rakyat agih dividen 18%

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) mengumumkan bahawa dividen tahunan 2013 akan dibayar kepada pemegang saham pada 15 Mac 2013.

Dividen ini adalah 18 peratus daripada harga saham semasa.

Bank Rakyat serah zakat RM1 juta kepada PZNS

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) menyerahkan zakat berjumlah RM1 juta kepada PZNS (Perkumpulan Zakat Negeri Selangor) semalam.

Zakat ini akan digunakan untuk projek pembangunan di Selangor.

Bank Rakyat agih dividen 18%

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) mengumumkan bahawa dividen tahunan 2013 akan dibayar kepada pemegang saham pada 15 Mac 2013.

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Pendapatan kasar RM6.23b, bayar dividen 18 peratus

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Bank Rakyat tajuk RM150,000 lahirkan bakal pembahas

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) mengumumkan bahawa RM150,000 akan diberikan kepada bakal pembahas Bank Rakyat.

Bakal pembahas ini akan dipilih berdasarkan prestasi mereka dalam menjual produk Bank Rakyat.

Bank Rakyat agih dividen 18%

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) mengumumkan bahawa dividen tahunan 2013 akan dibayar kepada pemegang saham pada 15 Mac 2013.

Dividen ini adalah 18 peratus daripada harga saham semasa.

Bank Rakyat serah zakat RM1 juta kepada PZNS

KUALA LUMPUR: Bank Rakyat Malaysia (BRM) menyerahkan zakat berjumlah RM1 juta kepada PZNS (Perkumpulan Zakat Negeri Selangor) semalam.

Zakat ini akan digunakan untuk projek pembangunan di Selangor.

Bank Rakyat agih dividen 18%

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Zakat ini akan digunakan untuk projek pembangunan di Selangor.

2013 Event Highlights



JANUARY

6 JANUARY 2013 **A**

The launch of Bank Rakyat's Mobile Banking service at Wisma JKKK FELDA Bukit Mendi, Bera, Pahang by Minister of Domestic Trade, Co-operatives & Consumerism

14 JANUARY 2013

Bank Rakyat Chairman and senior management host Chinese depositors at a recognition dinner in Sarawak

17 JANUARY 2013

Bank Rakyat donates medical equipment to Muar Hospital, Johor

19 JANUARY 2013

Bank Rakyat participates in "Visit Malaysia 2014" promotional event organised by the Prime Minister's Department

21 JANUARY 2013

Bank Rakyat opens branch in Bentong, Pahang

23 JANUARY 2013

Bank Rakyat opens Ar-Rahnu X'change in Simpang , Perak

24 JANUARY 2013

Bank Rakyat's employees participate in the Prophet Muhammad's birthday remembrance event at Sultan Mizan Zainal Abidin Mosque, in Putrajaya

29 JANUARY 2013

Bank Rakyat opens Ar-Rahnu X'change in Pagoh, Johor

FEBRUARY

2 FEBRUARY 2013 **B**

Bank Rakyat's workforce participates at a parade in conjunction with Federal Territory Day Celebration

4 FEBRUARY 2013

The opening of Bank Rakyat Ar-Rahnu X'change in Hulu Klang, Selangor

7 FEBRUARY 2013

Bank Rakyat opens Ar-Rahnu X'change in Sungai Udang, Melaka

21 – 23 FEBRUARY 2013

Bank Rakyat organises Action Plan Meeting at Putra World Trade Centre (PWTC), Kuala Lumpur



MARCH

1 MARCH 2013

Global Leadership Awards celebrates Bank Rakyat at KLCC Conference Hall, Kuala Lumpur

5 MARCH 2013

Bank Rakyat receives award at KL Islamic Finance News awards presentation ceremony at Grand Hyatt, Kuala Lumpur

7 MARCH 2013

Bank Rakyat receives delegates from Bangladesh and Vietnam at its head office in Kuala Lumpur

13 MARCH 2013 C

Bank Rakyat announces its 2012 financial performance at Sime Darby Convention Centre, Kuala Lumpur

19 MARCH 2013

The launch of PTPTN, BPM1M & Simpanan Mega at Shah Alam Convention Centre (SACC), Shah Alam, Selangor

22 MARCH 2013

The opening of Ar-Rahnu X'change outlet in Rembau, Negeri Sembilan

24 MARCH 2013

Kelab Nuri 2013 Anniversary Celebration in Bera, Pahang

APRIL

4 APRIL 2013

Bank Rakyat's Managing Director Special Meeting with employees at Bank Rakyat Head Office in Kuala Lumpur

6 APRIL 2013 D

Bank Rakyat Annual General Meeting at Putra World Trade Centre (PWTC), Kuala Lumpur

MAY

17 MAY 2013 E

Malaysian Athletes Federation receives sponsorship from Bank Rakyat at the bank's head office in Kuala Lumpur

2013 EVENT HIGHLIGHTS



JUNE

4 JUNE 2013

Bank Rakyat hosts lunch for the Governor of Penang in conjunction with the Bank's zakat distribution at Equatorial Hotel, Penang

5 JUNE 2013

Bank Rakyat signs a memorandum of understanding with the Department of Environment (DOE) at Awana Hotel, Genting Highlands, Pahang

13 JUNE 2013 F

Bank Rakyat receives 1Malaysia World Endurance Ride (1MWER) participants at its head office in Kuala Lumpur

17 JUNE 2013

Bank Rakyat Chairman's Award Presentation Ceremony at Putra World Trade Centre (PWTC), Kuala Lumpur

21 – 23 JUNE 2013

Branch Managers 2013 Conference at Equatorial Hotel, Penang

27 JUNE 2013

Bank Rakyat signs a memorandum of understanding with the Inland Revenue Board (IRB) Malaysia for the appointment as a tax agent at its head office in Kuala Lumpur

28 JUNE 2013

Delegates from Bank Islam Brunei visit the Bank's contact centre, tele-Rakyat, at its operation centre at Jalan Ipoh, Kuala Lumpur

JULY

1 JULY 2013

Bank Rakyat opens its 142nd branch in Kuala Krai, Kelantan

27 JULY 2013 G

Head office breaking of fast event at FELDA Hall, Kuala Lumpur



AUGUST

1 AUGUST 2013

Bank Rakyat distributes “duit raya” and hampers at 20 government hospitals in conjunction with Aidilfitri celebration

3 AUGUST 2013

Early Ramadan motorcycle convoy (above 250cc) participants visit 100 residences of Rumah Kasih Harmoni in Paya Jaras, Selangor. The bikers include those from New Straits Times and Utusan Malaysia

15 AUGUST 2013

Bank Rakyat opens Ar-Rahnu X’change in Kluang, Johor

16 AUGUST 2013

Ar-Rahnu X’change and Rakyat Xcess open in Parit Raja, Johor

22 AUGUST 2013

The opening of Ar-Rahnu X’change and Rakyat Xcess in Benut, Johor

26 AUGUST 2013

The launch of Salam Baitullah Programme with Bank Rakyat as the main sponsor at RTM in Kuala Lumpur

27 AUGUST 2013

Jalur Gemilang flag distribution ceremony at the Bank’s head office in Kuala Lumpur

29 AUGUST 2013 H

Bank Rakyat 2013 Hari Raya Open House for corporate customers at Shangri-La Hotel, Kuala Lumpur

SEPTEMBER

4 SEPTEMBER 2013

The opening of Ar-Rahnu X’change and Rakyat Xcess in Saujana Utama, Sungai Buluh, Selangor

2013 EVENT HIGHLIGHTS



20 SEPTEMBER 2013

Bank Rakyat 2013 Annual Dinner at Istana Hotel, Kuala Lumpur

23 SEPTEMBER 2013

Bank Rakyat organises hearse distribution ceremony for mosques and surau at its corporate building in Kuala Lumpur

26 SEPTEMBER 2013

Ar-Rahnu X'change opens in Masai, Johor

27 SEPTEMBER 2013

The Bank celebrates its 59th Anniversary at its head office in Kuala Lumpur

30 SEPTEMBER 2013

Bank Rakyat launches its 60th Anniversary Celebration Logo at its head office in Kuala Lumpur

OCTOBER

3 OCTOBER 2013

Bank Rakyat opens Ar-Rahnu X'change and Rakyat Xcess in Bandar Tasik Puteri, Rawang, Selangor

4 OCTOBER 2013

The opening of Ar-Rahnu X'change and Rakyat Xcess in Semenyih, Selangor

22 OCTOBER 2013

Bank Rakyat signs a memorandum of understanding with Public Services Commission of Malaysia

25 OCTOBER 2013

Bank Rakyat opens Ar-Rahnu X'change in Satok, Sarawak

28 OCTOBER 2013

Rakyat Xcess opens its doors in Mentakab, Pahang

30 OCTOBER 2013

Rakyat Xcess in Seremban 2, Negeri Sembilan begins operation



NOVEMBER

6 NOVEMBER 2013

Bank Rakyat receives delegates from Sudan at its head office in Kuala Lumpur

15 NOVEMBER 2013

Ar-Rahnu X'change opens in Sitiawan, Perak

21 NOVEMBER 2013 K

Bank Rakyat presents prizes to the winners of the Salam Baitullah Quiz at its head office in Kuala Lumpur

26 NOVEMBER 2013

Bank Rakyat receives delegates from Vietnam at its head office in Kuala Lumpur

DECEMBER

10 DECEMBER 2013 L

Bank Rakyat donates to NSTP Disaster Relief Fund

12 DECEMBER 2013

Bank Rakyat receives 1st Asia Pacific Cooperative Registrars Conference delegates at its head office in Kuala Lumpur

Five-Year Performance Summary (Financial)

CONSOLIDATED STATEMENT OF INCOME

	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Operating Income	3,782,778	4,857,026	5,504,876	6,231,426	6,071,977
Net Interest Income	2,728,671	3,436,186	3,635,021	3,771,418	3,862,090
Operating Expenses	765,865	808,899	912,416	1,010,126	987,544
Profit Before Allowances	1,137,198	806,979	1,315,379	1,493,568	1,376,290
Allowance for Impairment Losses on Advances and Financing	412,804	757,216	627,365	507,093	747,982
Profit Before Taxation and Zakat	1,550,002	1,717,133	2,018,992	2,123,022	2,125,418
Net Profit	761,771	941,312	1,405,294	1,251,205	1,348,136

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Advances and Financing	37,690,652	44,983,021	49,179,249	55,233,276	57,304,177
Asset	50,637,603	61,913,795	72,453,525	79,024,750	82,879,599
Deposits and Savings	38,341,629	49,567,681	58,507,088	62,666,004	65,297,767
Liabilities	45,335,863	55,960,949	64,126,039	68,882,514	71,596,375
Shareholders' Funds	5,301,740	5,952,846	8,327,486	10,142,236	11,283,224
Commitments and Contingencies	355,757	2,329,610	2,335,970	2,549,528	3,140,252

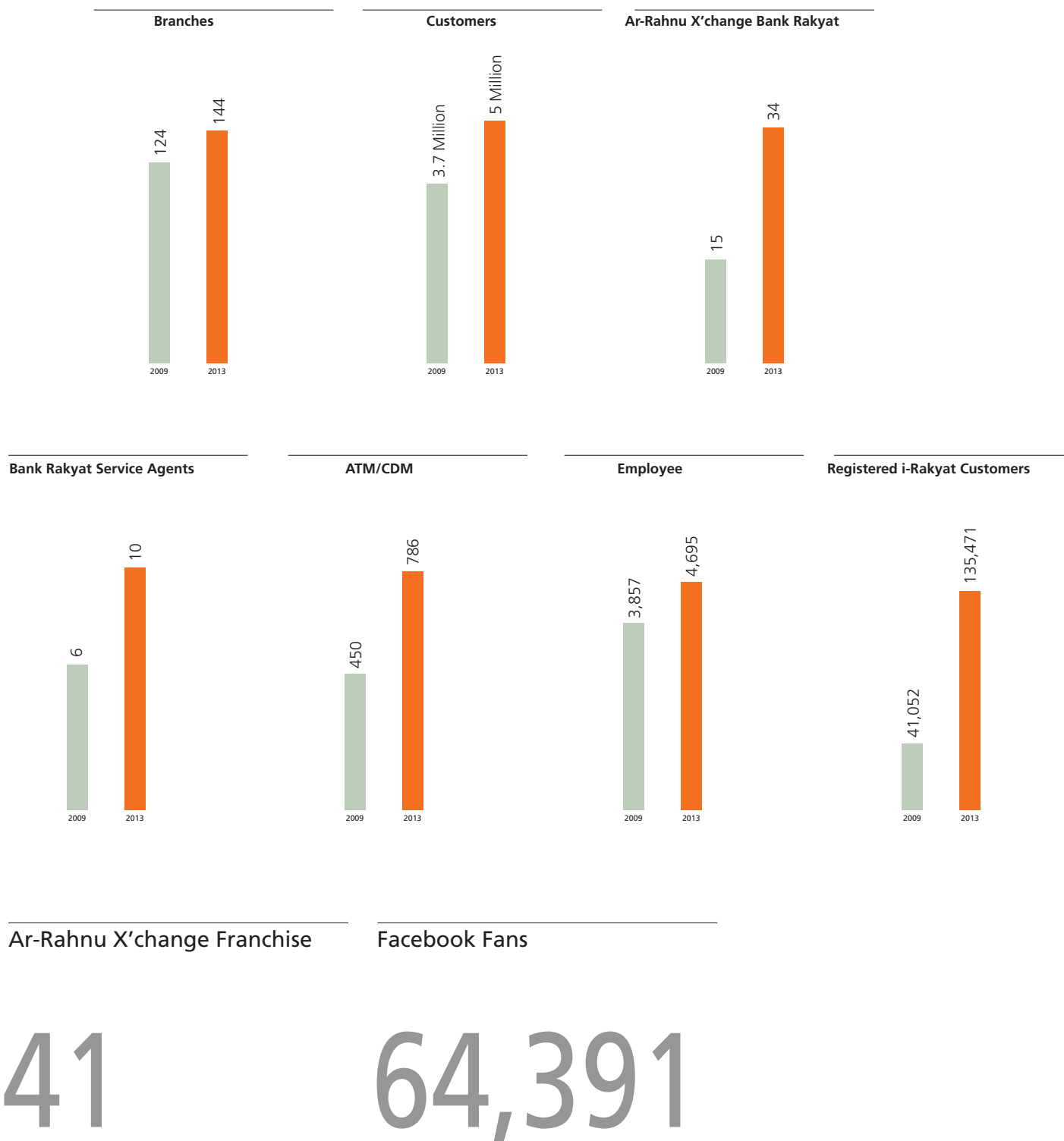
FINANCIAL RATIOS (%)

	2009	2010	2011	2012	2013
Core Capital Ratio	12.60	11.89	15.00	15.85	17.61
Risk-Weighted Capital Ratio	14.29	13.32	16.25	16.44	17.83
Return On Average Equity	31.88	30.51	28.22	22.63	20.96
Return On Total Assets	3.35	3.05	3.00	2.79	2.55
Cost To Income Ratio	28.07	23.54	25.10	27.14	25.57
Gross Impaired/Non-Performing Financing to Gross Financing	4.00	3.36	2.82	2.52	2.22
Allowance Coverage Ratio	128.22	104.03	106.59	106.39	115.30
Loan Deposit Ratio	98.30	90.75	84.06	88.14	87.76
CASA Ratio	5.96	5.14	4.67	5.35	4.95

OTHER INFORMATION

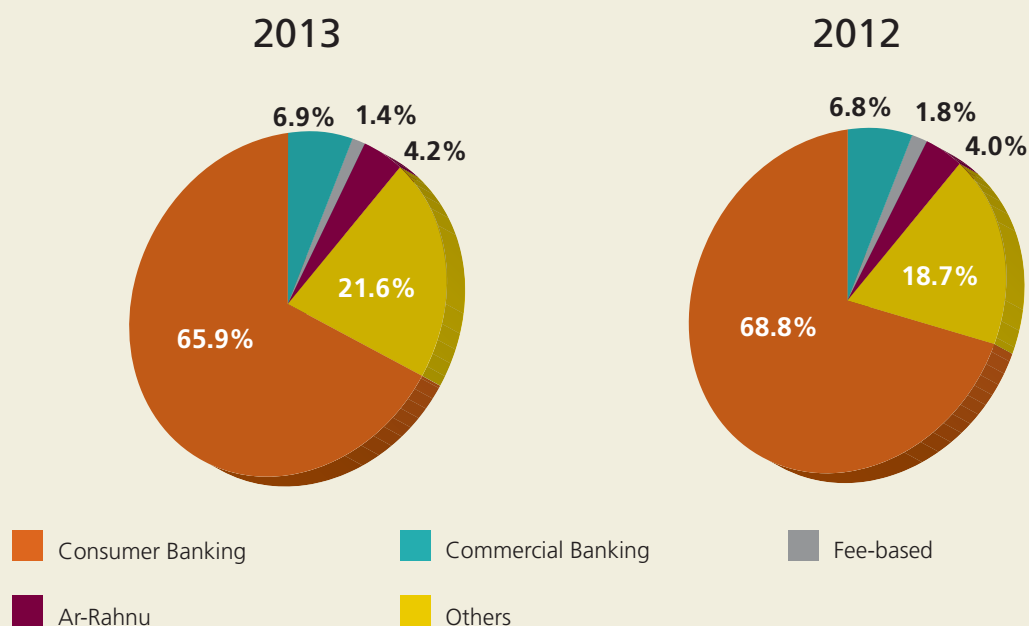
	2009	2010	2011	2012	2013
Earnings Per Share (cent)	0.57	0.68	0.90	0.63	0.65
Dividend Payout Ratio (%)	15.25	13.07	13.21	13.04	14.82
Number Of Shares In Issue	1,994.96	1,994.96	2,349.06	2,865.00	2,973,677

Five-Year Performance Summary (Non-Financial)



Banking Operation Performance

SEGMENTAL ANALYSIS FOR BANK EARNINGS



	2012 RM'000	2013 RM'000
Consumer Banking	4,289,696	4,003,643
Commercial Banking	420,651	419,592
Fee-based	110,861	82,243
Ar-Rahnu	247,701	256,563
Others	1,162,518	1,309,936

Quarterly Performance 2013/2012

2013

	Q1	Q2	Q3	Q4
Income	RM1.40bil	RM1.44bil	RM1.38bil	RM1.32bil
Operating Expenditure	RM0.58bil	RM0.57bil	RM0.53bil	RM0.53bil
Net Income	RM0.82bil	RM0.87bil	RM0.85bil	RM0.80bil
Profit Before Tax and Zakat	RM0.54bil	RM0.57bil	RM0.53bil	RM0.49bil
Profit After Tax and Zakat	RM0.45bil	RM0.46bil	RM0.45bil	RM0.54bil

2012

	Q1	Q2	Q3	Q4
Income	RM1.40bil	RM1.50bil	RM1.47bil	RM1.44bil
Operating Expenditure	RM0.56bil	RM0.61bil	RM0.60bil	RM0.70bil
Net Income	RM0.84bil	RM0.89bil	RM0.87bil	RM0.74bil
Profit Before Tax and Zakat	RM0.52bil	RM0.54bil	RM0.57bil	RM0.50bil
Profit After Tax and Zakat	RM0.40bil	RM0.43bil	RM0.50bil	RM0.42bil

2013 Business Strategy



RISK MANAGEMENT AND CAPACITY IMPROVEMENT FOR SUSTAINABLE GROWTH

The introduction of the Bank's Key Performance Index (KPI) allows the whole organisation to share common goals and targets. The KPI targets, determined by the Board of Directors, allow the Bank to develop key strategies to achieve these goals. The KPIs take into account the prevailing market conditions and expected market growth.

Bank's Achievements Vs KPIs in 2013 are as follows:

	2013 (Achievements)	2013 (Targets)
Return on Asset	2.55%	≥ 2.0%
Return on Shareholder Fund	19.86%	≥ 15.0%
Financing Growth	6.79%	≥ 5.0%
Ar-Rahnu X'change Franchise (in operation)	6 premises	10 premises
Ar-Rahnu X'change Bank Rakyat	34 premises	15 premises
Bank Rakyat Service Agents (in operation)	10 agents	10 agents
CO-OP Card Issued	271,617 cards	100,000 cards
CO-OP Card Merchant (Operational)	20 merchants	20 merchants
Consumer Squad Card	83,979 cards	50,000 cards
1 Malaysia Student Discount Card (KADS1M)	519,155 cards	50,000 cards
Small Retailer Transformation Programme (TUKAR-i)	522 retailers	500 retailers
Automotive Workshop Modernisation (ATOM-i)	193 workshops	75 workshops
Micro for Small Retailers and Petty Traders- i (MPPK-i)	RM100 million	RM50 million
Mobile Bank	3	3
New Branches	4	5
Rakyat Xcess (formerly known as Perbankan Selesa)	10	5

Bank Rakyat recorded another good year in 2013 with a solid performance based on KPIs set by the Bank and the Ministry of Domestic Trade, Co-operative and Consumerism (MDTCC).

The Bank exceeded its targets on Return On Asset (ROA), Return on Shareholder Fund (ROSF) and financing with growth of 2.55%, 19.86% and 6.79% respectively.

The most significant achievement is in financing with year-on-year growth of 6.79% against a target of 5%. This was achieved on the back of stiff competitions from commercial banks and stringent guidelines by Bank Negara Malaysia (BNM) to curb the increase of household debt.

Our Islamic Pawn Broking business continues to gain traction. We operated 34 Ar-Rahnu X'change branches compared to a target of 15 premises for the financial year ending 31 December 2013, and added six Ar-Rahnu X'change franchise. The additional investment in this segment has contributed to the Bank's overall income.

The Ar-Rahnu business contributed 4.2% or RM257 million to the Bank's 2013 total income compared to a contribution of RM247 million in the previous year.

The Bank also issued 271,617 CO-OP Cards and 519,155 1Malaysia Student Discount Cards (KADS1M) in 2013, making the total CO-OP and KADS1M cards in circulation to 1,286,375 and 1.5 million cards respectively.

Bank Rakyat was also entrusted to manage funds from MDTCC to assist small retailers and automotive workshops. The Bank has succeeded in managing the Small Retailer Transformation Programme (TUKAR-i) and the Automotive Workshop Modernisation (ATOM-i) funds.

The Bank assisted 522 retailers and 193 workshops, higher than 500 retailers and 75 workshops targeted in 2013, and an increase of 294 retailers and 110 workshops compared to 2012.

The Bank also assisted small and micro retailers under the Micro for Small Retailers and Petty Traders- i financing (Micro-i MPPK) scheme. The scheme, funded by MDTCC, allows small and micro retailers to gain access to financing between RM1,000 and RM50,000 to expand their businesses.

The Bank also provided financing worth RM100 million to micro entrepreneurs, a 100% increase compared to RM48.5 million recorded in 2012.

The Bank has been successful in introducing effective initiatives to achieve its financial and operational goals. All the initiatives, which were closely monitored, were based on the 2013 Business Plans approved by the Board of Directors on March 28, 2013.

The Bank monitors all the initiatives to ensure their success. The Bank achieved a 89.42% success rate from 113 initiatives introduced in 2013.

Achievements and Awards 2013



Bank Rakyat continues to gain recognition for its success. The awards, achievements and recognition received by the Bank in 2013 are as follows.

NO.1

Bank for Return on Asset (ROA) in Malaysia
- The Asian Banker

NO.5

Most Profitable Bank in Malaysia
- The Asian Banker

Best Islamic Bank, Malaysia 2013

(Islamic Finance Awards) - World Finance Magazine

NO.7

Biggest in Malaysia - Top 1,000 World Banks for 2013
- The Banker

NO.11

Biggest in the World - Top Islamic Financial Institutions
- The Banker

NO.271

Top 1,000 World Banks for 2013
- The Banker

NO.1

Most Profitable Islamic Bank 2012-2013 - Association of Islamic Banking Institutions Malaysia (AIBIM)

Most Outstanding Islamic Retail Bank

- Kuala Lumpur Islamic Finance Forum (KLIF2013)

Global Leadership Award 2013

- The Leaders International

AA2/Stable/P1
RAM Ratings Services



Bringing Change to Micro Entrepreneurs

Where there is a will, success is just around the corner waiting. The Bank has channelled financial assistance to 17,641 petty traders and small entrepreneurs under the financing for Micro Traders and Small Retailers (MPPK-i). We give new hope to small traders to achieve greater success in the future.





Message from the Chairman

TAN SRI SABBARUDDIN CHIK
Chairman

We will make substantial investment in the areas of human capital development, infrastructure, technology and branding.

Assalamualaikum warahmatullahi wabarakatuh.

This year is a historic year for Bank Rakyat. The Bank will be celebrating its 60th anniversary in September next year. The success achieved over the last six decades proves the strength and resilience of our mission, vision, value, culture and workforce.

The Bank's founding fathers that spearheaded the amalgamation of 11 cooperative banks in 1954, which led to the creation of Bank Agong, would be proud of our achievements. It would be beyond their wildest dreams that the Bank they helped established years ago, would become one of the largest Islamic financial institutions in Malaysia and the world.

They would also derive confidence for the Bank's future. As long as we honour the founding vision of helping communities gain access to affordable and cost-effective financial services, the future brings many great possibilities.

It is astonishing seeing our workforce manifest our mission in their day-to-day activities. Helping society, providing quality service, respecting each other and wanting to progress continues to resonate in our everyday lives.

The Board of Directors, management and workforce breathe life into these fundamentals during every transaction and every dealing they have with our customers and stakeholders. What is more important is that we continue to add value into the lives of many, and become a force that affects positive change in society. Years after years, our banking services and activities have touched the lives of millions of Malaysians. As the Chairman of the Bank nothing brings greater pleasure than witnessing the many positive changes we bring in the lives of our customers and members.

OUR BEGINNING

We had a simple beginning. The Bank was established after the amalgamation of 11 cooperative banks under the Cooperative Ordinance 1948 on September 28, 1954. The intent was clear – to provide easy access to financial facilities to farmers, fishermen and members.

More than anything they wanted to help these groups improve their livelihoods.

From a modest office in Bukit Mertajam, Penang and a small base of customers, the Bank began to flourish. People began to take notice of the Bank, our concept and philosophy, and we opened our first branch in Sungai Petani in 1968. Although we continue to expand and grow, we remain steadfast in our mission to become the agent of change to communities.

Message from the Chairman

Today, Bank Rakyat operates in 144 branches, 75 Ar-Rahnu X'change and 10 Rakyat Xcess outlets, we have transformed into a full fledged banking entity.

Our 4,695 employees offer their services to five million customers. We perform millions of transactions every year, generate profits and reward our 943,464 members including 2,081 cooperatives who put their trust on us.

We are indeed a success and the growth from one branch to a network of 144 branches is an excellent achievement. I believe we will continue to grow and realise our role as a force for positive change in the country, economy, society, cooperative movement and in our members and customers daily lives.

2013 FINANCIAL REVIEW

Bank Rakyat continued to register a respectable financial performance in 2013. We recorded a profit before tax and zakat of RM2.13 billion, exceeding the RM2 billion mark. The Bank reached new heights in its near 60-year corporate history, as its assets grew 4.9% to RM82.90 billion while non-performing financing (NPF) decreased to 2.2%.

We rewarded our members with a dividend payment amounting to RM446 million for the financial year ended 31 December 2013. The solid financial position also enabled the Bank to expand and defend its position in the market.

Armed with self-discipline and unwavering focus to strengthen our business had helped us to achieve our financial aspirations although we faced increased competition from commercial banks and the implementation of the new financing guidelines issued by Bank Negara Malaysia (BNM).

The Bank's deposits jumped to record levels, expanding 4.2% to RM65.30 billion, financing activities improved 3.8% to RM57.30 billion, and return on asset (ROA) inched higher to 2.55%. Meticulous strategic planning and efficient execution of the plans were the keys to our resounding success.

2013 STRATEGIES

Our 2013 strategies delivered the results we wanted. Amid the challenge from commercial banks, we managed to defend our position as the leading provider of personal financing. Our concerted effort to manage cost effectively saw our expenses drop 10.2% while the Bank's efficiency and productivity continued on its growth trajectory. Our deposit taking business recorded healthy growth, as the public at large including high net worth individuals were more receptive to our proposition and brand. The takaful and wealth management segments recorded healthy increases and contributed 58.8% to our fee-based income.

We will continue to expand our financing and deposits taking activities but more focus will be channelled to increasing fee-based income due to its huge market potential.



Although our 2013 business plans have yielded positive results, there is still a lot of work to be done. The focus now is to add further value to our customers and shareholders. To ensure a more sustainable level of growth, the Board of Directors has endorsed the Bank's Transformation Plan 2013-2017.

Substantial investment will be made in human capital, infrastructure, technology, operation and branding to achieve these goals as we aim to become the leader in the cooperative sector and a key financial player.

An integral component of a dynamic organisation is having the best human capital at its disposal. I am happy to report the Bank is on the right track in building a world-class talent pool. An EQ survey conducted between October and November 2013 with the assistance of an international consulting firm Nielsen Company showed the Bank retained its World Class Level.



At the same time, I strongly believe and have frequently reiterated that productivity and efficiency are the catalysts that will propel this institution further.

Making our customers our main priority must be the culture across the firm. Only when we gain the trust of our customers, will we be able to forcefully compete with the commercial banks.

We are cognizant of our corporate social responsibilities (CSR) towards communities, members, cooperative movement and our employees. Our social and corporate responsibility initiatives are our contributions to the public for their support over the years.

RESPONSIBILITY TO THE COOPERATIVE MOVEMENT AND MEMBERS

As an agency under the Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC), it is our role to lead and elevate the cooperative movement.

We are committed to the success of the National Cooperative Policy. It is our resolve to ensure the cooperative movement will become an engine of growth, contributing 10% to the country's gross domestic product by 2020, improving the socio-economic status of members and becoming a responsible corporate citizen. We will promote economic growth and activities through our banking services and employ the best talents to instil the public's confidence in the cooperative movement.

COMMITMENT FOR THE FUTURE

I and the other board members are pleased with the Bank's 2013 performance. Nevertheless, I believe there are still rooms for improvements as we journey to become one of the leading banks in the country. Hardworking, Trustworthy, Competent, Confident, Ethical, and Righteous (Rajin, Amanah, Kompeten, Yakin, Akhlak Mulia, Takwa - R.A.K.Y.A.T.) are the values which will ensure lasting and sustainable success.

The Board will continue to place emphasis on good corporate governance and accountability, as these are fundamentals for any successful venture. The Board Members and I will also ensure the Bank continues to uphold the principles of corporate governance and risk management at the highest level.

The board and all the committees, comprising of non-executive directors, will be judicious, fair and mindful in their decision making process.

A more positive economic environment in 2014 provides us with the opportunity to scale higher. The potential within us in Bank Rakyat is our greatest asset and we will manifest this in all our missions, plans, operations, culture and day-to-day interactions with customers and stakeholders.

We must also diligently prepare ourselves to realise all our strategic plans. The undivided support and commitment from all staff is paramount if we want to advance our values of affecting positive change in society, similar to when the Bank was established 59 years ago.

ACKNOWLEDGEMENT

I would like to take this opportunity to register my highest appreciation to Yang Berhormat Dato' Sri Hasan Malek, the Minister of Domestic Trade, Co-operatives and Consumerism, Yang Berhormat Dato' Sri Ismail Sabri Yaakob, the former Minister of Domestic Trade, Co-operatives and Consumerism, Malaysia Co-operative Societies Commission, the Ministry of Finance, Bank Negara Malaysia, members and stakeholders for your continuous support. Your confidence and belief are the driving force behind our success.

I would personally like to thank my fellow Board Members, the management and staff for your dedication and conviction to advance the institution to the highest level.

This success is our success and I am excited to work with all of you in achieving even greater milestones in the Bank's history. Finally, let us preserve and heighten the Bank's legacy for many years to come.

TAN SRI SABBARUDDIN CHIK

Chairman



Commentary from the Managing Director/President

Datuk Mustafha Abd. Razak
Managing Director/President

60 years of age is a long enough period to teach us to build and enhance our capacity. It has made us more mature and we should be able to understand the needs of our customers better.

Alhamdulillah by Allah's grace, tremendous efforts by the staff and customers confidence towards the Bank Rakyat brand, we are able to record another sterling year.

I am pleased to announce for the third year in a row Bank Rakyat has exceeded the RM2 billion mark for profit before tax and zakat. For the year ended 31 December 2013, we registered RM2.13 billion profit before tax and zakat.

Our net profit increased to RM1.91 billion supported by gross income of RM6.07 billion.

Our 2013 results put Bank Rakyat among the top five local banks in terms of profit before tax and zakat, and the second most profitable Islamic financial institution in the country.

Without a doubt, we have continued the excellent tradition inherited from our previous leaders. Bank Rakyat remains as the biggest Islamic cooperative bank and the second biggest Islamic financial institution in Malaysia based on Shariah asset, and we are listed as the 271st biggest financial institution in the world based on The Banker's Top 1,000 Biggest Banks.

This achievement is very significant to us. I view our performance from the perspective of the overall banking sector and not only as a cooperative bank. The income and profit recorded by us are generated from our fully Shariah-compliant consumer banking operation. This differs from some commercial banks that have investment banking, conventional banking and revenues from overseas operations.

Commentary from the Managing Director/President



We compete in the consumer banking segments at all fronts especially in the personal financing segment. Our achievements, financial position, operations, services and procedures are measured against the best practices, standards and guidelines that are applicable to the banking sector as a whole.

I am also very pleased with the Bank's achievement in promoting Islamic banking. This is our most important contribution to the religion and the ummah. We share the government's aspiration to make Malaysia the international hub for Islamic banking and we are certainly on the right track to fulfil this aspiration.

Overall the Bank achieved all its business objectives. The Bank's total assets increased 4.9% to RM82.88 billion, deposits grew 4.2% to RM65.30 billion and financing grew 3.8% to RM57.30 billion.

From an accounting standpoint, Bank Rakyat registered a sterling performance for Return on Asset (ROA) at 2.55%, Return on Shareholders Fund (ROSF) at 19.84%, Core Capital Ratio (CCR) at 17.61% and Risk Weighted Capital Ratio at 17.83%. As the facts show, our ROA is among the best in the banking industry.

2013 CHALLENGES AND STRATEGIES

Although we recorded healthy growth in our business and financial operations, 2013 was anything but easy. The challenging economic environment, intense competition from commercial banks, and the central bank's effort to curb household debt influenced both our performance and operation.

The banking sector was affected by the guidelines issued by Bank Negara Malaysia (BNM), intended to reduce household debt which hit 83% of the gross domestic product in 2012.

Bank Rakyat, as a responsible financial institution, welcomes the central bank's moves to safeguard the country's financial system from external shocks or economic slowdown. We are committed to implementing all the guidelines and have executed them successfully in 2013.

BNM in 2013 had capped the instalment payment period for personal financing to a maximum tenure of 10 years from up to 25 years previously. The maximum instalment period for the purchase of residential and commercial properties was also capped at 35 years.

The Central Bank was aggressive in ensuring all commercial and cooperative banks adhere to the Responsible Lending Guidelines. The guidelines which first came into effect on January 1, 2012, stated the eligibility of a loan applicant must be based on net income.

Bank Rakyat as the leader in the personal financing segment in Malaysia was affected by the reduced instalment period especially in the second half of 2013. The Bank's total financing business – consumer and commercial – grew 3.8% in 2013. The number of applicants for our Personal Financing-i fell between 40% and 50% during the last six months of 2013 compared to the first half of the year.

SUSTAINING GROWTH

Bank Rakyat was able to mitigate the drop in our personal financing segment by responding swiftly to the changing market conditions. We rolled out various strategic initiatives to diversify our source of income, identify new markets, increase our deposits and build quality assets.

We put additional focus on property financing and hire purchase which offer good growth potential. We also increased and enhanced our marketing strategies.

But to achieve sustainable growth, the general public must accept us as a complete bank. More often than not, we are perceived to be friendlier to public sector employees. We believe the private sector with about 13 million employees offer an enormous potential. We marketed our products more aggressive to this customer segment in 2013.

The competitiveness of our products helped us to increase our customer base among the private sector employees and at the same time we continued to focus on the government sector, the main contributor to our business growth.

In fact seven out of 10 government employees are our customers and we shifted our focus to increasing the product holding of the 1.4 million government employees that use our services. These two strategies - targeting both government and private sector employees - yielded positive results with our customer base growing by 13.7% to five million at the end of 2013 compared to 4.4 million at the end of 2012.

We also focused on customers with sound financial histories based on Centralised Credit Reference Information System (CCRIS) to reduce rejections and was in line with the Responsible Lending Guidelines on Debt Service Ratio (DSR). This enabled the Bank to build quality assets, reduce the risk of Non-Performing Financing (NPF) and comply with the Central Bank's guidelines.

Commentary from the Managing Director/President

SOLID FINANCIAL

Prudent asset management with a greater focus on quality has helped the Bank to strengthen its financial position. The Bank's total assets increased 4.9% to RM82.88 billion in 2013 and we retained the position as the second biggest Islamic financial institution in Malaysia.

The Bank's Non-Performing Financing (NPF) dropped to 2.2% compared to 2.5% in 2012 and 2.8% (2011), a clear indication of our success in risk and capital management.

Building assets prudently was one of the strategies to ensure the Bank complied with the requirements under BASEL III, the global standard required for capital and liquidity.

I would like to report that Bank Rakyat has complied with BASEL III standards which require banks to hold Tier 1 common equity equal to 4.5% and 6% of its risk weighted assets.

Financing activities remained the Bank's main revenue generator. But the moderate growth pushed the Bank to focus on fee-based activities to maintain its financial position.

Takaful and wealth management segments recorded healthy growth and contributed 58.8% to the Bank's total fee income in 2013. Ar-Rahnu, our Islamic pawn broking business, contributed 4.2% to the Bank's income in 2013 compared to 4% in 2012. Overall Ar-Rahnu and others fee-based activities contributed 27% to the Bank's total income in 2013 compared to 24.5% in 2012.

Deposits also registered a phenomenal year in 2013. Our deposits increased 4.2% to RM65.30 billion. A hefty increase was seen in fixed deposits whereby the Bank recorded a 173% jump to 83,000 accounts at the end of 2013 compared to 30,400 accounts five years ago. Customers were more inclined to put their savings with Bank Rakyat, driven by hefty returns and quality service. I predict this trend will continue in 2014.





RETURN TO MEMBERS

I am pleased to report we have announced a cash dividend of 15% for 943,464 members for 2013. The dividend amounting to RM446 million is the second highest distributed by the Bank in the last five years. This figure is also higher than RM440 million distributed in 2012.

To ensure the Bank has ample liquidity for working capital and expansion, no bonus dividend was declared for 2013.

Since 1997 we have been able to maintain dividend payouts of no less than 15%. This return on investment (ROI) for members is among the best in the industry. We look to maintain our dividend policy in the future.

RECOGNITION

Bank Rakyat's success continues to be locally and internationally recognised. The Bank was named the most profitable Islamic financial institution by Association of Islamic Banking Institutions Malaysia (AIBIM). Other awards received by the Bank for 2013 are:

- No. 1 – Bank for Return on Asset (ROA) in Malaysia
- *The Asian Banker*
- No. 5 – Most Profitable Bank (Malaysia)
- *The Asian Banker*
- Best Islamic Bank, Malaysia 2013 (Islamic Finance Awards)
- *World Finance Magazine*
- No. 7 – Biggest Bank in Malaysia – Top 1,000 World Banks 2013
- *The Banker*
- No. 271 – Biggest Bank in the World – Top 1,000 World Banks 2013
- *The Banker*

BUSINESS ENVIRONMENT IN 2014

We expect 2014 will be another challenging year. The country's economy is expected to grow between 5 to 5.5% compared to 4.7% in 2013. Consumer financing is expected to grow 10% while the Consumer Price Index (CPI) is expected to rise.

The Central Bank is expected to increase the Overnight Policy Rate (OPR) from 3% if there is a necessity to curb rising inflation. Bank Negara Malaysia is expected to continue its efforts to curb rising household debt as guidelines introduced by the central bank since 2012 have shown positive results. Competition in the banking sector is expected to spiral to new levels as banks battle for market share and credible customers.

To this end, we have set growth targets in financing, profits, revenues and asset. We have also put in place various strategies and are optimistic on recording positive growth in 2014.

BANK RAKYAT TRANSFORMATION

Last year we began to embark on our 2013-2017 Transformation Programme. It is the Bank's most important initiative in recent memory. The transformation programme aims to strengthen our foundation to face future challenges. I strongly believe this is the most appropriate time to embrace the changes needed and ready ourselves for the next phase of growth.

Bank Rakyat's Transformation Programme encompasses a comprehensive review of the overall business strategies employed, that includes branding, operations, human capital, training, work culture, service delivery, target market and technology.

The transformation is expected to be rolled out in phases from this year and will also involve the strengthening of our commercial banking credit system, introduction of a recovery blueprint, enhancements to our evaluation process, efficiency improvements, creation of a capable and knowledgeable workforce and delivery of service excellence throughout our network of branches.

Commentary from the Managing Director/President

2014 STRATEGIES

We have formulated various strategic business blueprints and action plans to ensure we continue on our growth trajectory in 2014 and the years to come. Our main focus in 2014 is to increase our financing activities. We will re-evaluate all aspects of our banking business and implement new strategies to support the growth of our financing business and forms part of our transformation programme.

Consumer banking continues to spearhead our growth but at the same time, we want to reduce our over dependence on the personal financing and aggressively grow the other consumer banking segments. This will enable the Bank to live up to its brand promise as “Your Choice Bank”.

Property financing, hire purchase, credit card and pawn-broking will receive extra attention. These products will be rebranded and their marketing initiatives will be enhanced. Financial products will be marketed in an integrated manner to customers. We also aim to create a dedicated sales team to increase our presence in market.

Our personal financing product will continue to be our key offering to government employees especially those who have excellent credit ratings. For 2014 we aim to reach our target of having one million personal financing customers.

Commercial banking will also see greater activities. Presently, commercial financing only accounts for 11% of the Bank’s total financing portfolio. We aim to improve our credit analysis capabilities; employees knowledge and skills, procedures and mechanics to ensure this segment can contribute positively to our revenue.

Besides private and public sector, we will also focus on our 900,000 plus members. We believe this segment offers abundant opportunities for growth as only 40% of our members have a banking relationship with us.

The potential is greater if we take into account the total number of members from these 2,000 cooperatives. To support the growth in this segment, we have formulated strategic plans to increase banking relationships with these cooperatives and other cooperatives in Malaysia. I strongly believe with our facilities and services, there is no reason why Bank Rakyat can’t become the main banker for all cooperatives in the country.

One of the key corporate strategies in 2014 will be to boost product holdings among our five million customers. I see huge opportunities as only 32% of our customers have two or more products with us. I am inclined to think that with our complete financing solutions i.e. deposits, takaful, wealth management, and electronic banking propositions; we have the liberty to offer more to our customers.

The increase in product holdings will guarantee not just steady income but will allow us to have a more complete banking relationship with our customers.

At the same time, we aim to expand our market share among high net worth individuals and expected to launch our premier banking service Rakyat Xclusive in 2014.

SERVICE EXCELLENCE

Our 2014 corporate strategy will certainly be rooted in service excellence. Our transformation programme will not yield the expected result if our branches are not able to deliver the required service experience to our five million plus customers.

We want to go beyond customer expectation and achieve a service level which will be our hallmark. To do so we are evaluating various options including a formless banking concept that will ease and expedite transactions.

The Bank will also be re-evaluating all our processes and procedures to identify ways to reduce waiting time, assess branch efficiency supported by the re-training of branch staff with improved skills and knowledge.

As part of our expansion programme, we will be increasing our branches to 148 in 2014 compared to 144 at the end of 2013. Similarly, we intend to add more Rakyat Xcess and Ar-Rahnu X’change outlets as part of our revenue generating strategy and will also be appointing Bank Rakyat Agents, known as Rakyat C.A.R.E. at strategic locations to increase our visibility.

The current branches performance will also be assessed to increase the branch and employee productivity. If needed, branches will be reallocated to new growth areas to optimise our resources. This action will ensure the Bank remains relevant to customers.

FUTURE HUMAN CAPITAL

I believe the Bank's future is shaped by none other than the workforce. As part of our overall transformation programme, we have introduced the Human Capital Action Blueprint.

Under this blueprint, we have assessed the competency of our staff from manager level and above and used the data gathered to ensure 'the right person, is in the right position'. The Bank's operational structure had also been re-organised with the emphasis being on matching individual skills to new roles and responsibilities. I strongly hold to the belief that a proper mapping of skills to responsibilities will translate to higher productivity and performance.

Under the human capital transformation programme, remuneration and rewards will be closely tied to performance. Such performance driven reward schemes have proven to be extremely effective in improving performance and will go towards translating our vision of becoming a high-performance organisation into a reality. This will position the Bank as an organisation overflowing with confidence, energy and enthusiasm as we will also be investing more into nurturing individual talent and producing experts who will be able to translate our strategies into substantial long-term growth.

TECHNOLOGY, INNOVATION AND INTERNET

There is little argument that technology forms the bedrock of any transformation process. Likewise at Bank Rakyat, we will be identifying applications that will yield higher productivity, increased efficiency and deliver incomparable service excellence.

Bank Rakyat wants to be an industry innovator. We are cognizant of the need to adapt to the internet and of Generation Y who will become our future customers. To this end, we will use the latest technologies and innovations to spark a service revolution and help grow our customer base now and in the future.

The Bank's new corporate website was launched on January 2, 2014. Besides having a vibrant and modern design, the new website offers an improved interface and a more user-friendly feel. With the planned introduction of the new i-Rakyat banking platform that will offer improved user-experience and robust performance, we hope to increase our registered i-Rakyat users from the present 150,000.

THE BEGINNING OF A STERLING YEAR

Bank Rakyat will celebrate its 60th anniversary in the coming year (2014). This diamond jubilee celebration is a historic moment in the Bank's history.

For me, 60 years of age is a long enough period to teach us to build and enhance our capacity. It has made us more mature and we should be able to understand the needs of our customers better.

To close my message, I would like to take this opportunity to register my highest appreciation to Yang Berhormat Dato' Sri Hasan Malek, the Minister of Domestic Trade, Co-operatives and Consumerism, Yang Berhormat Dato' Sri Ismail Sabri Yaakob, the former Minister of Domestic Trade, Co-operatives and Consumerism, Malaysia Co-operative Societies Commission, the Ministry of Finance, Bank Negara Malaysia, members and stakeholders for your continuous support to Bank Rakyat.

I would also like to register my personal gratitude to the Chairman, Board of Directors, Shariah Committee Members, and Management Committee who have shared their time, expertise and knowledge to achieve a single vision – to ensure our continuous growth and sustainability.

Finally, I would like to thank all my 4,695 fellow colleagues for their conviction and commitment to strengthen this institution we love so much. May Allah bless all our efforts.



DATUK MUSTAFHA ABD. RAZAK

Managing Director/President

2013 Economic and Banking Environment



The year 2013 will be remembered as a challenging year to the overall economy and banking sector. Internal factors, slower global trade and capital outflow had influenced the country's economy in 2013.

Although United States and Europe were still recovering from their economic slowdown, Malaysia was able to wither the storm and recorded a commendable 4.7% growth in 2013 and the economy remained largely resilient.

The growth in 2013 was driven by the increase in internal demands and local investments. Projects under the Economic Transformation Programme (ETP) were among the catalysts for growth.

The country's economy, which moderated to 4.2% in the first six months of 2013 (1H2013), improved to 5.0% in the third quarter, and 5.1% in final quarter of 2013. Improvement in private sector investments contributed to the positive growth in the second half of 2013.

The slower growth in the first half of 2013 was contributed to the slowdown in United States and Europe as the two regions struggled to recover from the 2009 financial crisis, said to be the worst since The Great Depression of 1930s in United States.

The higher growth in the second half of 2013 was contributed by the increase in exports and services, in line with the recovery in United States and Europe.

As an export oriented country that practices an open economy, Malaysia is exposed to external economic shocks. The economic slowdown among Malaysia's main trading partners like United States, Europe and China, has a direct consequence to the country's economy. The slowdown in export had also affected the manufacturing sector which is said to employ about 17% of the total workforce. The increase in export and external demands in the third quarter of 2013 was also the first growth recorded after seven consecutive quarterly declines. Malaysia's product and services exports grew 2.4% to RM719.81 billion in 2013.

Ringgit, like other Asean currencies was under pressure since June 2013. The value of Ringgit depreciated about 10% from late May to August 2013 after the United States Federal Reserve announced its intention to scale back on its quantitative easing (QE).

The Federal Reserve announced it would reduce its bond purchases from AS\$85 billion to AS\$75 billion in January 2014, and an additional AS\$10 billion in February 2014 as the world's biggest economy recovery gains momentum. The initial indication of the scale-back of the QE, and the uncertainties over the timing had triggered capital outflows of about RM19 billion from Malaysia as investors shifted to US dollar and other investment instruments, in line with United States' economic recovery.

The Federal Reserve's action had also affected gold price. Gold price ended 2013 down 28% compared to the level at end-2012, ending a 12-year consecutive rise of the precious commodity.

Domestically, the 2013 General Election was the main focus. The battle to lead the government had influenced business and economic activities. Foreign investors also waited for the outcome of the election before deciding on their investments. After the current government was returned to lead the country after the 5th May general election, business and economic activities returned to normalcy.

Another factor that influenced the economy was the efforts to reduce the country's financial deficit. Fuel and power generation subsidies were reduced while sugar subsidies were abolished. Inflation increased 3.2% in December 2013, the highest jump in two years, after the reduction and abolishment of these subsidies. Nevertheless, the government's effort to reduce the deficits was applauded by the international investment communities with the international rating agency, Moody's Investor Services upgraded the country's ratings to positive from stable.

A CHALLENGING YEAR FOR THE BANKING SECTOR

It was a challenging year for the banking sector although overall banking system loans grew around 10.6% in 2013. The positive growth in the banking sector was in line with the country's economic growth as the banking sector has always been seen as the reflection to the country's economic performance.

The growth and financing activities in 2013 were influenced by the Bank Negara Malaysia's intent to curb household debt which had spiralled to 83.0% of gross domestic product (GDP) at the end of 2012. The central bank aims to control excessive household indebtedness and protect the financial institutions from economic shocks and slowdown.

In 2013 Bank Negara announced the implementation of a set of measures aimed at avoiding excessive household indebtedness and to reinforce responsible financing practices by key credit providers.

These new measures complemented the steps introduced since 2010 to promote a sound and sustainable household sector, and manage household debt which had recorded an average growth of 12% in the last 5 years. The measures introduced are:

- Maximum tenure of 10 years for financing extended for personal use;
- Maximum tenure of 35 years for financing granted for the purchase of residential and non-residential properties;
- Prohibition on the offering of pre-approved personal financing products.

2013 Economic and Banking Environment

These measures were issued pursuant to section 31(1)(a) of the Central Bank of Malaysia Act 2009 and applied to all financial institutions regulated by Bank Negara Malaysia, credit cooperatives regulated by the Suruhanjaya Koperasi Malaysia, Malaysia Building Society Berhad and AEON Credit Service (M) Berhad. This is to ensure consistency in the financing practices across all the key credit providers.

In 2013 Bank Negara announced a new rule that uses the net selling price to determine the financing-to-value (FTV) ratio (after taking into account all discounts) and not the sale price of a property. The central bank also put the brakes on interest capitalisation schemes (ICS) and the developer interest-bearing scheme (DIBS).

Property refinancing guidelines were revised by Bank Negara Malaysia. Previously, house owners can refinance their homes with a repayment period of up to 35 years. Under the new guidelines, the cash attained from the refinancing of a property is considered as a personal loan with maximum repayment tenure of 10 years.

The central bank also ensured all banks and credit cooperatives complied with the Guidelines on Responsible Financing. The guidelines, which came into effect on January 1, 2012, determined the eligibility of a loan applicant must be based on net and not gross salary. Based on these guidelines, the eligibility of a borrower is based on the net income after all mandatory deductions like Employment Provident Fund (EPF), Socso, Monthly Tax Deduction (PCB), PTPTN, etc.

The central bank also reduced the tenure for car financing to nine years from 11 years previously. Banks were also required to inform the customers on all details related to the financing.

To encourage greater utilisation of electronic payment channels, Bank Negara reduced the charge for interbank GIRO transactions conducted over the internet and mobile devices from RM2 to 10 cents.

The central bank also kept the overnight policy rate (OPR) at 3% a level which had been maintained since May 2011. The OPR is used by banks to determine their base financing rate (BFR). The decision ensured financing cost remained low and accommodative to economic activities.

Commercial financing though had a positive year in 2013 driven by various economic activities related to Economic Transformation Programme (ETP). The growth in corporate financing of between 12% and 13% helped to cushion the slowdown in retail financing in 2013.

Analysis of Banking Business

2013 was a challenging year for consumer banking in Malaysia. Financing growth for the whole banking system grew around 10.6% in 2013 compared to 12% and 13% in the last few years. The moderate growth was influenced by many factors including Bank Negara Malaysia's efforts to curb the rise of household debt, and protect the stability of the financial market.

Bank Rakyat recorded positive growth in financing, deposits and fee-based income in 2013. The Bank's income grew to RM6.07 billion while its assets expanded 4.88% to RM82.88 billion for the financial year ended 31 December 2013.

Total financing grew 3.75% in 2013 to RM57.30 billion. Consumer financing expanded 6.67% but commercial financing moderated in 2013.

Syndicated, bridging and term financing amounted to RM5.99 billion or 10.18% of the Bank's total financing in 2013. The Bank will continue to strengthen this segment especially in the areas of risk management and credit analysis.

The Bank embarked on a few strategic initiatives to expand its income stream, identify new markets, increase deposits and strengthen asset quality.

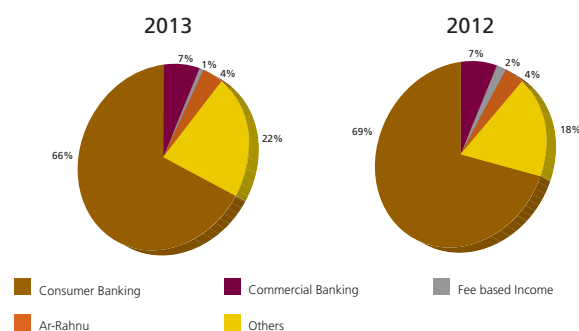
The Bank's total deposits increased 4.20% to RM65.30 billion, and individual deposits jumped 38.5% to RM10.28 billion in 2013. The growth reflected the growing confidence of the public towards the Bank's deposits products. The Bank's term deposits products reached 83,000 accounts in 2013 with total deposits of RM66.91 million.

Personal Financing-i remained the main contributor to the Bank's banking business. Personal Financing-i expanded 6.79% to RM46.94 billion at the end of the financial year 2013 compared to RM43.95 billion at the end of 2012. This cemented Bank Rakyat's position as the leading provider in the personal financing segment.

The Bank also recorded healthy growth in fee-based income. Takaful and wealth management products recorded positive growth and contributed 53.41% from the total fee-based income in 2013.

Ar-Rahnu, Bank Rakyat Islamic pawn broking segment, recorded 4.97% increase in revenue in 2013. The increase was in tandem with the substantial investment made into this segment over the last few years.

2013 Bank Income - Segments



Credit card financing-i increased to RM452.99 million compared RM397.14 million in 2012, a jump of 14.06%. Nevertheless, property financing-i and hire purchase-i moderated in 2013. These three segments - credit card financing-i, property financing-i and hire purchase-i - will be given greater focus in 2014. The property and automotive sector are expected to record positive growth in 2014. The Bank is also expected to launch its Platinum credit card-i in 2014.

To expand its presence, the Bank aims to open five new branches in 2014 and more Rakyat Xcess outlets. The number of automated teller machines (ATMs) will be increased to expand the coverage area.

The Bank is planning various strategies for the consumer banking division, in line with 2013-2017 transformation programme, as the Bank strives to strengthen its position and compete effectively in the marketplace.

Our Financial Stability Analysis

During 2013, Bank Rakyat continued to solidify its financial position. Prudent financing and strict risk management policies did not hinder the Bank from achieving positive results. The Bank's net profit increased 8.72% to RM1.91 billion compared to RM1.75 billion recorded in 2012, while profit before tax and zakat remained strong at RM2.13 billion, matching the 2012's performance, albeit revenues decreased 4.29% to RM5.55 billion compared to RM5.80 billion recorded in 2012. The Bank implemented stringent cost management policies and achieved higher revenues from other segments. The Bank's expenses shrunk 10.17%, operational expenses decreased 2.24%, but operational income expanded 20.61% for the financial year ended 31 December 2013. The Bank also allocated RM749 million for impairment in 2013, higher than RM633 million made in 2012.

Statements of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2013

	2013 RM'000	Bank 2012 RM'000
Income	5,549,714	5,798,419
Expenditure	(2,209,887)	(2,460,008)
Net income	3,339,827	3,338,411
Allowances for impairment	(749,128)	(633,862)
Other operating income	522,263	433,007
Operating expenses	(987,544)	(1,010,126)
Profit before tax and zakat	2,125,418	2,127,430
Tax	(184,974)	(328,268)
Zakat	(34,000)	(45,626)
Profit after tax and zakat	1,906,444	1,753,536

For the year under review, the Bank's assets increased 4.88% to RM82.88 billion compared to RM79.02 billion for the corresponding period of 2012. The expansion in assets was attributed to financing activities and advances which grew 3.75% to RM57.30 billion compared to RM55.23 billion recorded last year. Financial assets held-to-maturity increased 23.36% to RM10.4 billion compared to RM8.22 billion at the end of 2012. Government Investment Issues accounts for 82.4% from the total

assets held-to-maturity. Other components including government bonds, Khazanah bonds, and Islamic commercial papers also recorded positive growth.

	31.12.2013 RM'000	Bank 31.12.2012 RM'000	1.1.2012 RM'000
ASSET			
Cash and short-term funds	1,905,665	3,593,936	4,463,644
Deposits and placements with financial institutions	942,295	253,873	3,515,000
Financial assets held-for-trading	—	—	10,362
Financial assets available-for-sale	10,457,907	9,797,317	10,833,332
Financial assets held-to-maturity	10,141,449	8,220,956	2,852,471
Financing and advances	57,304,177	55,233,276	49,179,249
Trade receivables	—	—	—
Other assets	725,904	607,564	510,227
Inventories	—	—	—
Asset classified as held for sale	—	—	—
Investment in subsidiaries	43,500	43,500	43,500
Property and equipment	874,882	647,953	470,949
Goodwill on consolidation	—	—	—
Investment properties	148,448	145,384	155,160
Prepaid lease payments	69,372	70,991	63,631
Deferred tax assets	266,000	410,000	356,000
TOTAL ASSETS	82,879,599	79,024,750	72,453,525

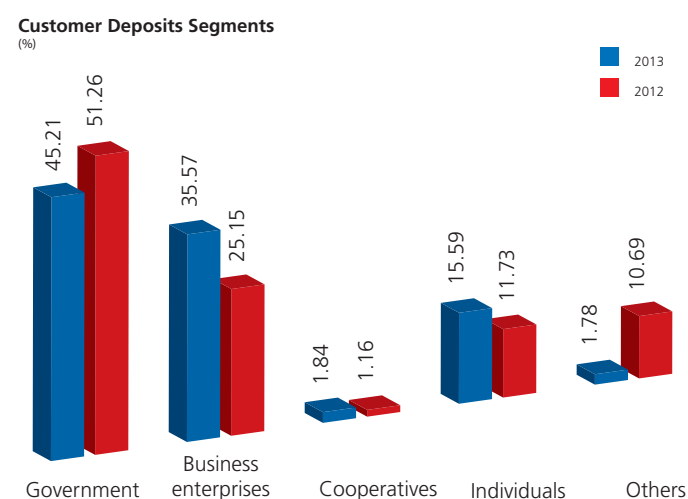
The Bank's Total Liabilities and Shareholder's Fund expanded 3.93% to RM82.88 billion against RM79.02 billion recorded during the same period of 2012. Two factors contributed to the expansion in Liabilities and Shareholder's Fund – growth in deposits and Shareholder's Fund – both expanding 4.2% and 11.2% respectively. Deposits from

customers jumped to RM65.30 billion in 2013 compared to RM62.67 billion in 2012 and RM58.51 billion in 2011. This positive trend provides the Bank with more cost-effective funds to expand its financing activities, and reflects a stronger acceptance of the Bank's deposits products.

	31.12.2013 RM'000	Bank 31.12.2012 RM'000	1.1.2012 RM'000
LIABILITIES			
Deposits from customers	65,297,767	62,666,004	58,507,088
Deposits and placements from banks and financial institutions	1,620,000	200,000	595,000
Trade payables	–	–	–
Recourse obligations on financing sold to Cagamas	1,528,696	3,172,301	3,303,393
Debt securities issued	1,507,088	1,006,658	–
Other liabilities	1,490,679	1,570,329	1,574,782
Provision for taxation	–	46,684	–
Profit equalisation reserve (Investor)	152,145	220,538	145,776
Financing from other financial institutions	–	–	–
TOTAL LIABILITIES	71,596,375	68,882,514	64,126,039
SHAREHOLDERS' FUND			
Share capital	2,973,677	2,865,004	2,349,063
Share redemption fund	53,671	53,671	53,671
Reserves	8,001,382	6,859,458	5,694,187
Profit equalisation reserve (Bank)	254,494	364,103	230,565
TOTAL SHAREHOLDERS' FUND	11,283,224	10,142,236	8,327,486
TOTAL LIABILITIES AND SHAREHOLDERS' FUND	82,879,599	79,024,750	72,453,525
COMMITMENT AND CONTINGENCIES LIABILITIES	3,140,252	2,548,578	2,335,970

Out of the total RM65.3 billion deposits, 69.48% constitutes Non-Mudharabah (term deposits, savings deposits and negotiable Islamic debt certificate) while 30.52% accounts for Mudharabah (savings deposits, general investment deposits and special investment deposits).

Deposits Breakdown Based On Customer Category



Business enterprises contributed significantly to the Bank's deposit growth. Deposits from this segment jumped 47.7% to RM23.23 billion compared to RM15.76 billion recorded in 2012. Individual deposits expanded 38.53% to RM10.18 billion compared to RM7.35 billion at the end of 2012 and accounted for 15.59% from the Bank's total deposits against 11.73% in 2012.

Deposits from customers based on customers:

	2013 RM'000	Bank 2012 RM'000
Government	29,523,382	32,120,664
Business enterprises	23,229,490	15,763,095
Co-operatives	1,202,751	730,967
Individuals	10,181,934	7,349,836
Others	1,160,210	6,701,442
	65,297,767	62,666,004

Our Financial Stability Analysis

Financing activities continued to register growth although the banking sector faced a more competitive environment with the introduction of new financing guidelines. The Bank's financing and advances increased 3.62%, personal financing, the bread and butter of the Bank's financing activity, grew 6.79% to RM46.94 billion compared to RM43.95 billion in 2012, and credit card-i financing improved 14.06% to RM452.99 million.

FINANCING AND ADVANCES

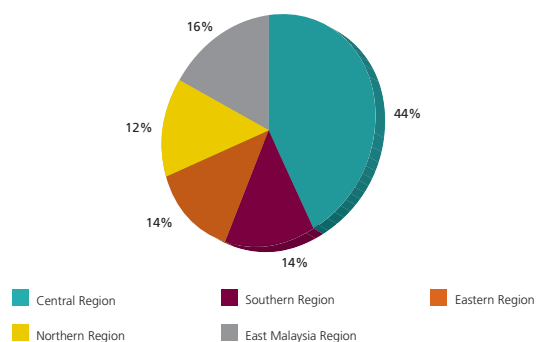
Financing and advances analysed by type

	Bank 2013 RM'000	2012 RM'000
At amortised cost		
Term financing	5,284,458	5,349,912
Personal financing	46,937,581	43,951,408
Revolving credit	465,430	485,419
House financing	2,569,422	2,978,340
Hire-purchase receivables	361,859	420,621
Pawn broking	1,762,602	1,741,343
Bridging	595,183	819,219
Syndicated financing	106,222	323,060
Credit card	452,991	397,135
Staff financing	273,207	290,030
Gross financing and advances, net of unearned income term financing	58,808,955	56,756,487

Personal financing accounted for 85% of the Bank's total financing while other segments such as property, construction, financing services, takaful and business were flat. (Refer to page 50 of the 2013 Financial Statement for complete information).

Financing activities for all regions also registered positive growth in 2013. This reflected a wider acceptance to the Bank's financing products with the Central Region remaining the hub of financing activities with total financing of RM25.78 billion followed by the East Malaysia Region.

Financing and Advances by Geographical Region



Overall, the Bank recorded positive growth in assets, net profit, and financing. Other financial indicators also showed improvements with 2.63% for Return on Asset (ROA), 19.84% for Returns on Shareholder's Fund (ROSF), 17.61% for Core Capital Ratio (CCR), 17.83% for Risk Weighted Capital Ratio (RWCR), and 2.22% for Non-Performing Financing (NPF).

The 2013 Financial Statements have been prepared in accordance with the provisions of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978, the Cooperative Societies Act 1993, Development Financial Institutions Act 2002 (Act 618) and the applicable Malaysian Financial Reporting Standards (MFRS) with modifications based on guidelines issued by Bank Negara Malaysia (BNM) and in compliance with the principles of Shariah as well as International Financial Reporting Standards (IFRS).

The Group and the Bank have applied a number of new and revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for the accounting period that begin on or after 1st January 2013.

The new MFRS used to prepare the financial statement for the year under review are amendments to MFRS 7 (Disclosures – Offsetting Financial Assets and Financial Liabilities), MFRS 119 (Employee Benefits - IAS 19 as amended by IASB in June 2011), MFRS 132 (Offsetting Financial Assets and Financial Liabilities), MFRS 13 (fair value measurements), and MFRS 101 (Presentation of Items of Other Comprehensive Income). The effects of the introduction of these new and amended guidelines are elaborated in the 2013 Financial Statement.

Please refer to page 158 of the 2013 Financial Statement.



Board of Directors

TAN SRI SABBARUDDIN CHIK
CHAIRMAN



DATUK MUSTAFHA ABD. RAZAK
MANAGING DIRECTOR/PRESIDENT



DATO' SARIPUDDIN KASIM

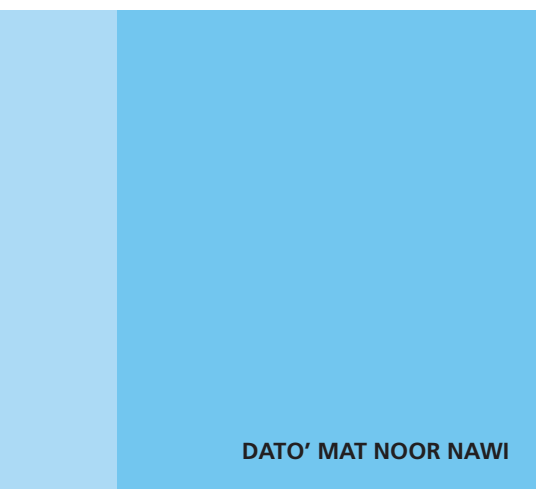




**DATO' ABDUL
MUTALIB ALIAS**



DATO' MANGSOR SAAD



DATO' MAT NOOR NAWI



DATO' ZURAIDAH ATAN

DATIN SURIA CHE SELIA
BANK SECRETARY



Board of Directors Profile



TAN SRI SABBARUDDIN CHIK

AGE: 72 Years Old

EDUCATION

Masters in Public Administration, Institute of Social Studies, The Hague, Holland

Bachelor of Arts (Hons),
University of Malaya

APPOINTED AS CHAIRMAN

First Time Appointed As Chairman: **9 April 2012**

Date Of Reappointment As Chairman: **9 April 2013**

Tenure As Chairman: **2 years**

OTHER POSITIONS IN BANK RAKYAT GROUP

Nomination Committee (*Chairman*)

Investment Committee (*Chairman*)

Board of Directors Rakyat Holdings Sdn Bhd (*Chairman*)

Board of Directors Rakyat Hartanah Sdn Bhd (*Chairman*)

Board of Directors Rakyat Travel Sdn Bhd (*Chairman*)

Board of Directors Rakyat Management Services Sdn Bhd (*Chairman*)

Bank Rakyat Foundation (*Chairman*)

BOARD POSITION IN OTHER COMPANIES

SWM Environment Sdn Bhd *Chairman*

Wangsa Embun Sdn Bhd *Chairman*

IPTB Sdn Bhd *Chairman*

PREVIOUS POSITIONS

Ministry of Culture, Art and Tourism *Minister* (1987-1999)

Ministry of Finance *Deputy Minister* (1982-1987)

Pernas Trading Sdn Bhd *Senior General Manager* (1981-1982)

Eden Inc Berhad *Director* (2002-2012)

Board of Directors Priceworth International Berhad *Chairman* (2001-2012)



DATUK MUSTAFHA ABD. RAZAK

AGE: 45 Years Old

EDUCATION

Bachelor of Commerce (Accountancy),
University of Wollongong, Australia

APPOINTED AS DIRECTOR

First Time Appointed As Director: **1 April 2013 – 31 March 2014**

Date Of Reappointment As Director: **1 April 2014**

Tenure As Director: **1 year**

OTHER POSITIONS IN BANK RAKYAT GROUP

Nomination Committee (*Member*)

Investment Committee (*Member*)

Tender Board (*Member*)

Board of Directors Rakyat Holdings Sdn Bhd (*Member*)

Board of Directors Rakyat Hartanah Sdn Bhd (*Member*)

Board of Directors Rakyat Travel Sdn Bhd (*Member*)

Board of Directors Rakyat Management Services Sdn Bhd (*Member*)

Board of Directors Rakyat Asset Management Sdn Bhd (*Member*)

OTHER POSITIONS

Bank Rakyat *Managing Director*

PREVIOUS POSITIONS

Bank Rakyat (2012) *Senior General Manager, Banking Operation*

Bank Rakyat (2012) *General Manager, Finance/Bank Secretary*

Bank Rakyat (2009) *Bank Secretary*

Bank Rakyat (2007) *Assistant General Manager, Finance*

Bank Rakyat (2006) *Head, Accounts and Information Management*

Board of Directors Profile



DATO' SARIPUDDIN KASIM

AGE: 54 Year Old

EDUCATION

Masters in Business Administration,
University of Hartford, United States

Bachelor in Economics (Hons),
University of Malaya

Diploma Public Administration
National Institute Of Public Administration
(INTAN)

APPOINTED AS DIRECTOR

First Time Appointed As Director: **1 January 2013 - 31 December 2014**

Tenure As Director: **1 year**

OTHER POSITIONS IN BANK RAKYAT GROUP

Remuneration Committee (*Chairman*)

Audit and Examination Committee (*Alternate Chairman*)

Tender Board (*Member*)

Board of Directors Rakyat Management Services Sdn Bhd (*Member*)

OTHER POSITIONS

Ministry of Domestic Trade, Cooperatives and Consumerism *Secretary General*

Companies Commission of Malaysia *Chairman*

Malaysia Competition Commission (SSM) *Member*

Board of Directors Malaysia Co-operative Societies Commission *Member*

Pasukan Petugas Khas Pemudahcara Perniagaan (PEMUDAH) *Member*

PREVIOUS POSITIONS

Legal Affairs Department, Prime Minister's Department (2010) *Director General*

Ministry for Women Development, Family and Community (2008-2010)
..... *Deputy Secretary General (Management)*

International Division, Ministry for Women Development, Family and Community,
(2006-2008) *Secretary*



DATO' ABDUL MUTALIB ALIAS

AGE: 52 Years Old

EDUCATION

Masters in Business Administration,
Governors State University, Illinois,
United State

Bachelor of Science in Accounting,
Northern Illinois University, United States

APPOINTED AS DIRECTOR

First Time Appointed As Director: **1 July 2010 - 30 June 2012**

Date Of Reappointment As Director: **1 July 2012 - 30 June 2013**
1 July 2013 - 30 June 2014

Tenure As Director: **4 years**

OTHER POSITIONS IN BANK RAKYAT GROUP

Risk Committee (*Chairman*)

Remuneration Committee (*Member*)

Nomination Committee (*Member*)

Investment Committee (*Member*)

OTHER POSITIONS

Perumahan Rakyat 1Malaysia (PR1MA) *Chief Executive Officer*

PREVIOUS POSITIONS

Datuk Shaziman Abu Mansor, Minister of Energy, Water and Communications and
Minister of Works (2008) *Special Officer*

Dato' Sri Dr Jamaluddin Jarjis, Minister of Science,
Technology and Innovations (2004-2008) *Political Secretary*

Investment Banking, Chase Manhattan Bank (1985-2000) *Vice President*

Board of Directors Profile



DATO' MANGSOR SAAD

AGE: 62 Years Old

EDUCATION

Masters in Business Administration,
Universiti Kebangsaan Malaysia

Diploma in Purchasing and Supply
Management, Polytechnic of North London,
United Kingdom

Bachelor of Economic (Hons),
University of Malaya

APPOINTED AS DIRECTOR

First Time Appointed As Director: **1 January 2011 - 31 December 2012**

Date Of Reappointment As Director: **1 January 2013 - 31 December 2013**
1 January 2014 - 31 December 2014

Tenure As Director: **3 years**

OTHER POSITIONS IN BANK RAKYAT GROUP

Audit and Examination Committee (*Chairman*)

Tender Board (*Chairman*)

Nomination Committee (*Member*)

Risk Committee (*Member*)

Board of Directors Rakyat Asset Management Sdn Bhd (*Chairman*)

Board of Directors Rakyat Hartanah Sdn Bhd (*Member*)

Board of Directors Rakyat Travel Sdn Bhd (*Member*)

PREVIOUS POSITIONS

Malaysia Co-operative Societies Commission (SKM) (2008-2010) *Executive Chairman*

Ministry of Entrepreneurial and Cooperative Development (MECD)
(2005-2007) *Secretary General*

Cooperative College of Malaysia (2005-2007) *Chairman*

DDEC, a MARA subsidiary (2006-2007) *Chairman*

Board of Directors SME Bank (2005-2007) *Member*

Board of Directors Majlis Amanah Rakyat (MARA) (2005-2007) *Member*

Board of Directors Selangor Economic Development Corporation (2005-2007) *Member*

Small and Medium Industries Development Corporation (SMIDEC) (2001-2004)
..... *Chief Executive Officer*

Asean Economic Cooperation, Ministry of International Trade and Industry (MITI)
(1997-2001) *Director*



DATO' MAT NOOR NAWI

UMUR: 58 Years Old

EDUCATION

Master of Science (Policy Economics),
University of Illinois, Urbana-Champaign,
USA

Bachelor of Science (Resource Economics),
Universiti Putra Malaysia

APPOINTED AS DIRECTOR

First Time Appointed As Director: **1 May 2013 - 30 April 2015**

Date Of Reappointment As Director: –

Tenure As Director: **1 year**

OTHER POSITIONS IN BANK RAKYAT GROUP

Remuneration Committee (*Member*)

Audit and Examination Committee (*Member*)

Risk Committee (*Member*)

Tender Board (*Member*)

OTHER POSITIONS

Ministry of Finance (MoF) *Deputy Secretary General (Policy)*

PREVIOUS POSITIONS

Half Year Review Eighth Malaysia Plan 2001-2005 (2003)

..... *Secretariat*

Second National Economic Consultative Council (NECC II) – (2000) *Secretariat*

Seventh Malaysia Plan 1996-2000 (1995) *Secretariat*

National Economic Consultative Council (NECC) – (1989) *Secretariat*

Board of Directors Profile



DATO' ZURAIDAH ATAN

AGE: 54 Years Old

EDUCATION

LLB (Hons), University of Buckingham, England

APPOINTED AS DIRECTOR

First Time Appointed As Director: **1 November 2012 - 31 October 2014**

Date Of Reappointment As Director: –

Tenure As Director: **2 years**

OTHER POSITIONS IN BANK RAKYAT GROUP

Remuneration Committee (*Member*)

Nomination Committee (*Member*)

Investment Committee (*Member*)

Risk Committee (*Member*)

Board of Directors Rakyat Management Services Sdn Bhd (*Member*)

Board of Directors Rakyat Travel Sdn Bhd (*Member*)

Board of Trustee Bank Rakyat Foundation (*Member*)

BOARD POSITION IN OTHER COMPANIES

Board of Directors NCB Holdings Bhd (*Member*)

Board of Directors Northport (Malaysia) Bhd (*Member*)

Board of Directors Kenanga Islamic Investors Berhad (*Member*)

Board of Directors Malacca Straits Inn Sdn Bhd (*Member*)

Board of Directors Universiti Sains Malaysia (*Member*)

OTHER POSITIONS

Chambers of Zuraidah Atan *Advocate & Solicitor*

Melaka ICT Holdings Sdn Bhd (a wholly-owned company of Melaka State Government) *Deputy Chairman*

Melaka State Investment Committee *Member*

Board of Directors Tabung Amanah Melaka *Member*

A few states and state agencies *Corporate Advisor*

KL Regional Centre for Arbitration *Arbitrator*

National Cancer Society Malaysia (NCSM) *Honorary Adviser*

Board of Trustee, Yayasan Sukarelawan Siswa (YSS) *Chairman*

Yayasan Sukarelawan Siswa (YSS), Ministry of Higher Education ... *Board of Trustee/Director*

Consultation and Corruption Prevention Panel (CCPP), Malaysian Anti-Corruption Commission (MACC) *Member*

PREVIOUS POSITIONS

Malaysia Building Society Berhad (2012) *Independent Director*

Affin Merchant Investment Bank (1999-2003) *President/Chief Executive Officer*

HSBC (1989-1999) *Independent Director*



DATIN SURIA CHE SELIA
(BANK SECRETARY)

AGE: 47 Years Old

EDUCATION

LLB (Hons), International Islamic University
Malaysia

APPOINTED AS BANK SECRETARY

First Time Appointed As Bank Secretary: **1 August 2012**

Tenure As Bank Secretary: **2 years**

OTHER POSITIONS

Bank Rakyat *Bank Secretary*

PREVIOUS POSITIONS

Bank Rakyat (1995) *Legal Manager*

Bank Rakyat (1990) *Legal Executive*

Audit and Inspection Committee

DATO' MANGSOR SAAD
CHAIRMAN



DATO' SARIPUDDIN KASIM



DATO' MAT NOOR NAWI



**DR. BADRUL HISHAM
MOHD YUSOFF**
SECRETARY

Shariah Committee

**DATO' SETIA HAJI MOHD
TAMYES ABD. WAHID**
CHAIRMAN



**DATUK ABU HASAN
LEBAI DIN AL-HAFIZ**



DR. SITI SALWANI RAZALI

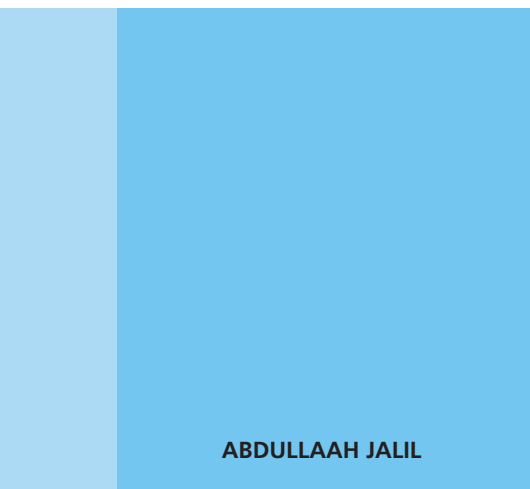




MD. YUNUS ABD. AZIZ



**WAN RUMAIZI
WAN HUSIN**



ABDULLAAH JALIL



MOHD ZAKI IBRAHIM
SECRETARY



Shariah Committee Profile



**DATO' SETIA MOHD TAMYES
ABD WAHID**

CHAIRMAN

AGE: 63 YEARS OLD

EDUCATION

Bachelor of Shariah (Hons.)
Al-Azhar University, Cairo,
Egypt

Diploma in Arabic Education,
'Ain Syams University Cairo,
Egypt

APPOINTED TO SHARIAH COMMITTEE

First Time Appointed As Shariah Committee: 2005

OTHER POSITIONS HELD

Mufti of Selangor

Chairman of Committee Member Fatwa Committee of Selangor

Member of Selangor Royal Council

Board of Trustees Selangor Zakat Board (LZS)

Member of Selangor Islamic Religious Council

Board Members of al-Quran Text Proof Reading, Ministry of
Home Affairs

Shariah Advisory Committee Member as-Salihin Trustee

Chairman Zakat Distribution Operation Committee LZS

Committee Member of Selangor Islamic Council Investment

Wakaf Shariah Panel Committee Islamic University Malaysia

PREVIOUS POSITIONS

Shariah Panel Institut Piawaian dan Penyelidikan Perindustrian
Malaysia (SIRIM)

Halal Certification Member Panelist Halal Development Corporation
(HDC)

Principal Sekolah Agama Menengah Tinggi Hishamuddin, Klang
(1993-1998)

Principal Sekolah Agama Menengah Tinggi Kuala Kubu Bharu
(1987-1993)



**DATUK ABU HASAN L.
DIN AL- HAFIZ**

AGE: 68 YEARS OLD

EDUCATION

Bachelor of Usuluddin, Al-Azhar
University, Cairo, Egypt

Bachelor in Sheikhul Maqari,
Al-Azhar University, Cairo,
Egypt

APPOINTED TO SHARIAH COMMITTEE

First Time Appointed As Shariah Committee: 2005

OTHER POSITIONS HELD

Religious Scholar and Missionary

Chairman Shariah Panel Amanah Ikhtiar Malaysia

Chairman Control Panel Halal Silver Birds (M) Bhd

Chairman Shariah Panel E-Mam Kapitan Sdn Bhd

PREVIOUS POSITIONS

Chief Imam National Mosque

Religious Officer and Advisor to the King (1984-2006)

Shariah Committee Member Wilayah Persekutuan (1983-2007)

Member Islamic Council and Shariah Committee Penang
(1994-2007)

Member Melaka Islamic Religious Council (1997-2007)

Member Wilayah Persekutuan Islamic Religious Council
(2006-2007)



**PROF. MADYA
DR. SITI SALWANI RAZALI**
AGE: 39 YEARS OLD

EDUCATION

Doctorate, Business Laws,
Universiti Putra Malaysia

Masters, Comparative Laws
(MCL), International Islamic
University Malaysia

Bachelor of Laws (LLB) (Hons)
and Shariah Law, International
Islamic University Malaysia

APPOINTED TO SHARIAH COMMITTEE

First Time Appointed As Shariah Committee: 2010

OTHER POSITIONS HELD

Lecturer, Department of Business Administration
at Kulliyah of Economics and Management Sciences
International Islamic University Malaysia

Shariah Advisor Great Eastern Takaful

Shariah Advisor SilverBirds Group

Shariah Advisor/Associate Member, KA Syariah Advisory Sdn Bhd

PREVIOUS POSITIONS

External Examiner for Employment Law, Open University
Kuala Lumpur (2008)

Fellow, Mahallah Safiyyah, International Islamic University Malaysia
(2006)

External Examiner for Business Law, Open University Kuala Lumpur
(2008)

Principal Mahallah Maryam, International Islamic University
Malaysia (2009-2011)

Board Member Institute of Islamic Banking and Finance,
International Islamic University Malaysia



MD. YUNUS ABD. AZIZ
AGE: 43 YEARS OLD

EDUCATION

Master, Islamic Jurisprudens
and Its Foundation,
al Al-Bayt University, Jordan

Bachelor of Shariah,
University of Malaya

APPOINTED TO SHARIAH COMMITTEE

First Time Appointed As Shariah Committee: 2011

OTHER POSITIONS HELD

Senior Lecturer Faculty of Shariah and Law, Islamic Science
University of Malaysia

Shariah Advisor Koperasi Ko Alam Sdn Bhd

PREVIOUS POSITIONS

Deputy Dean (Student Development and Performance Management
(2009-2011))

Head of Programme Fiqh and Fatwa (2005-2009)

Coordinator of World Institute of Fatwa Research and
Management, Islamic Science University of Malaysia (2003-2007)

Shariah Committee Profile



**WAN RUMAIZI
WAN HUSIN**
AGE: 39 YEARS OLD

EDUCATION

Master, Fiqh and Usul al-Fiqh,
International Islamic University
Malaysia

Bachelor of Fiqh and Usul
all-Fiqh, al Al-Bayt University,
Jordan

APPOINTED TO SHARIAH COMMITTEE

First Time Appointed As Shariah Committee: 2011

OTHER POSITIONS HELD

Lecturer, Department of Fiqh dan Usul al-Fiqh, Islamic Science
University of Malaysia

Shariah Advisor Tissue Bank Hospital Universiti Sains Malaysia,
Kubang Kerian

Shariah Committee Member, PruBSN Takaful

PREVIOUS POSITIONS

Shariah Committee Member, Muamalat Youth Foundation
(2011-2013)



ABDULLAAH JALIL
AGE: 34 YEARS OLD

EDUCATION

Master Business Administration
(MBA) (Islamic Banking and
Finance), International Islamic
University Malaysia

Bachelor of Shariah (Fiqh and
Islamic Studies), Yarmouk
University, Irbid, Jordan

APPOINTED TO SHARIAH COMMITTEE

First Time Appointed As Shariah Committee: 2012

OTHER POSITIONS HELD

Senior Lecturer, Faculty of Economics and Muamalat, Islamic
Science University of Malaysia

Shariah Compliance Officer for Quality Management System
Certification MS1900:2005, Islamic Science University of Malaysia

Research Fellow, Islamic Finance and Wealth Management Institute
(IFWMI), Islamic Science University of Malaysia

Committee Member Shariah Unit and Islamic Finance, World
Fatwa Management and Research Institute (INFAD), Islamic Science
University of Malaysia

PREVIOUS POSITIONS

Shariah Panel World Fatwa Management and Research Institute
(INFAD), Islamic Science University of Malaysia (2006-2009)

Committee Member, Coordination Committee Muamalat,
Takaful, Islamic Finance and Banking, Higher Learning Ministry of
Malaysia (2010-2012)

Coordinator, INFAD Seminar, World Fatwa Management and
Research Institute (INFAD), Islamic Science University of Malaysia
(2005-2009)

Lecturer, Faculty of Economics and Muamalat, Islamic Science
University of Malaysia (2004-2011)



MOHD ZAKI BIN IBRAHIM

(SECRETARY SHARIAH
COMMITTEE)

AGE: 49 YEARS OLD

PENDIDIKAN

Master Business Administration
(MBA), Universiti Kebangsaan
Malaysia

Bachelor of Shariah,
University of Malaya

APPOINTED TO SHARIAH COMMITTEE

First Time Appointed As Shariah Committee: January 2014

OTHER POSITIONS HELD

Assistant Vice President Shariah Supervision Bank Rakyat

Acting Vice President Shariah Compliance Bank Rakyat

PREVIOUS POSITIONS

Secretary Shariah Committee (2003-2011)

Manager Shariah Consultancy and Supervision Department
(2003-March 2012)

Senior Executive Shariah Consultancy and Supervision (2000-2003)

Executive Product Development (1998-2000)

Executive Islamic Banking (1993-1997)

Management Committee

**DATUK MUSTAFHA
ABD. RAZAK**
MANAGING DIRECTOR/PRESIDENT



DATUK RAHIM YUNUS



**MD KHAIRUDDIN
ARSHAD**

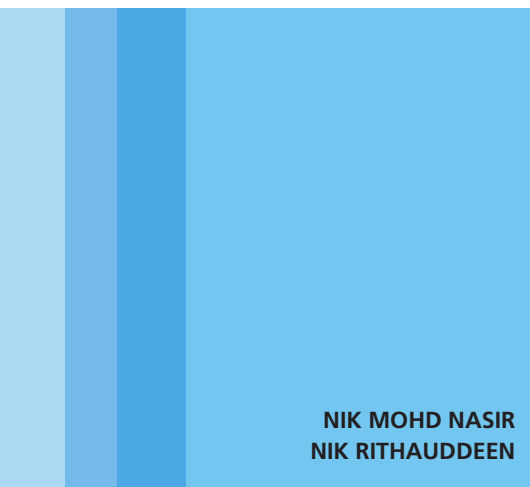




**AHMAD SUHAIMEE
MOHAMMED YASSIN**



**DATO' MAHMUD MUHAYYIDIN
MOHAMED NAWI**



**NIK MOHD NASIR
NIK RITHAUDDEEN**



**MUZAMIR OMAR
SECRETARY**



Management Committee Profile



DATUK MUSTAFHA ABD. RAZAK

Managing Director/President

Datuk Mustafha joined Bank Rakyat in 1991, was appointed to lead Bank Rakyat on April 1, 2013. He has held various positions including General Manager - Banking Operations, Bank Secretary, Head of Accounts and Information Management and Assistant General Manager - Finance. Today he is responsible for planning, executing and ensuring that the largest cooperative Islamic Bank in Malaysia continues to grow, implementing the Bank's transformation programme to ensure the Bank remains relevant in the market, upholding Islamic banking principals and safeguarding the interests of members, customers, workforce, regulatory bodies, stakeholders and society in all the Bank's activities.



DATUK RAHIM YUNUS

Chief Officer/Senior General Manager Operation and Information Technology

Datuk Rahim joined Bank Rakyat in Februari 1999. He has 30 years experience in information technology, project management and work processes. Before joining Bank Rakyat, he served at Sistem Penerbangan Malaysia, Kwong Yik Bank Berhad, RHB Bank Berhad and International Bank Malaysia Berhad. He was involved in the development, execution and management of information technology systems for these companies. Today Datuk Rahim is responsible for developing the strategic blueprint for Bank Rakyat, to ensure that the extensive deployment of information technology and the systems are optimised to achieve the Bank's business plans in relation to today's customers needs and competitive business environment. He is also responsible for ensuring the back office operation continues to support and meets the Bank's business and operational requirements to predetermined standards.



MD KHAIRUDDIN ARSHAD

Chief Officer/Senior General Manager Risk

Md Khairuddin joined Bank Rakyat in Jun 2013 from Perbadanan Insurans Deposit Malaysia (PIDM) where he was the Chief Operating Officer. He has over 24 years experience in banking. He served in Bank Negara Malaysia and was one of the pioneers involved in the development of Islamic Banking in Malaysia. As Chief Risk Officer, he is responsible for ensuring the implementation of the management blueprint and continuous adherence to compliance in order to protect the Bank, its members and customers while supporting growth.



AHMAD SUHAIMEE MOHAMMED YASSIN

Chief Retail Banking Officer

Ahmad Suhaimee started his career in Bank Rakyat in 1986. Before joining the bank he served at Bank Bumiputra Malaysia Berhad. He has a Masters in Business Administration in Accountancy and Finance from Northrop University, Los Angeles, a Bachelor of Science in Business Administration from the same university and a Diploma in Banking Studies from Universiti Teknologi Mara. During his 28 year stint at Bank Rakyat, he has held various positions including Manager - Capital Markets Department, Investment Department, Special Executive to the Managing Director/Head of Corporate Affairs, Head of Corporate Planning, Head of Investment and Head of Consumer Products. He was also appointed Assistant General Manager Consumer Banking and Assistant General Manager Strategic Planning/Managing Director's Office. He is now responsible for every aspect of the Bank's Retail Banking Operations.



DATO' MAHMUD MUHAYYIDIN MOHAMED NAWI

Chief Human Capital Officer

Dato' Mahmud Muhayyidin joined Bank Rakyat in 1985 from Bank Pembangunan Malaysia Berhad. He started his career in Internal Audit before being appointed to various positions including Manager - Audit Department, Branch Manager, Regional Manager, Head of Career Development, Head of Account and Information Management, Head of Commercial Financing Control, Assistant General Manager Services and Financing Recovery. Today he is responsible for the Bank's human capital needs and the implementation of the human capital blueprint to develop a high performance culture, development of training programmes to enhance workforce performance and making Bank Rakyat the leading employer in the country.



NIK MOHD NASIR NIK RITHAUDDEEN

Chief Strategy and Planning Officer

Nik Mohd Nasir joined Bank Rakyat in 1983. Throughout his 30-year career at the Bank, he held various positions including Branch Manager, Regional Head, Manager Product Development Department, Head of Cooperative Development and Members, Head of Financing, Head Financial Sector, and Head of Services and Management before being appointed to the present position. Today he is responsible for identifying strategies, initiatives, methods, promotions, marketing and communication plans that assist the Bank in achieving its corporate goals and aspirations.



MUZAMIR OMAR

Vice President Corporate Strategy/Secretary of the Management Committee

Muzamir joined Bank Rakyat in July 2005. He has extensive experience in management and corporate planning. He held various positions in Bank Rakyat including Manager Planning Department, Manager Corporate Planning Department, and Chief Strategic Planning. He formerly served in Bursa Malaysia in similar fields. In his current position, he is responsible for identifying and drafting strategic initiatives to assist the Bank to achieve its business and financial targets. He is also responsible for developing strategic cooperation with other parties to enhance the Bank Rakyat brand and penetration into new markets. He is also Secretary of the Management Committee.





Bringing Change for a Glorious Future

Like the Mass Rapid Transit (MRT) project that will change the public transport landscape in Kuala Lumpur, we at Bank Rakyat are looking into the future. We are continuously enhancing our foundation and developing new strengths to ensure the cooperative sector, our customers and the general public receive services of the highest quality from us.

Philanthropy



RM **41**
million

Zakat Distribution

RM **43.12**
million

Scholarship and Education
Financing Distributed by Bank
Rakyat Foundation (2008 – 2013)

RM **2.5**
million

Allocated for CSR

49

CSR Initiatives

500,000
Malaysians

Direct and Indirect benefactors
of CSR programmes (estimate)

RM **42.51**
million

Contribution to Cooperative
Education Trust Fund

RM **21.25**
million

Contribution to Cooperative
Development Provident Fund

Our Philanthropy

As the largest cooperative Islamic bank and with close to 60 years experience, we are well-positioned to bring socio-economic changes to communities, customers, shareholders, cooperative movement, workforce and country.

We want to affect positive changes to communities, contribute to the economic development of the country, invigorate business activities, uplift socio-economic standards, create job opportunities, and ensure the sustainability of the organisation.

Our solid financial position, fund accessibility and prudent risk management policy allow us to form strategic partnership and help various entities from various economic sectors.

The Bank offers a wide range of Shariah-compliant financing facilities to entrepreneurs, cooperatives, small and medium sized industries (SMEs), and enterprises which require financing for project management and business expansion.

Our shareholders are the one of the key benefactors from our success. The Bank's profits are distributed to 943,464 shareholders through dividend payment. But the Bank is not only about generating profit. We want to create and develop value added programmes which can have positive socio-economic benefits especially in the areas we operate in.

In 2013 Bank Rakyat allocated RM150.38 million for 49 Corporate Social Responsibility (CSR) or educational related programmes that directly and indirectly impacted the lives of over 500,000 Malaysians.

As a cooperative with revenues exceeding RM6 billion, Bank Rakyat has a vital role in realising the government's vision in making the cooperative movement as the nation's third engine of economic growth, and become a significant contributor to the national output valued at approximately RM950 billion.

We are also mindful of our key responsibilities. Bank Rakyat upholds corporate governance, implements clear policies, appoints a strong pool of professionals, practises prudent risk management, and adheres to all guidelines issued by the Ministry of Domestic Trade, Cooperatives & Consumerism (MDTCC), Malaysia Cooperatives Commission (SKM) and Bank Negara Malaysia (BNM).

The Bank also aims to become the choice employer especially among the professionals in Malaysia. We want to be recognised as the employer who offers the best benefits to the 4,695 employees who provide the best services at all our 144 branches, 34 Ar-Rahnu X'change, 10 Rakyat Xcess and subsidiary companies.

While we strive for excellence and profitability, corporate philanthropy is embedded deep into our hearts and minds and this spirit continues to be our guiding principle in achieving universal prosperity for all.

Affecting Change to Communities

RM **43.12**
million

Education scholarships and variable study financing distributed by Bank Rakyat Foundation (2008 – 2013)

1,566

Students received Education Assistance from Bank Rakyat Foundation

1,000

Workforce who participated in CSR programmes

33,400

The number of children who participated in our Nuri Education Programmes

17,641

Petty and Small Traders aided with financing facility

52

Hearse distributed to communities

339

Sundry shop operators assisted under the Sundry Shop Transformation Scheme (TUKAR-i)

193

Cooperatives and entrepreneurs displayed their products at our Entrepreneur & Cooperative Products Display Cabinet

Affecting Change to Communities

Islam emphasises on being charitable and helping those in difficulty. At Bank Rakyat these requirements form the fundamentals of our Corporate Social Responsibility (CSR) initiatives. Besides helping the communities where we operate, our CSR initiatives bring the Bank closer to the communities, increase our awareness on their needs, and allow us to play a bigger role in affecting positive changes in these communities.

We also hope our involvement in CSR programmes will increase the awareness of our workforce on the sufferings of others and develop communal spirit among the employees.

BANK RAKYAT FOUNDATION (YBR)

Bank Rakyat Foundation (YBR), officially launched in April 2008, was created to professionally manage and distribute funds to specific groups.

The funds for the foundation are attained from the RM10 contribution from each member who receives yearly dividends. The Foundation administers scholarships and financing for underprivileged Malaysian citizens, regardless of religion, race and background.

Scholarships and variable education loans are offered to students pursuing PhD, Masters Degree, Bachelor Degree, Professional, Diploma and Skill Certificate (First Class) at public or private institutes of higher learning.

In 2013 the foundation provided 279 undergraduates with scholarships and variable education financing worth RM7.29 million.

65 students who were on variable education financing scheme were converted to scholarship status in recognition of their academic excellence.

Between 2008 and 2013, YBR had distributed scholarships and variable education financing totalling RM43.12 million to 1,566 recipients.

YBR also helped 23,289 students to attend various education programmes and workshops involving the cost of RM6.2 million.



YBR Activities

PROGRAMMES	FREQUENCY/YEAR		NUMBER OF PARTICIPANTS
	TARGET	ACHIEVEMENT	
SEMINAR DIDIK RAKYAT UPSR	16	16	3,968
SEMINAR DIDIK RAKYAT PMR	16	16	3,390
SEMINAR DIDIK RAKYAT SPM	15	15	3,149
SEMINAR HALA TUJU STPM	9	9	1,689
PROGRAM KEPIMPINAN PELAJAR CEMERLANG	16	17	2,871
PROGRAM KECEMERLANGAN MINDA	16	17	2,687
BENGKEL RESUME & TEMUDUGA	10	9	1,181
BENGKEL PENGUKUHAN AKHLAK	16	17	1,521
PROGRAM PEMBANGUNAN MODAL INSAN I	4	6	400
PROGRAM PEMBANGUNAN MODAL INSAN II	8	2	85
PROGRAM PEMBANGUNAN MASYARAKAT ORANG ASLI	2	1	28
AKHBAR DALAM DARJAH	0	7	1,920
JELAJAH TUTOR ONLINE	0	6	300
BANTUAN BENCANA BANJIR	0	2	100
Total	128	140	23,289

PROSPERING THE COMMUNITY

Donation to the Pediatric Ward

Bank Rakyat brought joy to 1,500 children who were treated at the pediatric wards of 20 government hospitals in conjunction with 2013 Ramadan and Aidil Fitri celebration. The distribution of hampers and RM100 “duit raya” to these children who were suffering from various illnesses from neonatal and cardiology to cancer and neurological problems, had lessened the burden on their parents.

The distribution of hampers and “duit raya” worth RM257,000, was also our way to show we care about the sufferings of these children. Besides the children, the Bank’s senior management who participated in the programme also distributed tokens to hospital staff.

1. Zakat Distribution

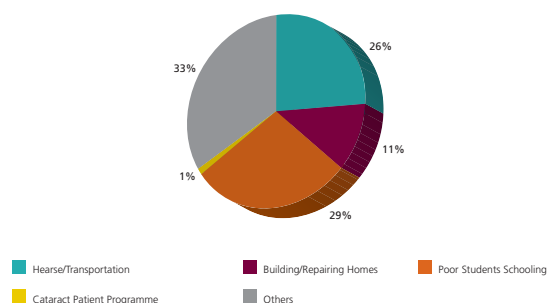
Bank Rakyat’s total zakat for 2013 was RM41 million of which RM15 million was managed by the Bank while RM25.7 million was distributed to the respective states.

The Bank used the zakat to purchase of 52 hearses, build and repair 19 homes, provide schooling supplies to 48,102 students from poor families, and finance the operation costs of 170 cataract patients.

Affecting Change to Communities

Type of Assistance	Units and Number	Total (RM)
Hearse/Transportation	52 units	4,296,935.32
Building and Repairing Homes	19 recipients	622,229.72
Schooling (Poor Students)	48,102 recipients	4,810,200.00
Cataract Patient Programme	170 recipients	170,000.00
Others		5,455,634.96
Total		15,355,000.00

Zakat Distribution Managed by Bank Rakyat 2013 (%)



2. Helping Flood Victims Among Students

Bank Rakyat and YBR had provided school supplies worth RM150,000 to 1,600 students who were the victims of one of the worst floods experienced by the country in recent time. The students were from 16 schools around Kemaman, Terengganu and eight schools from Bandar Indera Mahkota, Pahang.

3. Financial Education

Bank Negara Malaysia (BNM) had introduced Financial Education in schools to encourage the culture of savings and thriftiness among primary and secondary students. As a responsible and proactive financial institution, Bank Rakyat had organised various programmes targeting specific groups to increase their understanding on matters related to finance.

The Bank targeted its large base Nuri Savings Account-i holders who were below the age of 12 years old.

Our Nuri Club that was established in 2007, continued with its Financial Management Tour Series around the country.

The three main activities organised during the tour were Colouring Contest, Junior Chef Nuri Club Adabi Contest, and Nuri Club Football Academy Demonstration. The Bank also created a dedicated website for club Nuri at kelabnuri.com.my as a means to inform the public and club members on its activities.

For the year under review, the Bank organised nine Financial Management Tour Series involving a total cost of RM450,000. The events attracted 33,750 children and teenagers.

In addition, the Bank also organised Battle of the School 2 and Buku Wang Saku programmes for secondary schools.

4. Salam Baitullah – Spreading the Teaching of Islam

Bank Rakyat partnered with Radio Televisyen Malaysia (RTM) in a popular TV programme called Salam Baitullah. The programme provided the latest information about the 22,000 pilgrims who were performing their haj in Makkah and Madinah.

The 20-episode series were broadcast live on TV1 from 30 September to 19 October 2013. The programme was well-received with over 32 million viewers over the 20-day period.

Bank Rakyat had also received positive feedback from viewers from neighbouring countries like Singapore, Brunei and Indonesia who posted their comments on the Salam Baitullah and Bank Rakyat Bank Pilihan Anda Facebook websites.

GOING BEYOND CSR

Besides traditional CSR programmes, our focus is about creating value-added initiatives and we believe our CSR programmes are among the most holistic and comprehensive among Malaysian companies. We also work with various communities in partnership with the aim of improving the livelihood of communities both in urban and rural areas. Among our key initiatives are:

1. Helping Traders and Small Enterprises

Bank Rakyat had created a special financing scheme to help traders and small enterprises who found it difficult to attain financial facility from banks.

Besides providing access to financing facilities, we wanted to prevent these small traders from borrowing from illegal money lenders who charge exorbitant rates.

Our Rural Economy Financing Scheme (SPED), based on the Shariah concept of Al-Qardhul Hassan, is a financing facility that is interest free. The customer will only have to repay the financing and a minimum management fee. Since it was introduced in 2001, Bank Rakyat had channelled RM150.34 million to 1,506 micro entrepreneurs all over the country. In 2013 we provided financing worth RM20.12 million to 191 traders and small enterprises. The financing facility had allowed them to expand their business and improve their livelihood.

Our Sundry Shop Transformation (TUKAR-i) and Automotive Workshop Modernisation (ATOM-i) schemes also registered positive results in 2013. A total of 339 sundry shop and 193 automotive workshop owners benefited from these schemes in 2013, surpassing the initial targets of 253 sundry shops and 120 workshops. The 2013's achievements also surpassed the 294 sundry shops and 110 workshops assisted under the Entrepreneur Development Programme (EDP) in 2012.

2. Petty Traders and Small Retailers Are Never Forgotten

The Bank assists petty traders and small retailers by providing financing facilities under the MIKRO-i Financing and Small Retailers and Micro Traders (MPPK-i) schemes. Under these schemes, entrepreneurs can strengthen and expand their operation to improve revenues and income.

17,641 small and petty traders had enjoyed the benefits under these schemes with financing amounts of between RM1,000 and RM50,000. This availability of these schemes has also helped the government in producing more entrepreneurs to generate economic activities.

3. Cooperative Entrepreneurs Cabinet

Bank Rakyat is the only financial institution that provides a cabinet for cooperatives to promote and market their products at our branches for free. The presence of the display cabinet allows the public and Bank's customers to understand the commercial value of these products. Cooperatives that participate in this programme will gain these benefits:

- Market their products to a wider audience and for a longer period of time
- Participate in the marketing and promotional activities organised by the Bank
- Prove the commercial value and quality of their products are as good as other products in the market
- Form strategic alliance with other manufacturers, distributors and consumer through matching session organised by Bank Rakyat and other government agencies.

The display cabinets available at all our 144 branches, were constructed at a total cost of RM1.4 million. At the end of 2013, 49 cooperatives and 144 entrepreneurs had benefited from this initiative.

Affecting Change to Communities

4. Advisory Services for Micro, Small and Medium-Sized Entrepreneurs

This program aims to increase the participation of these groups of entrepreneurs in the country's economic development. The Bank provides consultancy and training to these entrepreneurs with the assistance from government and private agencies.

We want to expose these entrepreneurs to the best practices in product packaging, labelling, halal certification process, cleanliness and marketing strategies.

The one-day seminar focuses on the food, agriculture and animal breeding industries with experts from Bank Rakyat, Agriculture Department, Federal Agricultural and Marketing Authority (FAMA), Standards and Industrial Research Institute of Malaysia (SIRIM), Malaysian Agriculture Research and Development Institute (MARDI), Ministry of Health, Fisheries Development Authority of Malaysia (LKIM) and Muda Agricultural Development Authority (MADA).

The Bank had organised 95 seminars involving 3,466 participants all over the country.

5. Government Funds to Assist Entrepreneurs and Cooperatives

Bank Rakyat is entrusted by the government to help entrepreneurs and small traders. The Bank manages 6 funds for these purposes. The funds are the Micro Traders and Small Retailer Scheme Fund (MPPK-i) for small and petty traders; Micro Enterprise Funds (MEF) for micro enterprises; and Enrichment & Enhancement Programme (E²) for micro enterprises working capital, Rural Economic Financing Scheme (SPED) for Bumiputera in rural areas; Sundry Shop Transformation Scheme (TUKAR-i) for traditional sundry shops; and Automotive Workshop Modernisation (ATOM-i) for workshop operators.

Below are the descriptions of these six funds.

A. Micro Traders and Small Retailer Scheme Fund (MPPK-i)

- To expand access to micro financing for hawkers and petty traders.
- The fund shall be used for financing Working Capital or Capital Expenditure.

Source of Fund: Ministry of Domestic Trade, Co-operatives and Consumerism

Type of Fund: Grant

Tenure of Fund Received: 9 years

Role of Government

- To monitor the performance.
- The credit risks will be borne by the Government.
- To decide and approve any proposed write off.

Role of Bank Rakyat

- As an Agent.
- To process applications.
- To collect and financing payments.
- To carry out legal proceedings until Notice Of Demand (NOD).
- To submit regular report.
- To forward any appeal application to the fund committee.

Summary of MPPK-i Fund Performance (as at December 2013)

Type of Funds	Fund Size	Applications Approved		Disbursement	Outstanding	Fund Availability
		No.	RM			RM
MPPK-i	RM90,000,000	17,641	73,546,528	68,481,090	58,702,266	10,771,441

B. Micro Enterprise Funds (MEF)

- To expand access to micro financing for micro enterprises with viable businesses.
- The fund shall be used for financing Working Capital or Capital Expenditure.

Source of Fund: Bank Negara Malaysia (BNM)

Type of Fund: Soft loan

Tenure of Fund Received: 5 years

Role of Government / BNM

- To monitor the performance.
- To decide and approve applications.

Role of Bank Rakyat

- To process applications.
- To collect and monitor repayments.
- To carry out any legal proceedings.
- The credit risks will be borne by the Bank
- Bank pay *Hibah* to BNM.

Summary of MEF Performance (as at December 2013)

Type of Funds	Fund Size	Applications Approved		Disbursement	Outstanding	Fund Availability
		No.	RM			RM
MEF	RM200,000,000	680	7,596,900	7,576,900	2,785,451	Revolving Fund

Note: Total revolving fund of RM200 million given by Bank Negara Malaysia is shared with nine financial institutions.

Affecting Change to Communities

C. Enrichment & Enhancement (E²) Programme

- To expand access to micro financing for micro enterprises with viable businesses
- The fund shall be used to financing Working Capital or Capital Expenditure.

Source of Fund: SME Corp

Type of Fund: Revolving

Tenure of Fund Received: 5 years

Role of Government/SME Corp

- To implement and carry out the Programme for the micro entrepreneurs.
- To propose and/or recommend the eligible entrepreneurs to apply this scheme.
- The credit risks will be borne by the SME Corp.

Role of Bank Rakyat

- To process applications.
- To collect and monitor repayments.
- To carry out legal proceedings.
- To pay SME Corp. the profit base on Mudharabah profit sharing ratio 80:20.

Summary of Enrichment & Enhancement (E²) Performance (as at December 2013)

Type of Funds	Fund Size	Applications Approved		Disbursement	Outstanding	Fund
		No.	RM	RM	RM	Availability
Mikro-i ME ² Financing	RM60,000,000	64	2,593,688	2,593,688	2,589,147	Revolving

Note: Total revolving fund of RM60 million given by SME Corp of which RM3 million have been received by Bank Rakyat.

D. Rural Economic Financing Scheme (SPED) - Appendix A on page 295

E. Sundry Shop Transformation Scheme (TUKAR-i) - Appendix B on page 296

F. Automotive Workshop Modernisation (ATOM-i) - Appendix C on page 297

4. Banking Services to Rural Communities

We continue to ensure easy access to our banking services. Besides the 144 branches, internet banking i-Rakyat and call centre tele-Rakyat, we added mobile banking as part of our service channels.

It is one of our social initiatives to ensure rural communities have access to quality banking services. Customers can perform various banking transactions like opening of accounts, cash deposits and withdrawals, bill payment and Tabung Haji transactions at these mobile banks. The state-of-the-art mobile bank also offers ATM facility. Customers can obtain the latest information about our products and services at these mobile banks.

The mobile bank services are available at 11 locations including Kerteh 3, Bukit Besi, Ketengah Jaya, Felda Jerangau in Terengganu, and Felda Jenderak Utara, Felda Bukit Damar, Felda Sebertak and Felda Bukit Mendi in Pahang.

5. Franchise Business Opportunity

Islamic pawn broking system has been well-received by Malaysians including the non-Muslims. It is seen as an attractive option compared to the conventional pawn broking system. The Islamic pawn broking business has experienced exponential growth in the last two decades.

Bank Rakyat, who first introduced Islamic pawn broking services in 1993, is one of the leading Islamic pawn broking operators in the country. With our vast experience, we are offering cooperatives the opportunity to operate and manage their Islamic pawn broking business under our Ar-Rahnu X'change francais programme.

This Shariah-compliant business offers huge potential as it is based on a proven and safe system. It also offers attractive returns to the operators.

As of December 2013, the 30 cooperatives that have enrolled in our Ar-Rahnu X'change franchise programme have recorded total turnover worth RM1.1 billion. In 2013 the combined revenues of the 41 Ar-Rahnu X'change outlets owned by cooperatives was RM117 million.

Since the programme was introduced, none of the operators had failed. This proves our ability to create and share a dynamic business opportunity that is able to generate positive economic activities and provide strong earnings to cooperatives.

6. Assisting Cooperative Members and Undergraduates

Bank Rakyat introduces the CO-OP Card for the benefit of over 10 million cooperative members. Considered as one of the Bank's most important initiatives, we collaborated with Angkatan Koperasi Kebangsaan Malaysia Berhad (ANGKASA) to roll out this chip-based card programme.

Besides performing banking transactions with Bank Rakyat, the card holder can enjoy attractive discounts when they purchase products and services from 88 merchants who are partners under this programme. In 2013 the Bank issued 271,617 CO-OP cards in 2013, increasing the total cards in circulation to 1,430,015.

The Bank also wants to play a role in lessening the burden of around 1.5 million undergraduates in the country by being the agent for the 1Malaysia Student Discount Card (KADS1M). Distributed free to undergraduates, the card holder will enjoy attractive discounts on the purchase of products and services from selected retailers. The Bank issued 519,155 KADS1M to undergraduates in 2013.

Beyond Customer Expectations

5 million 144

Customers

144

Branches

RM 65.3 billion

Deposits

RM 57.30 billion 34

Financing

34

Ar-Rahnu X'change Bank Rakyat

6

Ar-Rahnu X'change Franchise

10

Bank Rakyat Service Agent

10

Rakyat Xcess

3

Mobile Bank

786

ATM/CDM

OUR FOCUS

We uphold the brand promise of “Bank Rakyat Your Choice Bank” and want to provide the best service and banking experience to our members and customers.

Although we uphold the highest levels of corporate governance and responsible financing principles, it has not stopped us from designing a service that exceeds the needs of our customers.

Our service philosophy is to assist the public, encourage economic activities both in urban and rural areas, help entrepreneurs to expand their businesses, aid customers to acquire assets, and offer deposits and takaful which benefits the public. We anchor our business on a sound and solid Shariah-compliant banking system while we support the country's socio-economic development, all in line with the government's aspiration in creating a developed and high-income nation by 2020.

ACCESS TO FINANCING

Our strong financial position enables us to provide financing services to various groups - individuals, enterprises, entrepreneurs and conglomerates and our financing activities generate economic, business and job opportunities. The Bank's consultancy and professional services helps petty traders and small retailers to gain access to financing services and free them from the shackles of poverty, debt and profiteering middleman.

RESPONSIBILITIES TO OUR CUSTOMERS

We want our customers to achieve their financial goals, supported by structurally sound procedures and governance policies. Below are the values and principles that form the foundation of our business:

- Ensure our customers experience the best service. Work excellence ensures our customers attain speedy, cordial, precise and responsive services. We treat all customers in a fair and just manner.



- Service excellence at our counters, i-Rakyat - internet banking, electronic banking centres and call centre tele-Rakyat.
- To deliver financial services that meets the needs of today's customer. We strive to find the balance between customers needs and profitability and create a win-win banking relationship.
- Integration of the latest banking advancements while maintaining the human touch, to ensure a complete, friendly, fast and up-to-date banking relationship.
- All our products are Shariah-compliant and are structured based on the principles of justice and fairness.
- To build a lasting relationship through value-added services. Customer loyalty will generate long-term revenue and profitability to the Bank.
- To design policies and procedures which are customer friendly while applying the principles of sound governance and risk management. Although we are profit-oriented organisation, risk management takes a higher precedence and we ensure the Bank is not exposed to unnecessary risk that may jeopardise its future.

Beyond Customer Expectations

- To market financial products responsibly. We ensure our employees comply with all requirements and must not engage in any “*mis-selling*” activities. The Bank practises zero tolerance on any activities with the intent to deceive customers.
- Complaints are given utmost attention. We have created various feedback and complaint channels for customers. Customers can call our Public Complaint Bureau Unit at 03-26975011, 26976011, 26977011, email us at aduan@bankrakyat.com.my or fax 03-26129655. Customers can also get the latest information about our services by calling our call centre, tele-Rakyat at 1-300-88-1BANK (12265).
- Apply a customer-oriented approach in the development of products, promotions, channels, marketing programmes and human capital requirements.
- To prevent commercial crimes and fraudulent activities. Bank Rakyat is responsible in ensuring the security of customer transactions, integrity of the data and customer information. We invest in new technologies. We re-evaluate and revise our policies and procedures based on the latest threats and collaborate with the authorities i.e. the police and Bank Negara Malaysia in preventing commercial crimes. We also continuously remind customers on any new possible threats as well as conducting training sessions for staff in the areas of fraud prevention.
- That no section of the society should be denied access to financial services. We ensure every segment of the society has access to our services, we strongly believe in investing in our customers. We offer our financial services to individuals, teenagers, children, family, small groups, non-governmental organisation (NGO), petty traders, rural entrepreneurs, farmers, private companies, cooperative members and cooperatives. Our mobile banking buses journey to Felda schemes to offer our services while our service agents ensure strong area coverage for our services.



Energising Cooperative Movement and Members Socio-economic Status

No.1

Biggest Cooperative Bank
and Credit Cooperative

No. 2

Top 100 Best Cooperative
in Malaysia 2013 – Malaysia
Co-operative Societies Commission (SKM)

No.1

Cooperative With The Largest
Assets

943,464

Cooperative Members

RM **446**
million

Dividend Distributed to
Members

RM **42.51**
million

Contribution to Cooperative
Education Trust Fund

RM **21.25**
million

Contribution to Cooperative
Development Provident Fund

Energising Cooperative Movement and Members Socio-economic Status

EMPOWERING MEMBERS AND COOPERATIVE MOVEMENT

Development of the cooperative sector and the wellbeing of members are given equal priority by us at Bank Rakyat. As one of the largest cooperatives in the country, we have a key role to play in the development of the sector. We also share the government's aspiration of making the cooperative sector the third engine of economic growth after the private and public sector.

As one of the oldest cooperatives in the country, we aim to continue contributing to the eradication of poverty and development of communities as well as reducing the gap between urban and rural communities. We have been the model of a successful cooperative.

We are ranked second in the Cooperative Commission Of Malaysia's 2013 Top 100 Best Cooperative's in Malaysia. This ranking is a recognition of our efficiency, professionalism and ability to promote Islamic principles whilst generating profits.

We expect to retain this position, that of being the second largest revenue generator in the cooperative movement with an income of RM6.07 billion for 2013.

Our business activities contributed to the national gross output which was valued at RM960 billion.

As a responsible cooperative member, we contributed RM42.51 million or 2% of our profit before tax and zakat to the Cooperative Education Trust Fund and RM21.25 million or 1% of our profit before tax and zakat to the Cooperative Development Provident Fund.

RESPONSIBILITIES TO OUR SHAREHOLDER OR MEMBERS

We are responsible to our 943,464 members (individuals and cooperatives) who place their trust in the Bank. We are constantly devising new business plans and strategies to ensure consistent returns.

We are always devising the best approach to ensure the organisation continues to record profit and share the returns with our members.

We have been consistent in our dividend returns and for the financial year ended 31 December 2013, the bank has announced a distribution amounting to RM446 million, the 15th consecutive year we have distributed returns of no less than 15% to our shareholders.

CONTRIBUTION TO THE COOPERATIVE MOVEMENT

Bank Rakyat continuously strives to bring added value to the over seven million cooperative members and 8,000 cooperatives in Malaysia. Our financial access and value added contributions to the development of the movement, creates job opportunities and reduces the income disparity between urban and rural areas.

Our plans and strategies are also created to support the National Cooperative Policy 2011-2020.

CO-OP CARD MERCHANT PROGRAMME

The CO-OP Card Merchant Programme is one of our strategic initiatives to assist cooperatives increase their market share and revenues. Under the programme the Bank becomes the vital link between cooperatives and the general public who are interested to procure products and services offered by the cooperatives.

Cooperatives who become merchants under this programme offer attractive discounts to card holders and Bank Rakyat, who produces and issues the card, promotes the merchants in all promotional activities, through our website site and marketing programmes related to CO-OP cards, giving the merchants further reach.

The CO-OP Card programme has been well-received. In 2013 we issued 271,617 CO-OP cards, increasing the CO-OP cards in circulation to 1,286,375. Up to the end of December 2013, 142 cooperatives have registered as merchants under this programme.

BANK RAKYAT SERVICE AGENTS

The Bank Service Agent programme was created to help cooperatives expand their revenue channels. Under this programme, qualified and capable cooperatives are appointed as agents to market and promote specific financial products and services. The cooperatives, which do not have to make any capital investment, gain revenue from the commission accorded by Bank Rakyat. Until the end of December 2013, we have 69 cooperatives operating as our service agents throughout the country.

CO-OP PARTNER PROGRAMME

Bank Rakyat realises cooperatives must be competitive, have a strong management team and have access to financial assistance in order to grow and contribute positively to the country's economy.

To assist the small and midsize cooperatives, the Bank has created the Program CO-OP Partner Programme to improve their competitiveness and management abilities as well as expand their business activities.

Under this programme, the Bank provides consultancy and advisory services for Shariah-compliant financing, marketing, business promotion, business expansion and other related services.

This free-of-charge programme involves practical training at our branches. At the end of December 2013, 142 cooperatives from throughout the country have enlisted under the programme, and received various assistance and support from Bank Rakyat.

ISLAMIC FINANCIAL SYSTEM AMONG CREDIT COOPERATIVES

Bank Rakyat has the expertise and capability to assist cooperatives that want to develop and provide Shariah-compliant financial services to the public.

It also offers cooperatives the opportunities to diversify their activities and revenues. We organise Islamic Credit System Seminars for cooperatives who are interested in participating in the Islamic financial systems.

Open to all credit cooperatives, the seminar also informs participants on the business opportunities including programmes offered by the Bank. Under this programme, the Bank has appointed 149 cooperatives to our panel for the Micro Financing Scheme.



"I have been a Bank Rakyat member for 35 years. The facilities and services offered by Bank Rakyat have been very good and they have been well-received both by members and non-members."

Haji Mohd Shariff Ahmad
(Bank Rakyat Member)

Realising Aspiration

No. 1

Priority on Governance

7

Supervising Committees

4,695 Employees

Upholding Governance Culture

LEADING IN REGULATORY COMPLIANCE

Bank Rakyat falls under the purview of Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC). The ministry is responsible for the development and progress of cooperatives after amendments to the Bank Kerjasama Rakyat Malaysia Berhad Act (Special Provisions 1978).

As an agency under MDTCC, we uphold the government and ministry's aspirations and objectives in relation to cooperatives and consumerism. Under the National Cooperative Policy, the government envisions the cooperative movement to become the nation's third economic growth engine. The Bank believes, through its banking services, it can play a significant role in promoting economic activities and improving the socioeconomic status of communities.

In 2001 the Bank was placed under the direct supervision of Bank Negara Malaysia (BNM) in accordance with the Financial Institution Development Act 2002. With the enforcement of the act, we are guided by the central bank's provisions, acts, procedures and policies, similar to other commercial banks.

AN AGENCY UNDER MINISTRY OF DOMESTIC TRADE, CO-OPERATIVES AND CONSUMERISM (MDTCC)

We endorse all efforts by MDTCC to create a vibrant domestic trade sector and a strong consumer community that is in line with the country's aspiration of becoming a developed nation by 2020.

Guided by the ministry's aim of ensuring the Ministry is centre of the investors, business operators and consumers communities we support the Ministry's cause to be the enabler for domestic trade and a champion of consumerism.

MDTCC'S VISION

Leader in the development of domestic trade, cooperatives and consumerism.

MDTCC'S MISSION

1. To provide a conducive business environment for the development of domestic trade;
2. To steer the nation towards a consumer centric society that is more conscious and empowered with respect to their rights;
3. To develop competitive, progressive and resilient cooperatives; and
4. To foster creativity and innovation through an effective Intellectual Property Rights (IPR) regime.

The Bank supports the National Cooperative Policy as it provides clarity and direction to the cooperative movement. The policy outlines the strategic thrusts that go towards ensuring increased participation by cooperatives in the development of the country together with the public and private sector. Our banking and other related activities are designed to spur the growth of the cooperative movement, and ensure the wellbeing of cooperative members and contribute positively to nation building. We aim to lead the cooperative sector and be the main contributor to the nation's development through responsible banking activities.

We also aim to create an independent, competitive business entity, that is proactive and sensitive towards the needs of the environment.

We aim to realise the National Cooperative Policy following objectives:

- Contributing 5% to national product by 2013 and 10% by 2020
- Improving the socio-economic status of members
- Concern for the environment
- Responsible corporate citizenship

And embody the National Cooperative Policy thrusts by:

- Encouraging participation of cooperatives in high value economic sector
- Strengthening the capacity and capability of the cooperatives
- Creating and developing the human capital capabilities in cooperatives
- Increasing the public's confidence in the cooperative movement
- Strengthening cooperatives through effective supervision and enforcement

In achieving these goals, the inclusive nature of our banking services and activities provides opportunities for greater participation by members and cooperatives.

COMPLIANCE TOWARDS THE REGULATOR

We are fully cognisant of the need for sound corporate governance and the necessity to comply to all provisions and regulations as outlined by Bank Negara Malaysia (BNM) as this is paramount for the Bank's survival and the security of the country's financial system.

Our governance process includes:

- Being guided by the Financial Services Act (FSA) and the Islamic Financial Services Act (IFSA), ensuring no infringements of the acts.
- Creation of a transparent and clear structure by the establishment of the following committees – Board of Directors, Shariah Committee, Audit and Examination Committee, Nomination Committee, Remuneration Committee, Risk Management Committee, and Investment Committee – to ensure full compliance of all guidelines, policies and procedures.
- Focusing on BNM Financial Stability and Payment Systems Report (FSSR) and related guidelines on risk, challenges faced by financial institutions, and the roles of financial institution in promoting economic growth.
- Understanding the issues related to Composite Risk Rating (CRR).
- Ensuring the workforce understands and complies with all guidelines related to Anti-Money Laundering and Anti-Terrorism Financing Act.
- Constant application of the guidelines for Responsible Financing issued by BNM in relation to financing approvals.
- Incorporation of a compliance and control mechanisms for every aspect of the Bank's operations.
- Formation of a committee to ensure the Bank's compliance on Liquidity Coverage Ratio and liquidity risk as required under BASEL III.

Realising Aspiration

- Ensure credit quality and compliance with all related requirements under the Debt Service Ratio (DSR) guidelines in determining maximum financing amount.
- Create a transparent and comprehensive structure to ensure the workforce complies fully with BNM and our guidelines.
- Invest in experts, human capital and infrastructure to fend off commercial crimes and frauds including cyber crimes, and work closely with the relevant authorities and BNM to prevent these crimes.
- Internally developed an automated risk system called the Risk Control Self Assessment System that is now at stage three of its development to strengthen risk management at Bank Rakyat.
- Organisation of seminars and forums on the importance of internal controls.
- Perform internal audit on all business units to ensure that supervision standards and a culture of compliance is fully understood and implemented at all levels.

WHAT WE ACHIEVE WITH STRONG GOVERNANCE

Strong governance and prudent management have enabled the Bank to contribute positively in promoting economic activities and affecting positives changes to surrounding communities.

Our solid financial position and continuous profit and revenue ensure we deliver consistent dividends to our shareholders, and add value to our services that ensure they fulfil customers requirements.

Strong governance has contributed to our long-term success and improved public perception.

Growing public confidence has resulted in the increase of our customer to five million at the end of 2013, making us one of the biggest banks in the country.

The development and implementation of a clear, transparent and comprehensive compliance process ensures our 4,695 employees permeate the same compliance and governance culture in their dealings and transactions.

Our risk management, product and service development processes are also enhanced by the presence of a clear, structured governance and regulatory framework. At the same time the Bank's financing activities are based on sound governance policies that emphasise on responsible financing, development of a sustainable credit market, safeguarding public interest, and the stability of the financial system and macro economics as envisioned by the central bank.



Human Capital Excellence

4,695

Workforce

1,745

Female Employees

2,410

Graduates

RM 1.3
million

Average Employee Productivity
(Income/Workforce)

RM 25.96
million

Allocation for Training



"A key differentiator is the work benefit offered to the staff of all levels e.g. medical and incentives that are far better than the market. This is one of the reasons staff turnover (at Bank Rakyat) is lower compared to the industry's average."

Saliman Zainal

(Senior Vice President, Marketing & Communication)
Has been with the Bank for 25 years and outside the Bank, he is also the President of the National Banks Sports Council (NBSC) and Vice President of the Kuala Lumpur Badminton Association (KLBA)



Marwiah Ismail

(Call Centre) - Special Needs Employee
Has been with Bank Rakyat for 12 years

"Bank Rakyat cares about our needs and has provided a lot of facilities for workers with special needs like ramps, electric wheelchair and special toilets. I want to continue to serve at Bank Rakyat"



Rasida Mohamed Zali

(Call Centre) - Special Needs Employee
Has been with Bank Rakyat for 13 years

"Besides the work culture, excellence and operational efficiency, the Bank never stops its employees from getting involved in activities outside the Bank. I was involved in the 2002 Paralympics and associations like PERTIS, SBM, MAB and others"

Human Capital Excellence

CHOICE EMPLOYER AND PREFERRED WORKING PLACE

Bank Rakyat aspires to become the Choice Employer among professionals, management and support staff. More than just providing job opportunities, we want to develop and enhance careers, nurture skills and talents, encourage innovations and creativity, and produce capable and competent leaders who can propel the Bank towards excellence.

With these work values - Hardworking, Trustworthy, Competent, Confident, Ethical, and Righteous (Rajin, Amanah, Kompeten, Yakin, Akhlak Mulia, Takwa or R.A.K.Y.A.T) – we possess a capable, knowledgeable, and multitasking workforce who can multitask and deliver the desired results. Teamwork and unwavering commitment towards our vision and mission have allowed our employees to contribute positively to the Bank's profitability and the economy in general.

And our workforce continues to deliver world class performance. A recent EQ Survey conducted by Nielsen Company reaffirmed the Bank's human capital had retained the "World Class Level" for 2013.

The Bank had also developed an industry driven human resource framework. The framework aims to promote high performance culture and healthy competition among the employees. We also hope the framework will attract more professionals to join the organisation. The framework encompasses policies on service, remuneration, benefits, training, career development and work-life balance.

The Bank had also re-organised and restructured the organisation to support the 2013-2017 strategic plans, and cultivate a high performance culture in the organisation.

WORKFORCE THE CATALYST FOR CHANGE

Our employees had played a key role in ensuring our success since we were established in Penang in 1954. More than just an asset, each employee is viewed as the extended family of 4,695 people throughout the country. These employees determine the success of our 144 branches and 34 Ar-Rahnu X'change outlets.

At Bank Rakyat the workforce shares the same work values - Hardworking, Trustworthy, Competent, Confident, Ethical, and Righteous - and these values permeate in all their dealings with customers and stakeholders. They contribute to the communities by providing a fast, friendly, efficient and excellent service. Certainly, their commitment is second to none. The trust they put in the leadership, human capital and technologies have ensured we achieve our vision of becoming the Choice Bank for all.

OUR VALUES

Bank Rakyat plays an important role in the country's economic ecosystem. Besides providing financial services and generating economic activities, we are tasked to promote and uphold Islamic financial system, spearhead the growth and development of the cooperative movement, and function as the force for positive changes to the communities.

While we encourage individual aspiration, the spirit of excellence and the importance of teamwork are given equal attention. We optimise our present human capital through careful selection of highly talented individuals and maximising our employees' potentials to yield the best results.

Employees are allowed to realise their potentials while the organisation collective goals remain a priority. The workforce is encouraged to be creative and innovative. They are asked to think outside the box, find solutions and apply the latest technological advancements to minimise processes, and achieve greater efficiency, quality and effectiveness. Like other service-based organisation, our employees are required to maintain a strong and healthy relationship with customers, authorities, public, shareholders and colleagues. They are also required to comply with all guidelines issued by the relevant authorities.

As an Islamic financial institution, Shariah compliance takes precedence over profitability and revenue. We also implement a performance-based remuneration scheme to achieve sustainable performance and attract the best talents.

OUR WORK VALUES

The Bank requires a cultural leap to achieve sustainable excellence. We believe what works in the past may not deliver the same result in the future.

Rapid changes, locally and globally, require us to move towards a high performance culture while retaining our R.A.K.Y.A.T. work values.

"TAPPING INTO LATENT POTENTIAL" PROGRAMME

Competition in the banking sector is reaching new heights. To ensure we remain relevant, the Bank has developed a comprehensive action to address our human capital need. One of the programmes is "Tapping Into Latent Potential". This programme, focusing on the identifying staff performance and potential, provides the Bank with useful insights in determining optimum "efficient frontier" for branch managers, and the trainings required to enhance their potentials.

WORKFORCE BENEFITS

The Bank offers a comprehensive and competitive benefit scheme to employees.

Among the main benefits are:

1. Medical benefit for employees and their dependents (based on individual eligibility)
2. Compassionate leaves (matrimony, death of close family members, examination, natural disaster, etc)
3. 60-day maternity leave
4. Minimum salary
5. Collective Takaful Coverage
6. Welfare fund
7. Competitive financing facilities (housing, cars, shares, education and others)
8. Other benefits

LEADING IN CAREER DEVELOPMENT AND TRAINING

We have developed various methods, training programmes and tools that allow our employees to sharpen their present skills as well as acquire new abilities required to achieve high performance output on a consistent manner.

Our staff development programmes comprise of Talent Management, Succession Planning and Career Development, and Learning and Development.

1. Induction Programme - A compulsory programme to new employees, aimed at educating new recruits on the overall operation, vision, mission, corporate objectives, work culture, and the importance of teamwork.
2. Senior Management Development Programme (SMDP) - This program is part of our succession planning programme to fill potential vacancy at Senior Vice President/Division Chief levels.
3. Development Training Programme. This programme aims to improve interpersonal skills, develop the confidence to make efficient decisions, overcome work stress, provide motivation, and become reference points among colleagues. We also introduce programmes to improve competencies and create a flexible, creative and innovative workforce.
4. Higher learning opportunities. We offer scholarships to our employees who want to further their education both at undergraduate and postgraduate levels.

5. Work Excellence Culture Training. This programme aims to produce a workforce who upholds and possess these values - integrity, trustworthy, transparent, virtuous, and responsible.
6. We enrol our staff into programmes organised by IBBM, INCEIF, ISRA, ICILF, as well as professional certification courses like Chartered Islamic Finance Professional (CIFP), Professional Credit Certification (PCC), Certificate in Internal Auditing for Financial Institution (CIAFIN) to enhancing their Islamic banking knowledge.
7. Internal training on Shariah enhances our employees' understanding on Islamic financial institution management, Islamic banking concepts, and the importance to comply to all guidelines issued by Bank Negara Malaysia.

OUR APPROACH TOWARDS WORK-LIFE BALANCE

Work-life balance is given much attention at Bank Rakyat. Through our "JOM! Sihat" programme we emphasises on the importance of living healthy. We want to create a health conscious and active workforce who places equal importance on work-life balance.

Our programme also focuses on overall health – internal and external – as well as the awareness on living and eating well. We award employees who have not taken any sick leave as recognition for their commitment and propagating a healthy lifestyle.

The Bank also presents yearly Service Loyalty Award to employees, and rewards the children of the employees who excel in education. Service loyalty awards are given to employees who have served the Bank for a certain number of years. Education incentives are given to encourage the employees to improve their academic qualifications for career progression.

The Bank's Occupational Safety and Health Administration (OSHA) had enhanced various health and safety programmes while new programmes were introduced for high risk activities. Among the key projects embarked in 2013 were the upgrading of the Local Exhaust Ventilation System to Ductless Fume Hood, and carrying out Generic Chemical Hazard Risk Assessment.

The Bank also recognises individual excellence by awarding the Chairman's Awards. The award comes with holiday voucher worth RM15,000.00.



Bringing Change to Communities

Helping and caring for those in need are embedded in our mission, corporate philosophy, and activities. Our deeds bring unimaginable joy to the less fortunate, like the smiles and grins of the children at the pediatric ward during our visit. That is the true reflection of joy.



Board of Directors and Main Committees

INTRODUCTION

The Board of Directors is responsible to protecting the interest of shareholders, customers and stakeholders based on the principles of corporate governance, accountability, integrity and transparency.

The Principle of Corporate Governance is based on the best practice provisions outlined in Bank Negara Malaysia (BNM) Guidelines on Corporate Governance for Development Financial Institutions and the Malaysian Code on Corporate Governance.

DIRECTORS

Duties and Responsibilities of the Board

It is the Board's responsibility to ensure the Bank's efficient operation. Other duties of the board include formulation of the overall strategic direction, approval of performance targets, monitoring management's achievements, and offering overall guidance on the Bank's policies. The Board is also responsible in putting in place policies and procedures for internal regulatory system and succession planning.

The Board uphold the values of transparency, and strives to avoid any situation that involves conflict of interests arising from transactions which may give rise to questions and doubts about the integrity of the decisions made by the Board.

The Board consists of seven members, six of whom are Non-Executive Directors (including Chairman of the Board). All the Non-Executive Directors are free to exercise considerations in determining strategies, performance, resources and the degree of action. The background of the Directors in various fields like accountancy, finance, banking, economy, legal as well as their experience in the private and public sectors, provides the Board with the expertise and experience to execute the functions effectively.

Meeting and Provision of Information to the Board

The Board meets at least once a month and additional meetings are held whenever necessary. The Board held 18 meetings for the financial year ended 31 December 2013, including three Special Board Meetings to discuss business performance of the Bank, risk profile, business planning, and other strategic issues affecting the Bank's business.

Agenda for every meeting, together with complete reports, proposal papers and supporting documents from the Management, are circulated to the Board seven days before the date of the meeting as to give them sufficient time to study the matters to be discussed in the coming Board meeting and to help them make suitable decisions.

The Board Members and Meeting Attendance Record

Board Members		Meeting Attendance
1.	Tan Sri Sabbaruddin Chik (Chairman)	18/18
2.	Datuk Mustafha Abd. Razak	18/18
3.	Dato' Abdul Mutalib Alias	12/18
4.	Dato' Mangsor Saad	17/18
5.	Dato' Zuraidah Atan	17/18
6.	Dato' Saripuddin Kasim	15/18
7.	Dato' Mat Noor Nawawi	6/9 (appointment from 1/5/2013)
8.	Dato' Yusof Abdul Rahman	4/5 (appointment until 31/3/2013)
9.	Dato' Dr. Syed Hussain Syed Husman	10/11 (appointment until 31/5/2013)
10.	Dato' Haji Amirul Rahman Abdul Rahim	9/9 (appointment until 30/4/2013)

Appointment of Members of the Board

According to the Bank Kerjasama Rakyat Malaysia Berhad Act (Special Provision) 1978, the appointments of all the members of the Board are executed by the Minister in charge. Every appointment is for a renewable term of not more than two years.

On Going Training and Development of Directors

On going training and development for directors is given priority at Bank Rakyat, in line with the corporate governance codes. Members of the Board are encouraged to attend conferences, training and seminars to gain the latest insights on the banking industry. In addition, they are briefed on the latest laws and regulations during Board meetings.

Committee of the Board

The Board forms the Audit and Examination Committee, Nomination Committee, Remuneration Committee, Risk Management Committee and Investment Committee to assist the Board in executing its roles in an effective and efficient manner.

All these committees function in accordance with the terms of reference approved by the Board. All the committees are chaired by Non-Executive Directors and the chairman of each committee must ensure the committee functions according to the terms of reference. The terms of reference of each committee is revised to ensure the committee fulfils the Bank's overall objectives. The committees report to the Board on all their decisions. This ensures the Board understands every facet of the Bank's operations.

Audit and Inspection Committee

The Audit and Inspection Committee ensures the Bank practises the highest level of corporate governance, the financial position and the operations of the Bank remain at the highest levels, and the compliance of all internal controls. This responsibility is discharged via independent monitoring of the risk management, internal control and governance process, as well as compliance of all internal controls. The committee reviews the quarterly and half-yearly financial reports, audit reports, policies, and recommends remedial actions. The Audit and Inspection Committee consists of three members appointed from among the Non-Executive Directors who possess the expertise and experience related to auditing. The committee is chaired by Dato' Mangsor Saad. This Committee held six meetings for the financial year ended 31 December 2013 including one Special Audit and Inspection Committee Meeting. The committee's attendance record for 2013 was 100 per cent. The committee also met the external auditor twice in 2013.

Members of the Audit and Inspection Committee and Meeting Attendance Record

Name	Attendance
1. Dato' Mangsor Saad (Chairman)	6/6
2. Dato' Saripuddin Kasim (Alternate Chairman)	6/6
3. Dato' Mat Noor Nawi	3/3 (appointment from 14/6/2013)
4. Dato' Dr. Syed Hussain Syed Husman	3/3 (appointment until 31/5/2013)
5. Dato' Haji Amirul Rahman Abdul Rahim	3/3 (appointment until 30/4/2013)

The terms of reference of the Audit & Inspection Committee are:

- To ensure that the affairs of the Bank and its subsidiaries are conducted in accordance with the relevant objectives, laws and regulations as well as their respective policies and procedures.
- To check the internal controls, including the scope of internal audit programme and audit findings, and to recommend corrective actions that the Management needs to take.
- To check with External Auditors the scope of their audit programmes, internal accounting control systems and audit reports.

Board of Directors and Main Committees

The committee is assisted the Bank's Head of Internal Audit, Dr Badrul Hisham Mohd Yusoff who acts at the secretariat. He has extensive experience in the audit of major corporations including leading the auditing departments at Affin Investment, a subsidiary of Permodalan Nasional Berhad (PNB), Kenanga Investment and Bursa Malaysia.

Nomination Committee

The Nomination Committee ensures the effectiveness of the Board of Directors in performing their duties. The committee evaluates the performance of Board Members and the Managing Director as well as recommends new appointments. The Nomination Committee consists of five members appointed from among the Non-Executive Directors. The committee, chaired by Tan Sri Sabbaruddin Chik, held six meetings for the financial year ended 31 December 2013.

Members of the Nomination Committee and Meeting Attendance Record:-

Name	Attendance
1. Tan Sri Sabbaruddin Chik (Chairman)	6/6
2. Datuk Mustafha Abd. Razak	5/5
3. Dato' Abdul Mutalib Alias	2/6
4. Dato' Mangsor Saad	5/6
5. Dato' Zuraidah Atan	6/6
6. Dato' Yusof Abdul Rahman	1/1 (appointment until 31/3/2013)

The terms of reference of the Nomination Committee are:

- To supervise the composition selection of the Board.
- To evaluate the performance and effectiveness of Board members, Board Committees and main management position.
- To recommend steps to increase the effectiveness of the Board and Board committees.
- To establish a formal evaluation mechanism for evaluating the effectiveness of the Board as a whole, the contribution of every Director towards the effectiveness of the Board, the contribution of every committee created by the Board, and the performance of the Managing Director.
- To recommend to the Board the dismissal of the Directors/ Managing Director in the event they are found to be ineffective, involved in misconduct or negligent in the performance of their duties.

- To ensure that the Directors continually undergo appropriate human capital development programme and training.
- To supervise the appointments and the succession plans of the Management and the evaluation of the performance of senior officers, and to recommend to the Board the necessary actions to be taken against them in the event they are found to be ineffective, engaged in misconduct or negligent in the performance of their duties.

Remuneration Committee

The Remuneration Committee assists the Board of Directors in deciding the remuneration payment structure, indentifying current trends and evaluating related remuneration issues to ensure the efficiency of the organisation. The committee also recommends salary increase, other remuneration packages and staff bonuses.

The committee comprises of four Non-Executive Directors. The committee, chaired by Dato' Saripuddin Kasim, held six meetings in 2013.

Members of the Remuneration Committee and Meeting Attendance Record:

Name	Attendance
1. Dato' Saripuddin Kasim (Chairman)	2/2 (appointment from 14/5/2013)
2. Dato' Mat Noor Nawi	0/1 (appointment until 25/6/2013)
3. Dato' Abdul Mutalib Alias	3/6
4. Dato' Zuraidah Atan	5/6
5. Dato' Dr. Syed Hussain Syed Husman	5/5 (appointment from 31/5/2013)
6. Dato' Haji Amirul Rahman Abdul Rahim	4/4 (appointment from 30/4/2013)

The terms of reference of the Remuneration Committee are:

- To propose a framework for the remunerations of the Directors, Managing Director, General Managers and the Chief Internal Auditor.

- To propose remuneration packages for the Directors, Managing Director, General Managers and the Chief Internal Auditor.
- To ensure that the remuneration packages for the Managing Director include gratuities that commensurate with his corporate performance and individual performance to encourage the attainment of a high standard of achievement.
- To ensure that the remuneration packages for the Non-Executive Directors commensurate with their level of responsibilities and their contributions towards the effectiveness of the functions of the Board of Directors.

Risk Management Committee

The Risk Management Committee ensures the application of the best and highest standards for risk management. It also determines the risk strategies to protect the Bank's interest, members and depositors.

The committee also strives to enhance the risk management culture at every level of the Bank. The committee, chaired by Dato' Abdul Mutalib Alias, held four meetings in 2013.

Members of the Risk Management Committee and Meeting Attendance Record:

Name	Attendance
1. Dato' Abdul Mutalib Alias (Chairman)	4/4
2. Dato' Mangsor Saad	3/4
3. Dato' Zuraidah Atan	1/2 (appointment from 27/8/2013)
4. Dato' Mat Noor Naw	1/2 (appointment until 25/6/2013)
5. Dato' Dr. Syed Hussain Syed Husman	2/2 (appointment until 31/5/2013)
6. Dato' Haji Amirul Rahman Abdul Rahim	2/2 (appointment until 30/4/2013)

The terms of reference of the Risk Management Committee are:-

- To review and propose risk management strategies, policies, and risk tolerances for approval by the Board.

- To review and assess the adequacy of risk management policies and frameworks in identifying, quantifying, monitoring, and controlling risks as well as to determine how effective these policies and frameworks are.
- To ensure that the infrastructure, resources, and systems for risk management are prepared, and to ensure that employees responsible with the implementation of risk management systems are able to discharge their duties independently while carrying out risk-bearing activities of the Bank.
- To review all periodic management reports on risk exposure, risk profile composition and risk management activities.

Investment Committee

The Investment Committee ensure effective investment decision making, and investment returns which commensurate with the Bank's financial aims and objectives. This includes investments in equity, fixed income, property and other investments deemed suitable by the committee. The committee also supervises the decisions made by the Investment Committee at Management Level. The Investment Committee, chaired by Tan Sri Sabbaruddin Chik, held three meetings in 2013. The committee comprises of four Non-Executive Directors.

Members of the Investment Committee and Meeting Attendance Record:

Name	Attendance
1. Tan Sri Sabbaruddin Chik (Chairman)	3/3
2. Datuk Mustafha Abd. Razak	2/2 (appointment from 1/4/2013)
3. Dato' Abdul Mutalib Alias	1/3
4. Dato' Zuraidah Atan	2/3
5. Encik Mohd Fauzy Abdullah	3/3

The terms of reference of the Investment Committee are:

- Formulate the Bank's investment policies and directions on equity investment.

Board of Directors and Main Committees

- Determine the Bank's investment policies and guidelines, and evaluate new investments.
- Determine and approve the Bank's investment policies and guidelines based on the Bank's business objectives.
- Certify the Bank's investment in real estate.
- Approve the purchase of real estate for the Bank's operational purposes.

OTHER COMMITTEES

(a) Tender Board

The Tender Board evaluates quotations proposed to the Bank, and perform a comprehensive evaluation of each proposal by taking into account the Bank's interests, financial position, and the returns and values generated for the Bank. The Tender board comprises of four Non-Executive Directors. It is chaired by Dato' Mangsor Saad. The committee held three meetings in 2013.

Members of the Tender Board and Meeting Attendance Record:

	Name	Attendance
1.	Dato' Mangsor Saad (Chairman)	3/3
2.	Datuk Mustafha Abd. Razak	3/3
3.	Dato' Saripuddin Kasim	1/2 (appointment from 27/8/2013)
4.	Dato' Mat Noor Nawli	1/2 (appointment from 14/5/2013)
5.	Dato' Dr. Syed Hussain Syed Husman	1/1 (appointment until 31/5/2013)
6.	Rosman Mohamed	2/3 (appointment until 31/12/2013)

Among the responsibilities of the Tender Board are:

- To deliberate on and approve acquisitions via tender of values exceeding RM1.5 million (capital expenditure, renovation, and expenses).
- The Tender Board is empowered to call the suppliers/contractors to quote prices or to negotiate prices.

- To make systematic and clear records of the bases and factors upon which selections and decisions are made, and to submit these records for the perusal of the Board.

(b) Management Committee

The Management Committee assists the Managing Director in translating the Bank's missions and objectives in its daily operation. The Management Committee strives to achieve all objectives and benchmark determined by the Board. It also ensures the implementation of all corporate governance policies. It accepts and provides feedback to the Board on financial position, operation, compliance, achievement, projects, initiatives, and factors that may influence the Bank's performance. The Management Committee, headed by Datuk Hj. Mustafha Hj. Abd.Razak, comprises of seven members. The Management Committee can also form sub-committees to ensure a more efficient implementation and monitoring of the Bank's initiatives.

(c) Shariah Committee

The Shariah Committee is established in line with the Shariah Governance Framework (SGF) for Islamic Financial Institutions issued by BNM. The committee ensures all activities, products, transactions, operations, and the Bank's zakat management and all its subsidiaries comply with Shariah requirements all the time as a full-fledged Islamic financial institution incorporated in Malaysia.

The Shariah Committee shall report directly to the Board of Directors ("BOD") and shall be recognised as an independent committee. The Shariah Committee is chaired by Dato' Setia Mohd Tamyas Abd Wahid. The six committee members have extensive experience in Shariah related fields.

The Shariah Committee held 18 meetings in 2013 to discuss various issues related to the Bank's operation and Shariah compliance.

Members of the Shariah Committee and Meeting Attendance Record are:

Shariah Committee Members	Attendance
1. Dato' Setia Mohd Tamyas Abd Wahid (Chairman)	18/18
2. Datuk Abu Hasan L. Din Al-Hafiz	17/18
3. Associate Prof. Dr. Siti Salwani Razali	15/18
4. Md. Yunus Abd. Aziz	18/18
5. Wan Rumaizi Wan Husin	17/18
6. Abdullaah Jalil	18/18

Among the roles and responsibilities of the Shariah Committee are:-

- Responsible and accountable for all Shariah decisions, views and opinions issued on Shariah matters provided by the Committee.
- Advice, provide input and necessary assistance on Shariah matters to the Board, Bank's stakeholders and parties associated with the Bank's business operations and activities including the activities of its subsidiaries and cooperatives regulated by Suruhanjaya Koperasi Malaysia (SKM) which consult or refer to the Bank on case-to-case basis to ensure compliance with Shariah requirements at all time.
- To adopt the resolutions of Shariah Advisory Council (SAC)/BNM and/or SAC of Securities Commission (SECCOM) upon publication and to highlight to Management and Board in the event the Committee invokes its right to adopt stringent decisions as permissible by Shariah Governance Framework for Islamic Financial Institutions (SGF).
- Perform oversight role on Shariah matters related to the Bank's business operations and activities including its subsidiaries and guide the Bank and its subsidiaries on the implementation of Shariah decisions issued.
- Assess and validate works which include Shariah research, takyif fiqhi, report and finding carried out by all Shariah functions inclusive of Shariah Research, Shariah Review, Shariah Risk Management and Shariah Audit in order to ensure Shariah compliance. (The full term and reference of the Shariah Committee is available on page 132 of this Annual Report.)

SHAREHOLDERS

The Annual General Meeting is the channel for shareholders through their appointed representative to get the latest development about the Bank, as well as ask questions on issues related to the Bank. The annual meeting also offers shareholders the opportunity to meet the Board of Directors and the Bank's senior management.

Besides answering inquiries, the Board and senior management will use this opportunity to present the Bank's financial position, strategies, efforts and initiatives to strengthen the Bank's operation. The notice of Annual General Meeting and the annual report are sent to shareholders at least 15 days before the meeting. This will give the shareholders sufficient time to evaluate the report and prepare related questions, if there is a need to do so.

COMMUNICATION POLICIES

Communication to all stakeholders is important to the Board. Preparing information to shareholders and related parties is one of the Bank's policies. This ensures all parties will receive the latest information about the Bank especially its financial position, achievements, banking activities and corporate responsibility programmes. Besides enhancing transparency, this effort increases public awareness on the Bank's achievements.

Annual Report

Bank Rakyat Annual Report is a comprehensive document which clearly conveys the financial position, initiatives, annual activities and important achievements for the year under review. It also covers financing activities, sectors targeted, corporate social responsibility (CSR) activities, and other initiatives which are being implemented by the Bank.

Bank Rakyat Website

Information about the Bank is readily available on the Bank's website - bankrakyat.com.my. It provides shareholders and related parties access to the latest information about the Bank. The Bank's Annual Report, banking notices, quarterly and annual financial performance, and other important information are shared on the website, in line with the Bank's open and transparent policies.

Audit & Inspection Committee

ACCOUNTABILITY AND AUDIT

Financial Report

The Board of Directors is committed in giving a fair and comprehensive evaluation of the Bank's financial position, and its prospects in every disclosure to shareholders and the authorities.

The Bank has adopted an appropriate accounting policy that is consistent and supported by considerations and estimates that are acceptable. All accounting standards applied have been complied with to ensure that the Bank's integrity is continuously guaranteed, especially with regards to the Annual Financial Report.

With the kind assistance of this Committee, the Board of Directors has scrutinised every information to be disclosed to ensure that it is correct, sufficient, complete and transparent.

Internal Controls

The Board of Directors are fully responsible to identify, assess and scrutinise the adequacy and integrity of existing internal controls to guarantee the effectiveness and efficiency of Bank's operations and compliance with the law, regulations, policies and internal procedures.

The size and diversity of the Bank's operations require the management of various risk mitigations. The diversity of the risks can cause the Bank to suffer unexpected and unavoidable losses.

The Bank's internal control system is devised specifically to provide reasonable assurance but not absolute assurance against the risk of a mistake, cheating or losses incurred. The Risk Management Committee will ensure that accountability of the risk management that has been decided is under the responsibility of the parties involved and continually discussed during the scheduled meetings.

The Audit and Examination Committee is responsible to ensure the adequacy and effectiveness of the Internal Control, Risk Management and Governance systems of the Bank are complied with and in accordance with Shariah.

This is done through an examination of the financial controls system, operations, compliance with the law and regulations, implementation of the Shariah Audit function and the identification and assessment of the risks associated to the Bank.

Internal Audit also conducts a review of the compliance with policies and procedures and overall effectiveness of the Bank's internal control structure as a whole.

A three-level defence awareness concept programme comprising Risk Taking Unit, Risk Control and Audit are implemented continuously. The Risk Taking Unit manages daily risk exposure from business operation, while the Risk Control Unit formulates the guidelines which define risk management and develop requirements and approaches.

The Internal Audit provides an independent evaluation on the risk management approaches.

Relationship with Auditors

The Bank, through the Audit and Examination Committee, has established a relationship that is transparent and appropriate with both, Internal and External Auditors. The Audit Management is responsible to ensure that corrective actions are taken without delay on the audit findings reported by auditors.

AUDIT AND INSPECTION COMMITTEE REPORT

The Audit and Inspection Committee is committed in ensuring the Bank's financial position and operation are at the highest level. The monitoring by this independent committee ensures the effectiveness of the risk management, internal control and corporate governance of the Bank.

To ensure its effectiveness, the Audit and Inspection Committee comprises of five members from among Non-Executive Directors who have extensive experience in various related fields.

The Audit and Inspection Committee members are:

Committee Members

- | | |
|----|---|
| 1. | Dato' Mangsor Saad (Chairman) |
| 2. | Dato' Dr. Syed Hussain Syed Husman * |
| 3. | Dato' Haji Amirul Rahman Abdul Rahim ** |
| 4. | Dato' Saripuddin Kasim |
| 5. | Dato' Mat Noor Nawawi *** |

* Membership ended 31 May 2013

** Membership ended 30 April 2013

*** Reappointed from 01 May 2013

The committee met six times including one Audit and Inspection Committee Special Meeting for the financial year ended 31 December 2013.

The meetings allow the committee to scrutinise various auditing issues and recommend remedial actions to safeguard the interest of the Bank.

Among the roles and responsibilities of the Audit and Inspection Committee are:

- Review and evaluate the adequacy and effectiveness of the Internal Control, Risk Management and Governance systems (including compliance with Shariah principles)
- Review the auditing scope, programmes and audit findings as well as recommend remedial actions which need to be taken by the Bank's Management.
- Ensure and regulate that the internal audit functions comply with the Bank Negara Malaysia Guidelines.

Membership and Meeting Attendance

For the financial year ended 31 December 2013, the Audit and Inspection Committee which comprises of five Non-Executive members of the Board of Directors met 6 times. The meetings were to discuss and evaluate adequacy and effectiveness of the Internal Control, Risk Management and Governance systems.

Details on the attendance of members for 2013 are as follows:

Committee Members	Attendance	Percentage
1. Dato' Mangsor Saad (Chairman)	6/6	100%
2. Dato' Dr. Syed Hussain Syed Husman *	3/3	100%
3. Dato' Haji Amirul Rahman Abdul Rahim **	3/3	100%
4. Dato' Saripuddin Kasim	6/6	100%
5. Dato' Mat Noor Nawati ***	3/3	100%

* Membership ended 31 May 2013

** Membership ended 30 April 2013

*** Reappointed from 01 May 2013

The 100 per cent attendance of the committee members demonstrates their commitment in ensuring the sustainability and public confidence towards the Bank.

Terms of Reference

The Terms of Reference include amongst others:

Membership

Members are appointed from amongst the Non-Executive members of the Board of Directors as per guidelines of Bank Negara Malaysia. An appointment is for a period of not more than two years, with a possibility of a reappointment as members of the Board.

Rights

The Committee shall be given unlimited access to all information and documents related to its scope of responsibility, covering the access to Internal and External Auditor, the Bank's Management and its subsidiaries. Members are also empowered to offer advice and professional opinions whenever necessary.

Functions

Among the roles and responsibilities of the Committee are:-

Fair and Transparent Reporting

Ensure that the financial report is prepared in a fair and transparent manner and within the recommended deadlines.

Internal Controls

Review and evaluate the adequacy and effectiveness of the Internal Control, Risk Management and Governance systems (including compliance with Shariah principles) of the Bank and its subsidiaries.

Review and determine the functions and responsibilities of the Shariah audit by referring to the Shariah Committee.

Audit & Inspection Committee

Internal Audit

Ensure and regulate that the internal audit functions comply with the Guidelines on Internal Audit Function of Licensed Institutions (BNM/ RH/GL/013-4). Review the adequacy of the internal audit plan and scope, functions and resources, Internal Audit Charter and that it has the necessary authority to carry out its work.

Approve the appointment or termination, determine the remunerations, assess the performance and also determine the transfer of Chief Internal Auditor.

Responsibilities to External Auditors:

- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board.
- Assess the qualification, expertise, resources and effectiveness of the external auditors.
- Monitor the effectiveness of the external auditors' performance and their independence and objectivity.
- Review the external auditors' audit scope and plan, including any changes to the planned scope of the audit plan.
- Review major audit findings raised by the external auditors and Management's responses, including the status of previous audit recommendations.
- Approve non audit services provided by the external auditors.

Related Party Transactions

To review and report to the Board of Directors any transactions that may arise by related party.

Meetings

The Committee must meet at least once every two months. The Chairman is empowered to suggest any additional meetings, if so required.

The Chairman may also convene a meeting if requested by any member, the Management, Internal or External Auditors. The Committee is empowered to invite anyone that it feels can assist to reach an informed decisions.

The Committee shall have a Secretary who is entrusted with recording all decisions and minutes of meetings.

The Secretary is responsible for:

- Preparing an agenda approved by the Chairman and distributing it to all members together with supporting documents before each meeting.
- Preparing and maintaining minutes of meetings.
- Distributing the minutes to all members and the Board of Directors.
- Following-up on all unresolved matters.

The quorum for each meeting must be three members.

Summary of Activities

During the financial year 2013, the Committee managed to fulfil its responsibilities according to the Terms of Reference as follows:

- Scrutinised and approved the Annual Audit Plan, including the effectiveness of the auditing process, internal audit manpower requirements and training needs for the year.
- Reviewed the findings and recommendations in the Audit Report and the Management's response on the audit's findings and recommendations.
- Monitored the status of implementation and progress of Internal Audit as outlined in the Annual Audit Plan.
- Monitored the progress of implementation of recommendations from Bank Negara Malaysia and External Auditors.
- Scrutinised the performance of Chief Internal Auditor and the annual achievements of Internal Audit.

The Audit and Inspection Committee had audited branches, departments, subsidiaries, and Bank Rakyat Foundation to evaluate the effectiveness of the Internal Control, Risk Management and Governance.

This is in line with BNM's Guidelines BNM / RH / GL 005 - 4 Guideline on Corporate Governance – Standards on Directorship for Development Financial Institutions.

The audited parties or managements who had received Audit Ratings Report of LESS SATISFACTORY or WEAK had been instructed to attend the Audit and Inspection Committee meeting and provide feedback on their audit findings.

To increase awareness on the importance of internal audit at branches, Internal Audit had conducted Internal Audit Awareness Seminar for branch Unit Heads and Executives from seven regions.

Internal Audit had also circulated three Internal Control Advisory Notes known as iCANs to all branches in 2013.

In addition, Internal Audit had formed strategic sharing networking session to gain exposure on the best practices in audit implementation by other organisations.

Among the programmes included Internal Investigation training with the assistance of Malaysia Anti Corruption Academy (MACA), and knowledge sharing sessions between Bank Rakyat, Bursa Malaysia, Telekom Malaysia and TIME dotcom Berhad.

Internal Audit had also been invited to speak at conferences organised by Asian Strategy and Leadership Institute (ASLI), BCM Institute, Universiti Utara Malaysia (UUM) and Co-operative College Malaysia (MKM), as well as its involvement in Bank Rakyat mentor-mentee programme with National Farmers Organisation (NAFAS) on issues related to internal auditing.

The internal audit functions were carried out under the supervision of the Chief of Internal Audit who reports to the Audit and Inspection Committee. Internal Audit is responsible to assure the Board of Directors and Management Committee on the adequacy and effectiveness of the internal control system, risk management and governance process.

In addition, Internal Audit constantly assessed the effectiveness of the Bank's Risk Management, focusing on the weaknesses of the internal control system and proposing remedial actions to the Bank's Management.

The Annual Audit Plan was prepared based on the results of a systematic risk evaluation which identifies, prioritises and correlates the Bank's risk to related auditing fields.

The risk evaluation process also allowed Internal Audit to prioritise risk prone areas, taking into account the limited auditing resources available.

The Audit report was presented to the committee and management for their information and further action. The Bank's management is responsible in ensuring the recommendations and remedial actions made in relation to the weak areas, were implemented within given time frame.

Internal Audit also monitored the progress of the implementation of the recommendations with follow-up evaluation at specific intervals. Internal Audit also cooperated with External Auditors to resolve any internal control issues and assisted the Bank's management in taking the appropriate actions.

Risk Management Committee

RISK GOVERNANCE

The Bank's governance is developed based on Bank Negara Malaysia (BNM) Guidelines on Corporate Governance Standards on Directorship for the Development of Financial and risk management forms one of the key components of the Bank's governance.

Risk management is the foundation of all the Bank's activities. A strong risk management framework especially in governance increases the Bank's efficiency. A comprehensive risk management framework also helps the Bank to weather any changes in the banking sector, achieve a healthy, long term growth, and increase customers and stakeholders confidence.

Risk management culture is propagated across the Bank. The Bank believes the adherence to this culture will reduce the Bank's exposure to business and transactional risks.

The Board of Directors, committed in ensuring Risk Management forms the basis of the Bank's operations, has formulated effective risk blueprints, and ensured full compliance to all risk policies. The Bank is also committed to discharge all risk management requirements outlined by BNM.

The Board of Directors has the overall responsibility on the risks taken, and it ensures the risks are managed and mitigated with utmost prudent. The Board also constantly reviews risk exposures and risk prone areas to ensure they are consistent with the Bank's risk appetite.

The Bank has established a Risk Management Committee, chaired by an independent board member. The committee is responsible for overseeing the Bank's overall risk management blueprint, risk appetite, strategies, policies and procedures.

The Risk Management Committee is also responsible for ensuring the risk framework is in line with regulatory requirements, corporate governance and industry best practices. The committee also revise risk exposure and returns, and monitor the development, implementation and effectiveness of the risk framework from time to time, and evaluate any reputational risks and other issues that may have negative effects on the Bank.

RISK MANAGEMENT COMMITTEE

Roles and Responsibilities

1. Revise and propose risk management strategies, policies, and risk tolerance for the approval of the Board of Directors.
2. Revise and evaluate the adequacy of the risk management policies and framework in identifying, measuring, monitoring, controlling risk, and the effectiveness of these policies and framework.
3. Ensure the infrastructure, resources, and risk management system are in place to ensure the staff who are entrusted to implement the risk management policies are able to discharge their duties independently while carrying out risk-bearing activities of the Bank.
4. Revise all management reports on risk exposure, risk portfolio composition, and risk management activities.

Risk Management Organisational Structure



RISK MANAGEMENT COMMITTEE REPORT AND INTERNAL CONTROL

The Bank had started to enhance risk management to ensure the Bank would be able to manifest its business potential.

Headed by the Senior General Manager Risk, he reports directly to the Risk Committee in the Management Committee and Risk Management Committee on potential risk exposures. He also proposes mitigation plans to control or reduce any risk exposure.

Risk management also provide constant updates and views on business risks to the Bank. It also provides suggestions on how best to manage and control any inherent risk faced by the Bank in its day-to-day operation.

Risk Management Responsibilities and Internal Control

The Risk Management Sector formulates and plans the overall risk management strategies that are in line with the Bank's overall objectives and directions. The sector must achieve a balance between risk and return, and ensure maximum returns to shareholders. It also has to propagate the risk management culture within the Bank, and ensure full compliance of all international rules and standards including the Basel guidelines.

The Risk Management Sector evaluates, monitors, and makes risk decisions on credit, operation, market, and liquidity within a specific time frame while ensuring asset quality, and shareholding value and profitability.

The sector develops risk systems, communicates the processes, coordinates the implementation, instils awareness and ensures full compliance of all risk related processes.

Risk Management Committee

1. MARKET RISK MANAGEMENT

Market risk is defined as the risk of losses of on and off-balance sheet positions arising from changes in the value of market risk factors such as benchmark rates, currency exchange rates and stock prices fluctuation.

The key objective of market risk management and Asset Liability Management (ALM) is to manage and control market risk exposures in order to optimise returns on risk while maintaining a market profile consistent with the Bank's strategic plans. Functioning as an independent department, the Market Risk Management manages risks and ensures the efficient implementation of risk management policies.

Market Risk Management Framework

In 2013 the Market Risk Management had formulated, revised and enhanced the Bank's market risk management, guidelines, measuring techniques and methodology for the following:

- Value at Risk
- Credit Value at Risk for Islamic Debt Securities
- Modified duration
- Present Value of Basis Point Change
- Weighted Average Cost of Capital
- Stress Test
- Hedge Effectiveness Test

Trading Book Policy Statements

The Bank's Trading Book Policy Statements define the minimum requirements needed to perform transactions, and the processes that define transactions or banking books.

Asset Liability Management

Asset Liability Management is a practice in managing risks that arises due to mismatches between assets and liabilities. The Bank will be exposed to losses of earnings generated, and capital deterioration which in turn, shall lead to structural risk. Structural risk on the other hand comprises of two main risk elements, namely liquidity and rate of return risk (ROR).

Rate of Return Risk (ROR) Framework

This framework defines the measurement for Rate of Return Risk (ROR) that includes Earning at Risk (EAR), Economic Value of Equity (EVE) and Displaced Commercial (DCR). The Bank has established a ROR working committee that is responsible for strategic planning in managing ROR risk exposure.

Liquidity Risk Management Framework and Liquidity Contingency Financing Plan

The Bank puts special focus on short-term liquidity shortfall of up to one month and medium-term liquidity evaluation of up to one year. The measurements and limits used to assess and manage liquidity problems are based on Bank Negara Malaysia New Liquidity Framework (NLF), and BASEL III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank also performs top depositors analysis to identify risk areas, and liquidity stress test under various scenarios as part of its liquidity assessment.

To ensure the Bank is prepared for any liquidity crisis, the Bank has developed the Liquidity Contingency Funding Plan (LCFP) Framework to detect any potential liquidity crisis before it happens. The framework includes built-in mechanisms to react to structured liquidity crisis. This process involves continuous monitoring of various indicators that form the Early Warning Indicators (EWI).

The Bank has also established a Liquidity Risk Management Working Committee (LRWC) to strengthen the Bank's Asset Liability Management (ALM) and ensure the effectiveness of ALM's strategies in managing liquidity risk management.

Infrastructure

Market risk management is supported by treasury risk management system that manages and controls everyday market risk exposure.

The market risk factors are:

Benchmark Rates Risk

- The risk of loss resulting from changes in benchmark rates. As a result of a mismatch of rates on its assets and liabilities and/or timing differences in the maturity thereof, a financial institution may suffer a loss or a decline in profit due to changes.

Foreign Exchange Risk

- The risk of loss resulting from the difference between assumed and actual foreign exchange rates, where a financial institution has a long position or short position on a net basis with regard to its assets and liabilities denominated in foreign currencies.

Price Risk

- The risk of loss resulting from a decline in the value of asset due to changes in the price of securities.

Rate of Return Risk

- Rate of return risk refers to the variability of the Bank's assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books.

Liquidity Risk

- Liquidity risk is best described as the inability to fund the increase in assets and failing to provide financial resources to meet the obligations as they come due. Liquidity risk arises from mismatches in the timing of cash flows. Through effective balance sheet management, the Bank ensures sufficient availability of cash and liquid assets to meet short and long-term cash obligation in a timely and cost-effective manner.

2. OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or external events. This definition also covers legal and Shariah Risks but does not include strategic and reputational risks.

Operational Risk Management is a centralised and independent function under Risk Management. It is responsible to guide and support business units in implementing the Bank's overall Operational Risk Framework.

Operational Risk Management aligns actual exposure to risk with the Bank's overall risk appetite and business objectives.

Operational Risk Management Methodology and Tools

An operational risk framework is defined as building blocks, tools and methodologies that can collect, monitor and control various operational risks that can harm the Bank.

The framework is designed based on these approaches:

1. The implementation of operational risk tools for business units who at risk, are supported by policies and methodologies that can identify and evaluate the risk, propose controlling steps, and detect and measure the operational risk exposure to reduce potential losses.
2. Appointment of risk agents who are responsible in the application and implementation of the operational risk management tools and processes in various business units.

Operational Risk Awareness

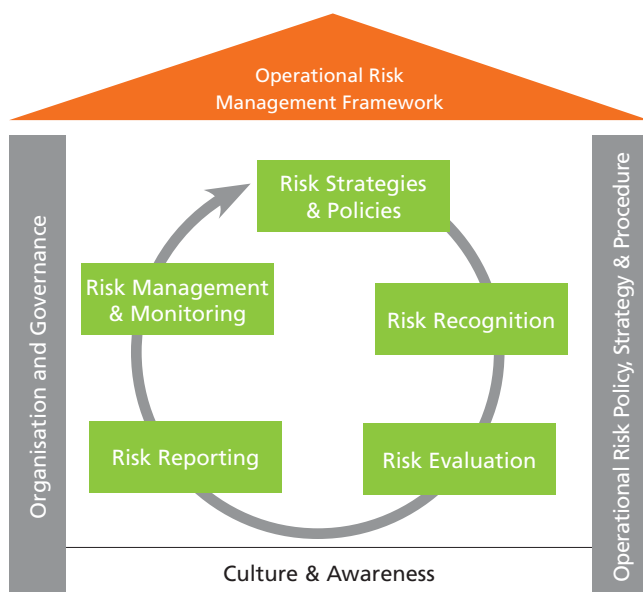
The Bank is committed on instilling awareness and understanding on daily operational risk among its workforce. An ongoing operational risk awareness campaign has been implemented to instil such culture throughout the Bank.

Risk Management Committee

Business Continuity Management

The Bank has put in place a Business Continuity Management action plan to ensure business continues in the event of any eventualities. In the occurrence of any disruption or disaster that may disrupt the banking services, whether the disruption is caused by internal or external factor, the Bank is able to maintain or recover its banking operation in a specific time to ensure minimum losses to the Bank.

Operational Risk Management Framework



Risk Control Self Assessment (RCSA)

The Risk Control Self Assessment (RCSA) is a mechanism that helps the Bank to identify and evaluate operational risks as well as ensure the effectiveness of operational process and mitigation steps.

Key Risk Indicators (KRIs)

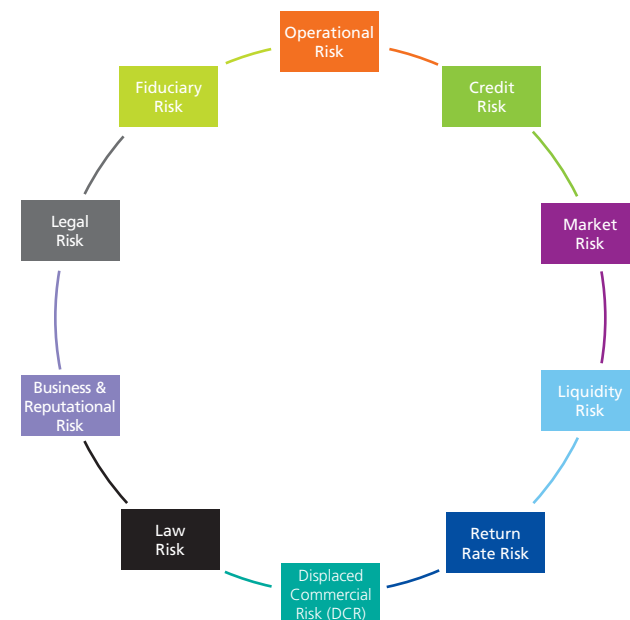
Key Risk Indicators (KRIs) are designed to identify potential operational risks and act as an early warning system to inform the management of changes to risk profiles.

Loss Data Collection (LDC)

Loss Data Collection (LDC) is the process of collecting and analysing loss data with the aim of forming a sound profiling of the Bank's operational risk and losses incurred by various units in the Bank.

Shariah Risk Management

Shariah Risk or Shariah Non-Compliance Risk is defined as the probability of failing to comply with Shariah principals/ requirements or in other words, the probability of Shariah non-compliance occurrence in the Bank. Shariah Risk is also a subset of Operational Risk. The following risks may have implications on Shariah Risk:



3. CREDIT RISK MANAGEMENT

Credit Risk Management is one of the Bank's focus areas. The objective of Credit Risk Management is to achieve "a balance between quality financing with a solid company".

Credit risk is the impact when a borrower or business entity fails to reimburse a financing when it is due.

The key objectives of Credit Risk Management are:

1. Ensuring a strong and practical credit risk management that is in line with the Bank's role as a development financial institution.
2. Ensuring adequate credit risk coverage.
3. Maintaining appropriate credit management practices, measuring process and risk monitoring.
4. Creating an effective and consistent credit risk environment.
5. Developing and instil credit risk culture among the workforce.

All financing activities must align to the credit policy and framework approved by the Board of Directors. The credit policy and framework are revised accordingly as to ensure their effectiveness and the integrity of credit risk control processes especially during turbulent economic and market environment.

Credit Risk Management comprises of all credit activities (pre- and post-approval) from evaluation to monitoring, supervision, follow-up, and recovery. The Bank implements a proactive and selective approach to credit risk management without sacrificing financing and portfolio quality in its effort to generate new business.

Among the activities implemented to achieve the objective are: -

- Identify, measure and monitor day-to-day activities to reduce the Bank's exposure to risks.
- Ensure full compliance to BNM requirements.

The main initiatives implemented in 2013 to enhance the mitigation of risks are: -

1. Redevelop and enhance the credit scoring model for commercial financing.
2. Enhance the credit scoring model for Personal Financing-i, Home Financing-i and Credit Micro-i.
3. Re-evaluate limits for all credit facilities (Commercial Financing and Islamic Debt Security).
4. Development of an early detection policy of vulnerable borrower.

The Bank will continue to enhance the credit risk management functions by evaluating and enhancing credit policy and procedure for commercial, retail and Islamic Debt Security.

4. COMPLIANCE

Compliance risk is defined as the risk of legal or regulatory action, financial loss or loss to the Bank's reputation due to non-compliance to legislation, regulations, standards, policies and procedures, codes of conduct or good practices. The Bank upholds good corporate governance principle and industry best practices as the foundation of its operation and business expansion.

Compliance department assists, advises and monitors support and business units in ensuring they operate within the rules and regulations, laws, guidelines, internal policies and procedures. Compliance department is also responsible to validate proposals and provide feedback, testimonials, undertaking and confirmation when required by authorities.

Risk Management Committee

To increase the Bank's compliance culture, the Compliance Department instituted various initiatives and programmes including communicating new regulations or changes to the present rules as well as conducting briefings throughout the year.

Anti-Money Laundering and Counter Financing of Terrorism Prevention Policies (AML/CFT)

Compliance to anti-money laundering and counter financing of terrorism (AML/CFT) is enhanced with the application of the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) – Banking and Deposit-Taking Institutions (Sector 1) requirements which came into effect in September 2013. Compliance department had implemented the Sector One Guidelines by standardising AML/CFT standards and policies, and reporting as well as continuous training for the Bank's staff.

The Bank has developed an internal AML resolution system that monitors the risk of money laundering and financing of terrorism (ML/TF) for accounts, transactions and products. The Bank has also developed an integrated filtering mechanism into the Branches Delivery System that checks against the list of individuals and entities suspected of being involved in terrorist activities as published by the United Nation Security Council. The verification process is conducted prior to the start of any business relationship.

The Bank will continue to fulfil the AML/CFT requirements and ensure all the support and business units remain vigilant on any AML/CFT potential risks and threats.

SHARIAH RISK MANAGEMENT

Shariah Risk Management is one of the Bank's risk management mechanism. It was established to strengthen Shariah governance and functions as the second level defence in identifying, measuring, monitoring and controlling Shariah non-compliance risk. It is also intended to curb any non-compliance events that may potentially result in financial and non-financial losses to the Bank.

The main function of the Shariah Risk Management is outlined in BNM Syariah Governance Framework. The framework consists of the establishment and implementation of risk management processes, formulation and suggestion of suitable non-compliance risk management and Shariah guidelines, and formulating and propagating Shariah risk awareness programmes at the Bank.

The implementation of a systematic Shariah risk compliance management allows the Bank to conduct its operation and activities effectively, as well as protect the Bank from unacceptable risk exposure. An integrated risk management framework has resulted in the application of a strong, well established monitoring mechanism.

Shariah Risk Management Guideline Formulation

The Bank had formulated the Shariah Risk Management Framework, Policies and Procedures (hereinafter referred as "Shariah Risk Management Documents") that outlined the overall Shariah Risk governance.

The main objective of the Shariah Risk Management Documents is to provide an overview of the structural functions and processes involved in the management of the overall Shariah Risk exposure.

Shariah Risk Awareness

The Bank had developed and implemented a continuous, systematic and integrated Shariah risk awareness programme that includes credit, operational and market risks among its workforce. The awareness modules are developed in a holistic manner, covering senior management and staff at all levels. The modules are constantly revised and updated to accommodate the prevailing internal requirements and regulations.

Shariah Committee

TERMS OF REFERENCE FOR SHARIAH COMMITTEE

Objective of Shariah Committee

Establishment of Shariah Committee 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.

Formation of Shariah Committee

The Shariah Committee shall report directly to the Board of Directors ("BOD") and shall be recognised as an independent committee.

The appointment of the Shariah Committee members must obtain prior written approval from BNM and BOD upon recommendation by the Nomination Committee.

Shariah Committee member must fulfill the 'fit and proper' criteria to become an Shariah Committee as described in Shariah Governance Framework for Islamic Financial Institutions of BNM ("BNM/SGF").

The Shariah Committee shall comprise of at least five members as required by BNM/SGF.

Majority members in the Shariah Committee 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.

Chairman of the Shariah Committee shall have qualified Shariah background.

The Shariah Committee may comprise experts with diverse qualification, experience and knowledge to support the depth and breadth of the Shariah deliberations.

Majority members of Shariah Committee should be able to demonstrate strong proficiency and knowledge in written and verbal Arabic and have good understanding in Bahasa Malaysia and English.

The Shariah Committee member is not considered an Shariah Committee member and disallowed to perform the roles of Shariah Committee upon expiry of the appointment term until fresh approval is obtained from BNM.

Roles and Responsibilities

Responsible and accountable for all Shariah decisions, views and opinions issued on Shariah matters provided by the Shariah Committee.

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 Malaysia Co-operative Societies Commission ("SKM") which consult or refer to Bank Rakyat on case by case basis to ensure compliance with Shariah requirements at all time.

To adopt the resolutions of Shariah Advisory Council of Bank Negara Malaysia ("SAC/BNM") and Shariah Advisory Council of Securities Commission ("SAC/SECCOM") upon publication in deriving Shariah decisions and to highlight to Management and BOD in the event Shariah Committee invokes its right to adopt stringent decisions as permissible by BNM/SGF.

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.

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 & Advisory, Shariah Review, Shariah Risk Management ("SRM") and Shariah Audit in order to ensure Shariah compliance.

Approve and provide written confirmation 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.

Endorse all frameworks, 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.

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 Shariah Committee in consensus.

Advice and assist Bank Rakyat to consult SAC/BNM and SAC/SECCOM when necessary in a written form.

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")*.

Shariah Committee

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.

Must not act in a manner that would undermine the rulings and decisions made by SAC/BNM and the Shariah Committee and required to respect and observe the published Shariah rulings issued by SAC/BNM and shall not go against the decisions of the Shariah Committee that they represent in public.

Retreat of Shariah decision issued by Shariah Committee in the event of issuance of new and/or revised Shariah resolutions and decisions made by SAC/BNM and SAC/SECCOM.

Harmonize the conflict between Shariah and legal approaches to gradually lead Bank Rakyat's practices towards the best globally accepted Shariah practices.

Validate and endorse all matters related to Shariah Non-Compliance ("SNC") event, rectification measures and purification process including the list of beneficiaries of tainted income for further reporting to BOD.

Inform BNM on SNC activities in the event they are not effectively or adequately addressed or no rectification measures are made by Bank Rakyat.

Regularly inform the BOD on relevant Shariah matters.

Disclose sufficient information relating to Shariah as required by BNM in the Annual Shariah Committee Report which is embedded in Bank Rakyat's annual report and endorse the annual report prior to publication.

Act as Shariah spokesperson to respond on Shariah related inquiries during Bank Rakyat annual general meeting or any public events which involve Bank Rakyat.

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.

Other responsibilities being assigned by BOD from time to time or any Shariah matters that require Shariah Committee's immediate attention.

Shariah Committee Meeting

The Shariah Committee meeting shall be held at least once in every two months.

Minimum quorum of Shariah Committee meeting shall be 2/3 with majority attending are Shariah qualified members.

In the event Chairman of Shariah Committee is unable to attend the Shariah Committee meeting, the members shall elect one (1) member among themselves to become the alternate Chairman with qualified Shariah background to preside over the meeting.

Any decisions during the Shariah Committee 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.

Any dissenting view by member of Shariah Committee shall be properly recorded with justification and he/she reserves the right to abstain from voting in decision making.

The Shariah Committee members must attend at least 75% of the Shariah Committee 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 Shariah Committee in or outside Malaysia.

Shariah Committee meeting can be facilitated by means of video or telephone conference as an alternative.

Chief Risk Officer ("CRO") and Chief Internal Audit ("CIA") 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 Shariah Committee on matters arising and/or papers presented.

Formal decision of Shariah Committee 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 Shariah Committee and validation by the Chairman of Shariah Committee.

The number of Shariah Committee meeting held in the particular year, as well as the attendance of every Shariah Committee members shall be disclosed in the annual report.

Annual Shariah Committee Report

Shariah Committee is required to report all approved and launched products for the year, disclose sufficient information relating to Shariah as required by BNM in the annual Shariah Committee report which is embedded in Bank Rakyat's annual report, confirm the management of zakat is compliant to Shariah and endorse the annual report prior to publication.

The report must also address all information required by BNM under the 'Guidelines on Financial Reporting for Development Financial Institutions'.

The report shall be signed by all Shariah Committee members.

Representation in Board of Directors Meeting

Representative of Shariah Committee attends the BOD meeting to serve as a bridge or communicator between Shariah Committee and BOD in matters pertaining to Shariah.

One (1) of the Shariah Committee 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.

The Shariah Committee representative shall provide advices on Shariah related matters only without intervening into other than the coverage of roles and responsibilities of the Shariah Committee.

Seating fee paid to the Shariah Committee representative who attends the meeting is subjected to BOD's approval and/or review from time to time upon recommendation by the Remuneration Committee.

Advisor to Jawatankuasa Zakat Perniagaan Bank di Bawah Asnaf

Two (2) of the Shariah Committee members are appointed as an advisor to JZPBA to ensure the management of zakat is compliant with Shariah.

JZPBA meeting can only be conducted with the present of at least one (1) of the appointed advisors.

The advisors 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.

Seating fee paid to the advisors is subjected to BOD's approval and/or review from time to time upon recommendation by the Remuneration Committee.

Remuneration of Shariah Committee Member

Shariah Committee member is remunerated with fixed monthly retainer fee and seating fee which are paid based on meeting attendance.

Seating fee includes Shariah Committee meeting and all other meetings that require the Shariah Committee member to be present.

Whenever Shariah Committee 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 Shariah Committee member is entitled to a fixed event fee and mileage claim.

Upon reappointment of Shariah Committee member, an increment to the respective Shariah Committee member shall be considered.

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 Shariah Committee member.

Secretary and Secretariat of Shariah Committee

Head of Shariah who is qualified Shariah personnel shall be appointed by Shariah Committee as the Secretary of Shariah Committee. Secretary of Shariah Committee has no voting power in decision making by the Shariah Committee.

Secretary of Shariah Committee, or an alternate secretary appointed by the Secretary to Shariah Committee in his/her absence with apology, should attend all Shariah Committee meetings and should maintain accurate and adequate records of any action deliberated during the meetings. All records regarding Shariah Committee meeting shall be reviewed by the Secretary prior to escalation.

The function of Secretariat of Shariah Committee is assigned to Shariah Committee Secretariat under the Shariah Research & Advisory function.

Financial Calendar 2013

13

March 2013

Announcement of the financial performance, results and dividend of Bank Rakyat for the financial year ended 31 December 2012

29

April 2013

Announcement of the financial performance and result of Bank Rakyat for first quarter ended 31 March 2013

27

September 2013

Announcement of the financial performance and result of Bank Rakyat for the second quarter ended 30 June 2013

Annual General Meeting Notice

14th March 2014

All Cooperative Member Representatives Bank Rakyat

All Individual Member Representatives Bank Rakyat

NOTICE OF BANK RAKYAT 2014 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Bank Rakyat 2014 Annual General Meeting will be held based on the following:

Date : 5 April 2014 (Saturday)

Time : 10:30 a.m.

**Venue : MATRADE Hall, Level 3, MATRADE Exhibition and Convention Centre (MECC),
Jalan Khidmat Usaha, Off Jalan Duta, 50480 Kuala Lumpur.**

MEETING AGENDA

1. To validate the minutes of the Annual General Meeting held on 6 April 2013;
2. To appoint a Committee of six representatives and four members of the Board, including Chairman to certify the draft of the minutes of the Annual General Meeting;
3. To present the Audited Financial Statements for the year ended 31 December 2013, together with the Board of Directors Report, Audit and Inspection Committee Report, Auditor General's Report and Opinions of the Malaysia Co-operative Societies Commission; and
4. To receive and deliberate on proposals from members received by the Board not less than seven days before the Annual General Meeting (if any).

By Order of the Board



DATIN SURIA BINTI CHE SELIA

Bank Secretary



Financial Statements

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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 2013**

Report on the Financial Statements

The financial statements of Bank Kerjasama Rakyat Malaysia Berhad have been audited by my representative, which comprise the Statements of Financial Position of the Group And Bank Kerjasama Rakyat Malaysia Berhad as at 31 December 2013 and the Statements of Comprehensive Income, Statement of Changes in Equity and Statements of Cash Flows of the Group And Bank Kerjasama Rakyat Malaysia Berhad for the year then ended and a summary of significant accounting policies and other explanatory information

Directors' Responsibility for the Financial Statements

The directors of the Bank Kerjasama Rakyat Malaysia Berhad are responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards in Malaysia and based on guidelines issued by Bank Negara Malaysia and 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) in Malaysia. 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 consolidated 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 consolidated financial statements.

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

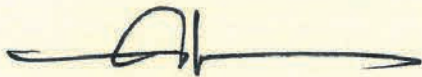
Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Group And Bank Kerjasama Rakyat Malaysia Berhad as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with approved accounting standards in Malaysia and based on guidelines issued by Bank Negara Malaysia (Special Provisions) Act 1978 (Act 202), the Cooperative Societies Act 1993 (Act 502) and the Development Financial Institutions Act 2002 (Act 618) in Malaysia.

Report on Other Legal and Regulatory Requirements

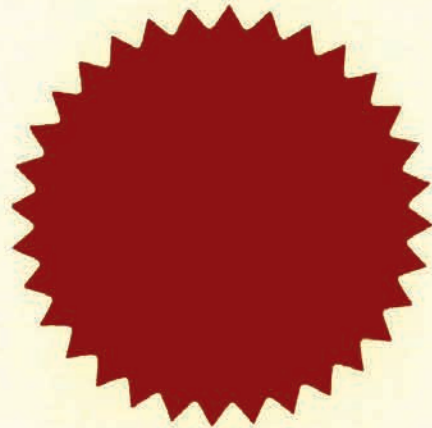
- a. In accordance with the requirements of the Cooperative Societies Act 1993 (Act 502) in Malaysia, I also report that in my opinion:
 - i. The accounting and other records have been properly kept in accordance with Section 58 of the Act;
 - ii. The receipt, expenditure and investment of monies and the acquisition and disposal of assets by the Bank Kerjasama Rakyat Malaysia Berhad during the year ended 31 December 2013 are in accordance with the Act, the provision of the 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.

- b. 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 consolidated 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 consolidated 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 consolidated financial statements.



(TAN SRI DATO' SETIA ~~Haji~~ AMBRIN BIN BUANG)
KETUA AUDIT NEGARA
MALAYSIA

PUTRAJAYA
28 FEBRUARY 2014



STATEMENT BY DIRECTORS

We, **TAN SRI DATO' SRI SABBARUDDIN CHIK** and **DATUK MUSTAFHA ABDUL RAZAK**, 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 Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978, the Cooperative Societies Act 1993, Development Financial Institutions Act 2002 (Act 618) ("DFIA") and the applicable Malaysian Financial Reporting Standards ("MFRS") with modifications based on guidelines issued by Bank Negara Malaysia (BNM) and in compliance with International Financial Reporting Standards ("IFRS");
- (ii) The financial statements of the subsidiary companies of the Bank have been prepared in accordance with MFRS, IFRS and 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 2013 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 DATO' SRI SABBARUDDIN CHIK
Chairman



DATUK MUSTAFHA ABD. RAZAK
Managing Director

Kuala Lumpur
Date: 27 February 2014

Report of Syariah Committee

In carrying out the roles and responsibilities of Syariah Committee of Bank Rakyat, we hereby submit the following report on Syariah compliance of Bank Rakyat's business activities and operations for the financial year ended 31 December 2013.

1. We have reviewed the principles and the contracts relating to the following products introduced by Bank Rakyat:
 - i. Micro Financing-i for 'Penjaja and Peniaga Kecil' based on Qard, Wakalah dan Ujah launched on 27 January 2013.
 - ii. Home Financing-i Manzili based on Tawarruq launched on 29 April 2013.
 - iii. Car Financing-i An-Naqlu 2 based on Tawarruq launched on 29 April 2013.
 - iv. NIDC Ziyadah based on Tawarruq launched on 06 May 2013.
 - v. Personal Financing-i Aslah based on Tawarruq launched on 15 May 2013.
2. We have reviewed the transactions, applications and dealings entered into by Bank Rakyat through the following processes:
 - i. Syariah review on product and departmental policies and procedures.
 - ii. Syariah review on Product Disclosure Sheet (PDS), legal documents and marketing materials prior to publishment.
 - iii. Syariah review on Syariah compliance status of commercial banking customers prior to approval of financing.
 - iv. Syariah review on subscription of Islamic government securities and Islamic Private Debt Securities (IPDS).
 - v. Syariah review on product operations at the level of branches and departments which involve review on legal documents executed and 'aqad sequence.
 - vi. Syariah risk assessment on the new products or enhancement to the existing products, processes and procedures, business activities and operations.
 - vii. Syariah audit on the operation, documentation and application of IT systems of departments, branches and subsidiaries of Bank Rakyat.
 - viii. Audit on the documents related to Syariah governance which include Syariah Governance Framework of Bank Rakyat and Shariah Risk Management Framework.
3. The management of Bank Rakyat is responsible for ensuring that Bank Rakyat conducts its business in accordance with Syariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Bank Rakyat and to report to you.
4. We have assessed the work carried out by Syariah Review Department and Syariah Audit Department which included examining on a test basis, each type of transaction, the relevant documentation 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 Syariah principles.

In our opinion:

1. the principles and the contracts implemented on products listed above are in compliance with the Syariah principles and Syariah resolutions issued by the Syariah Advisory Council of Bank Negara Malaysia, as well as Syariah decisions made by us.
2. the transactions, applications and dealings entered into by Bank Rakyat that we have reviewed are in compliance with the Syariah principles and Syariah resolutions issued by the Syariah Advisory Council of Bank Negara Malaysia, as well as Syariah decisions made by us.
3. the transactions, applications and dealings which are subjected to further investigation and rectification will be carried out on an on-going basis.
4. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Syariah principles.
5. all earnings that have been realized from sources or by means prohibited with the Syariah principles have been considered for disposal to charitable causes.
6. the calculation of zakat is in compliance with Syariah principles. Total amount of zakat that has been distributed was RM41,994,223.07.

We, the members of the Syariah 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 2013 have been conducted in conformity with the Syariah principles.

Chairman of the Syariah Committee:



DATO' SETIA MOHD TAMYAS BIN ABD. WAHID

Members of the Syariah Committee:



DATUK ABU HASAN BIN L. DIN AL HAFIZ



PROF MADYA DR SITI SALWANI BINTI RAZALI



USTAZ MD YUNUS BIN ABD. AZIZ



USTAZ WAN RUMAIZI BIN WAN HUSIN



USTAZ ABDULLAAH BIN JALIL

Date: 27 February 2014

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 27 February 2014.



NOR HAIMEE ZAKARIA

Before me:



Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut
50350 Kuala Lumpur.
Tel: 019-6680745

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 2013.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

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

RESULTS OF OPERATIONS

	Group RM'000	Bank RM'000
Profit before taxation and zakat	2,144,665	2,125,418
Taxation	(190,781)	(184,974)
Zakat	(34,304)	(34,000)
Profit after taxation and zakat	1,919,580	1,906,444
Statutory appropriations	(558,308)	(558,308)
Profit for the year after statutory appropriations	1,361,272	1,348,136
Other comprehensive income	(306,073)	(306,073)
Total comprehensive income for the year	1,055,199	1,042,063
Profit for the year attributable to: Equity holders of the Bank	1,055,199	1,042,063

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, other than the changes in accounting policies for defined benefit plan as disclosed in Note 2 to the financial statements.

RESERVES AND PROVISION

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

STATUTORY DECLARATION

DIVIDENDS

During the financial year, the Bank paid a final cash dividend of 16% amounting to RM440.74 million and a bonus dividend of 2% amounting to RM54.32 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 15% amounting to RM446.00 million. The proposed dividends are subject to the approval by the relevant authorities and have not been included as liabilities in the financial statements.

OTHER STATUTORY INFORMATION

In the opinion of the Directors, the financial statements set out on pages 108 to 228 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 2013 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 satisfied themselves that all known bad financing and bad debts had been written-off and that adequate impairment provisions for impaired financing and allowance 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.

STATUTORY DECLARATION

No contingent or other liability which has not been discharged has been undertaken by the Group and the Bank, except as disclosed in Note 38 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.

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 DATO' SRI SABBARUDDIN CHIK

Chairman



DATUK MUSTAFHA ABD. RAZAK

Managing Director

Kuala Lumpur

Date: 27 February 2014

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	31.12.2013 RM'000	Group 31.12.2012 RM'000	1.1.2012 RM'000	31.12.2013 RM'000	Bank 31.12.2012 RM'000	1.1.2012 RM'000
ASSETS							
Cash and short-term funds	5	1,907,843	3,597,488	4,475,449	1,905,665	3,593,936	4,463,644
Deposits and placements							
with financial institutions	6	947,386	258,980	3,515,000	942,295	253,873	3,515,000
Financial assets held-for-trading		–	–	10,362	–	–	10,362
Financial assets available-for-sale	7	10,463,097	9,802,481	10,843,719	10,457,907	9,797,317	10,833,332
Financial assets held-to-maturity	8	10,141,449	8,220,956	2,852,471	10,141,449	8,220,956	2,852,471
Financing and advances	9	57,304,177	55,233,276	49,179,249	57,304,177	55,233,276	49,179,249
Trade receivables	10	9,048	8,435	7,293	–	–	–
Other assets	11	775,879	657,602	550,895	725,904	607,564	510,227
Inventories	12	12,368	6,858	1,703	–	–	–
Asset classified as							
held for sale	13	80,432	–	–	–	–	–
Investment in subsidiaries	14	–	–	–	43,500	43,500	43,500
Property and equipment	15	903,652	670,657	490,266	874,882	647,953	470,949
Goodwill on consolidation		13,185	13,185	13,185	–	–	–
Investment properties	16	160,474	236,581	246,898	148,448	145,384	155,160
Prepaid lease payments	17	79,782	83,943	76,663	69,372	70,991	63,631
Deferred tax assets	18	265,032	408,494	355,496	266,000	410,000	356,000
TOTAL ASSETS		83,063,804	79,198,936	72,618,649	82,879,599	79,024,750	72,453,525

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	31.12.2013 RM'000	Group 31.12.2012 RM'000	1.1.2012 RM'000	31.12.2013 RM'000	Bank 31.12.2012 RM'000	1.1.2012 RM'000
LIABILITIES							
Deposits from customers	19	65,297,767	62,666,004	58,507,088	65,297,767	62,666,004	58,507,088
Deposits and placements from banks and financial institutions	20	1,620,000	200,000	595,000	1,620,000	200,000	595,000
Trade payables		6,900	6,734	6,274	–	–	–
Recourse obligations on financing sold to Cagamas	21	1,528,696	3,172,301	3,303,393	1,528,696	3,172,301	3,303,393
Debt securities issued	22	1,507,088	1,006,658	–	1,507,088	1,006,658	–
Other liabilities	23	1,359,301	1,442,029	1,435,851	1,490,679	1,570,329	1,574,782
Provision for taxation		1,556	47,616	–	–	46,684	–
Profit equalisation reserve (Investor)	24	152,145	220,538	145,776	152,145	220,538	145,776
Financing from other financial institutions	25	39,602	40,431	41,479	–	–	–
TOTAL LIABILITIES		71,513,055	68,802,311	64,034,861	71,596,375	68,882,514	64,126,039
SHAREHOLDERS' FUND							
Share capital	26	2,973,677	2,865,004	2,349,063	2,973,677	2,865,004	2,349,063
Share redemption fund		53,671	53,671	53,671	53,671	53,671	53,671
Reserves		8,268,907	7,113,847	5,950,489	8,001,382	6,859,458	5,694,187
Profit equalisation reserve (Bank)	24	254,494	364,103	230,565	254,494	364,103	230,565
TOTAL SHAREHOLDERS' FUND		11,550,749	10,396,625	8,583,788	11,283,224	10,142,236	8,327,486
TOTAL LIABILITIES AND SHAREHOLDERS' FUND		83,063,804	79,198,936	72,618,649	82,879,599	79,024,750	72,453,525
COMMITMENT AND CONTINGENCIES							
	38	3,140,252	2,549,528	2,335,970	3,140,252	2,548,578	2,335,970

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

		Group		Bank	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income	28	5,604,170	5,857,990	5,549,714	5,798,419
Expenditure	29	(2,243,350)	(2,492,972)	(2,209,887)	(2,460,008)
Net income		3,360,820	3,365,018	3,339,827	3,338,411
Allowances for impairment	30	(749,128)	(638,270)	(749,128)	(633,862)
Other operating income	31	506,513	420,116	522,263	433,007
Operating expenses	32	(973,540)	(1,016,124)	(987,544)	(1,010,126)
Profit before taxation and zakat		2,144,665	2,130,740	2,125,418	2,127,430
Taxation	33	(190,781)	(333,237)	(184,974)	(328,268)
Zakat	34	(34,304)	(45,880)	(34,000)	(45,626)
Profit after taxation and zakat		1,919,580	1,751,623	1,906,444	1,753,536
<u>Statutory appropriations</u>	35				
Transfer to statutory reserve: 25% (2012: 25%)		(485,111)	(446,404)	(485,111)	(446,404)
Contribution to the Cooperative					
Education Trust Fund: 2% (2012: 1%)		(42,508)	(21,139)	(42,508)	(21,139)
Contribution to the Cooperative					
Development Provident Fund: 1% (2012: 1%)		(21,254)	(21,139)	(21,254)	(21,139)
Contribution to Bank Rakyat Foundation		(9,435)	(9,241)	(9,435)	(9,241)
		(558,308)	(497,923)	(558,308)	(497,923)
Profit for the year		1,361,272	1,253,700	1,348,136	1,255,613
<u>Other comprehensive income</u>					
Items that may be reclassified					
subsequently to profit or loss:					
Net (loss)/gain on revaluation of					
financial assets available-for-sale	27	(200,132)	68,780	(200,132)	68,780
Additions/(Utilisation) of profit					
equalisation reserve (Bank)		(109,609)	133,538	(109,609)	133,538
Item that will not be reclassified					
subsequently to profit or loss:					
Remeasurement of defined benefit plan	11(iii)	3,668	(170,307)	3,668	(170,307)
		(306,073)	32,011	(306,073)	32,011
Total comprehensive income for the year		1,055,199	1,285,711	1,042,063	1,287,624
Earnings per share (RM)					
Basic	36	0.65	0.63		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

Group	Note	Non-distributable			Distributable		Total RM'000
		Share capital RM'000	Share redemption fund RM'000	Profit equalisation reserve (Bank) RM'000	Other reserves RM'000	Retained profits RM'000	
At 1 January 2012, as previously reported		2,349,063	53,671	230,565	2,982,168	2,995,438	8,610,905
Effect on adoption of MFRS 119	44	–	–	–	–	(27,117)	(27,117)
At 1 January 2012, as restated		2,349,063	53,671	230,565	2,982,168	2,968,321	8,583,788
Profit for the year		–	–	–	–	1,751,623	1,751,623
Transfer to statutory reserve		–	–	–	–	(446,404)	(446,404)
Contribution to the Cooperative Education Trust Fund		–	–	–	–	(21,139)	(21,139)
Contribution to the Cooperative Development Provident Fund		–	–	–	–	(21,139)	(21,139)
Contribution to Bank Rakyat Foundation		–	–	–	–	(9,241)	(9,241)
Other comprehensive income		–	–	133,538	68,780	(170,307)	32,011
Total comprehensive income for the year		2,349,063	53,671	364,103	3,050,948	4,051,714	9,869,499
Issuance to new members		409,816	–	–	–	–	409,816
Transfer from retained profits		–	–	–	446,404	–	446,404
Adjustment on dividend		–	–	–	–	(6,746)	(6,746)
Dividends	37	106,125	–	–	–	(428,473)	(322,348)
At 31 December 2012		2,865,004	53,671	364,103	3,497,352	3,616,495	10,396,625
		Note 26		Note 24	Note 27		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

Group	Note	Non-distributable			Distributable		Total RM'000
		Share capital RM'000	Share redemption fund RM'000	Profit equalisation reserve (Bank) RM'000	Other reserves RM'000	Retained profits RM'000	
At 1 January 2013, as previously reported		2,865,004	53,671	364,103	3,497,352	3,800,372	10,580,502
Effect on adoption of MFRS 119	44	–	–	–	–	(183,877)	(183,877)
At 1 January 2013, as restated		2,865,004	53,671	364,103	3,497,352	3,616,495	10,396,625
Profit for the year		–	–	–	–	1,919,580	1,919,580
Transfer to statutory reserve		–	–	–	–	(485,111)	(485,111)
Contribution to the Cooperative Education Trust Fund		–	–	–	–	(42,508)	(42,508)
Contribution to the Cooperative Development Provident Fund		–	–	–	–	(21,254)	(21,254)
Contribution to Bank Rakyat Foundation		–	–	–	–	(9,435)	(9,435)
Other comprehensive income		–	–	(109,609)	(200,132)	3,668	(306,073)
Total comprehensive income for the year		2,865,004	53,671	254,494	3,297,220	4,981,435	11,451,824
Issuance to new members		54,355	–	–	–	–	54,355
Transfer from retained profits		–	–	–	485,111	–	485,111
Dividends	37	54,318	–	–	–	(495,058)	(440,740)
Overprovision in contribution to Bank Rakyat Foundation		–	–	–	–	199	199
At 31 December 2013		2,973,677	53,671	254,494	3,782,331	4,486,576	11,550,749
		Note 26		Note 24	Note 27		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

Bank	Note	Non-distributable			Distributable		Total RM'000
		Share capital RM'000	Share redemption fund RM'000	Profit equalisation reserve (Bank) RM'000	Other reserves RM'000	Retained profits RM'000	
At 1 January 2012, as previously reported		2,349,063	53,671	230,565	2,982,909	2,738,395	8,354,603
Effect on adoption of MFRS 119	44	–	–	–	–	(27,117)	(27,117)
At 1 January 2012, as restated		2,349,063	53,671	230,565	2,982,909	2,711,278	8,327,486
Profit for the year		–	–	–	–	1,753,536	1,753,536
Transfer to statutory reserve		–	–	–	–	(446,404)	(446,404)
Contribution to the Cooperative Education Trust Fund		–	–	–	–	(21,139)	(21,139)
Contribution to the Cooperative Development Provident Fund		–	–	–	–	(21,139)	(21,139)
Contribution to Bank Rakyat Foundation		–	–	–	–	(9,241)	(9,241)
Other comprehensive income		–	–	133,538	68,780	(170,307)	32,011
Total comprehensive income for the year		2,349,063	53,671	364,103	3,051,689	3,796,584	9,615,110
Issuance to new members		409,816	–	–	–	–	409,816
Transfer from retained profits		–	–	–	446,404	–	446,404
Adjustment on dividend		–	–	–	–	(6,746)	(6,746)
Dividends	37	106,125	–	–	–	(428,473)	(322,348)
At 31 December 2012		2,865,004	53,671	364,103	3,498,093	3,361,365	10,142,236
		Note 26		Note 24	Note 27		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

Bank	Note	Non-distributable			Distributable		Total RM'000
		Share capital RM'000	Share redemption fund RM'000	Profit equalisation reserve (Bank) RM'000	Other reserves RM'000	Retained profits RM'000	
At 1 January 2013, as previously reported		2,865,004	53,671	364,103	3,498,093	3,545,242	10,326,113
Effect on adoption of MFRS 119	44	–	–	–	–	(183,877)	(183,877)
At 1 January 2013, as restated		2,865,004	53,671	364,103	3,498,093	3,361,365	10,142,236
Profit for the year		–	–	–	–	1,906,444	1,906,444
Transfer to statutory reserve		–	–	–	–	(485,111)	(485,111)
Contribution to the Cooperative Education Trust Fund		–	–	–	–	(42,508)	(42,508)
Contribution to the Cooperative Development Provident Fund		–	–	–	–	(21,254)	(21,254)
Contribution to Bank Rakyat Foundation		–	–	–	–	(9,435)	(9,435)
Other comprehensive income		–	–	(109,609)	(200,132)	3,668	(306,073)
Total comprehensive income for the year		2,865,004	53,671	254,494	3,297,961	4,713,169	11,184,299
Issuance to new members		54,355	–	–	–	–	54,355
Transfer from retained profits		–	–	–	485,111	–	485,111
Dividends	37	54,318	–	–	–	(495,058)	(440,740)
Overprovision in contribution to Bank Rakyat Foundation		–	–	–	–	199	199
At 31 December 2013		2,973,677	53,671	254,494	3,783,072	4,218,310	11,283,224
		Note 26		Note 24	Note 27		

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		BANK	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM/(USED IN)				
OPERATING ACTIVITIES				
Profit for the year	1,361,272	1,253,700	1,348,136	1,255,613
Adjustments for:				
Transfer to statutory reserve	485,111	446,404	485,111	446,404
Contribution to the Cooperative Education Trust Fund	42,508	21,139	42,508	21,139
Contribution to the Cooperative Development Provident Fund	21,254	21,139	21,254	21,139
Contribution to Bank Rakyat Foundation	9,435	9,241	9,435	9,241
Taxation	190,781	333,237	184,974	328,268
Zakat	34,304	45,880	34,000	45,626
Profit expense on debt securities issued	40,918	6,658	40,918	6,658
Allowance for impairment on financing and advances	747,982	507,093	747,982	507,093
Allowance for impairment on financial assets held-to-maturity	–	116,646	–	116,646
Allowance for impairment on financial assets available-for-sale	1,146	14,531	1,146	10,123
Depreciation on property and equipment	77,133	69,701	75,597	68,149
Amortisation on prepaid lease payment	1,673	1,645	1,655	1,565
Property and equipment written-off	2,732	163	2,732	158
Gain on disposal of property and equipment	(59)	(129)	(9)	–
Loss on financing written-off	12,357	10,921	12,357	10,921
Provision for defined benefits plan	44,715	2,292	44,715	2,292
Allowance for doubtful debts	–	33,310	–	33,087
Finance cost	2,275	2,185	–	–
Loss/(Gain) on revaluation of investment properties	157	4,754	(1,564)	2,781
Allowance for doubtful debts no longer required	(15,581)	(191)	(15,513)	–
Allowance for impairment loss on financial assets held-to-maturity no longer required	(109,511)	(7,642)	(109,511)	(7,642)
Net gain on disposal of financial assets available-for-sale	(20,196)	(17,082)	(20,485)	(17,082)
Net gain on disposal of financial assets held for trading	(141)	(933)	(141)	(933)
Net gain on redemption of financial assets held-to-maturity	(792)	(433)	(792)	(433)
Transfer from/(to) profit equalisation reserve	(178,002)	208,300	(178,002)	208,300
Profit expense on financing sold with recourse to Cagamas	104,159	111,199	104,159	111,199
Inventories written-off	–	41	–	–
Operating profit before working capital changes	2,855,630	3,193,769	2,830,662	3,180,312

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(Increase)/Decrease in operating assets:				
Deposits and placements with financial institutions	(688,406)	3,256,020	(688,422)	3,261,127
Financing and advances	(2,831,240)	(6,572,041)	(2,831,240)	(6,572,041)
Inventories	(7,573)	(5,196)	–	–
Trade receivables	(545)	(1,063)	–	–
Other assets	61,468	(300,577)	61,376	(290,636)
	(610,666)	(429,088)	(627,624)	(421,238)
Increase/(Decrease) in operating liabilities:				
Deposits from customers	2,631,763	4,158,916	2,631,763	4,158,916
Deposits from financial institutions	1,420,000	(395,000)	1,420,000	(395,000)
Other liabilities	(244,071)	(123,548)	(243,106)	(134,225)
Recourse obligation on financing sold to Cagamas	(1,747,764)	(242,291)	(1,747,764)	(242,291)
Trade payables	166	460	–	–
Cash generated from operations	1,449,428	2,969,449	1,433,269	2,966,162
Income tax paid	(202,965)	(249,596)	(197,215)	(247,021)
Tax refund	10,000	–	10,000	–
Zakat paid	(41,592)	(40,953)	(41,410)	(40,653)
Payment for retirement benefits	(105,693)	(100,950)	(105,693)	(100,950)
Net cash from operating activities	1,109,178	2,577,950	1,098,951	2,577,538
CASH FLOWS FROM/(USED IN)				
INVESTING ACTIVITIES				
Purchases of financial assets held-for-trading	(380,000)	(570,000)	(380,000)	(570,000)
Proceeds from disposal of financial assets held for trading	380,141	581,295	380,141	581,295
Purchases of financial assets available-for-sale	(1,933,475)	(3,762,454)	(1,933,430)	(3,762,454)
Proceeds from disposal of financial assets available-for-sale	1,092,047	4,875,023	1,092,047	4,874,208
Purchases of financial assets held-to-maturity	(2,756,870)	(8,464,480)	(2,756,870)	(8,464,480)
Proceeds from disposal of financial assets held-to-maturity	946,680	2,987,425	946,680	2,987,425
Proceeds from disposal of investment properties	–	1,270	–	1,270
Purchase of investment properties	(40)	(1,432)	–	–
Purchase of property and equipment	(315,385)	(253,851)	(307,059)	(248,511)
Proceeds from disposal of property and equipment	458	525	274	–
Net cash used in investing activities	(2,966,714)	(4,606,679)	(2,958,217)	(4,601,247)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

		Group		Bank	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM/(USED IN)					
FINANCING ACTIVITIES					
Proceeds from issue of shares to members		54,355	409,816	54,355	409,816
Dividend paid		(440,740)	(329,094)	(440,740)	(329,094)
Fund received from government		97,868	73,279	97,868	73,279
Proceeds from debt securities issued		500,000	1,000,000	500,000	1,000,000
Payment for profit expenses of debt securities issued		(40,488)	–	(40,488)	–
Payment of financing from other financial institutions		(6,165)	(5,867)	–	–
Net cash from financing activities		164,830	1,148,134	170,995	1,154,001
Net decrease in cash and cash equivalents		(1,692,706)	(880,595)	(1,688,271)	(869,708)
Cash and cash equivalents at beginning of year		3,594,854	4,475,449	3,593,936	4,463,644
Cash and cash equivalents at end of year	5	1,902,148	3,594,854	1,905,665	3,593,936

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL INFORMATION

The Bank was established under the Cooperative Societies Act 1993 with the registered office address at 3rd Floor, Bangunan Bank Rakyat, Jalan Tangsi, P.O Box 11024, 50732 Kuala Lumpur.

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

The principal activities of the subsidiaries are disclosed in Note 14.

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

The Bank has a total of 145 branches as of 31 December 2013 (2012: 140)

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, the Cooperative Societies Act 1993, Development Financial Institutions Act 2002 (Act 618) and the applicable Malaysian Financial Reporting Standards ("MFRS") with modifications based on guidelines issued by Bank Negara Malaysia (BNM) and in compliance with the principles of Shariah as well as International Financial Reporting Standards ("IFRS").

The financial statements of the subsidiary companies 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.

NEW AND REVISED MFRS AFFECTING AMOUNTS REPORTED AND/OR DISCLOSURES IN THE FINANCIAL STATEMENTS

In the current year, the Group and the Bank have applied a number of new and revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begin on or after 1 January 2013.

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

The Group and the Bank have applied the amendments to MFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to MFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As the Group and the Bank do not have any offsetting arrangements in place, the application of the amendments has had no impact on the disclosures or on the amounts recognised in these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

MFRS 13: FAIR VALUE MEASUREMENTS

The Group and the Bank have applied MFRS 13 for the first time in the current year. MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of MFRS 13 is broad; the fair value measurement requirements of MFRS 13 apply to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 117 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

MFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under MFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, MFRS 13 includes extensive disclosure requirements.

MFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group and the Bank have not made any new disclosures for the 2012 comparative period. Other than the additional disclosures, the application of MFRS 13 has not had any material impact on the amounts recognised in these financial statements.

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

The Group and the Bank have applied the amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to MFRS 101, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to MFRS 101 has not had any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

Amendments to MFRS 101 Presentation of Financial Statements (as part of the Annual Improvements to MFRSs 2009 - 2011 Cycle issued in July 2012)

The Annual Improvements to MFRSs 2009 - 2011 have made a number of amendments to MFRSs. The amendments that are relevant to the Group and the Bank are the amendments to MFRS 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Group and the Bank have applied a number of new and revised MFRSs (see the discussion above), which has resulted in material effects on the information in the consolidated statement of financial position as at 1 January 2012. In accordance with the amendments to MFRS 101, the Group and the Bank have presented a third statement of financial position as at 1 January 2012 without the related notes except for the disclosure requirements of MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* as disclosed in Note 44.

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

In the current year, the Group and the Bank have applied MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011) and the related consequential amendments for the first time.

MFRS 119 (IAS 19 as amended by IASB in June 2011) changes the accounting for defined benefit plans and termination benefits. The most significant changes relate to the accounting for changes in defined benefit obligations and plan assets. It requires the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statements of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the finance cost and expected return on plan assets used in the previous version of MFRS 119 are replaced with a "net-profits" amount under MFRS 119 (IAS 19 as amended by IASB in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years as disclosed in Note 44. In addition, MFRS 119 (IAS 19 as amended by IASB in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

Standards and IC Interpretations issued but not yet effective

The directors anticipate that the following Standards and IC Interpretations will be adopted in the annual financial statements of the Group and of the Bank when they become effective and that adoption of these Standards and IC Interpretations will have no material impact on the financial statements of the Group and of the Bank in the period of initial application, except as discussed below.

- MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)¹
- MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)¹
- IC Int. 21: Levies²
- Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and Transition Disclosures¹
- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities²
- Amendments to MFRS 132: Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)²
- Amendments to MFRS 136: Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets)²
- Amendments to MFRS 139: Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting)²

¹ Effective for annual periods beginning on or after 1 January 2015 instead of 1 January 2013 immediately upon the issuance of Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and MFRS 7 relating to “Mandatory Effective Date of MFRS 9 and Transition Disclosures” on 1 March 2012

² Effective for annual periods beginning on or after 1 January 2014

MFRS 9 and Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduces new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition.

The amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) (“MFRS 9”) relating to “Mandatory Effective Date of MFRS 9 and Transition Disclosures” which became immediately effective on the issuance date of 1 March 2012 amended the mandatory effective date of MFRS 9 to annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013, with earlier application still permitted as well as modified the relief from restating prior periods. MFRS 7 which was also amended in tandem with the issuance of the aforementioned amendments introduces new disclosure requirements that are either permitted or required on the basis of the entity’s date of adoption and whether the entity chooses to restate prior periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

Standards and IC Interpretations issued but not yet effective (cont'd)

MFRS 9 and Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (cont'd)

Key requirements of MFRS 9:

- All recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and profit on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the application of MFRS 9 in the future may have significant impact on amounts reported in respect of the Group's and of the Bank's financial assets and financial liabilities (e.g. the Group's and the Bank's investments in securities that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until a detailed review has been completed.

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

The amendments to MFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to MFRS 12 and MFRS 127 to introduce new disclosure requirements for investment entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

Standards and IC Interpretations issued but not yet effective (cont'd)

Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities (cont'd)

The directors do not anticipate that the investment entities amendments will have any effect on the Group's financial statements as the Bank is not an investment entity.

Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

The amendments to MFRS 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors do not anticipate that the application of these amendments to MFRS 132 will have a significant impact on the Group's and the Bank's financial statements as the Group and the Bank do not have any financial assets and financial liabilities that qualify for offset.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

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

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

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.

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

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

The principal accounting policies are set out below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including special purpose entities) controlled by the Bank (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 its return.

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

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and basis of consolidation (cont'd)

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. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). 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 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investment in subsidiaries which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Bank's separate financial statements.

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 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Business combinations (cont'd)

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 2013

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 rate method

The effective profit rate method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, 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 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (cont'd)

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 market place.

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 rate 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 the other reserves is classified 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 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (cont'd)

3.5.1 Financial assets (cont'd)

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 been 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 financing payment/instalment 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 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (cont'd)

3.5.2 Impairment of financial assets (cont'd)

3.5.2.1 Financing and advances (cont'd)

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.

In conjunction with the convergence of the FRSS in Malaysia with the IFRSs, BNM's guideline on Classification and Impairment Provisions for 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. DASAR-DASAR PERAKAUNAN PENTING (BERSAMBUNG)

3.5 Financial instruments (cont'd)

3.5.2 Impairment of financial assets (cont'd)

3.5.2.1 Financing and advances (cont'd)

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 classified 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.

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (cont'd)

3.5.2 Impairment of financial assets (cont'd)

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 financing payment/instalment are made promptly for a continuous period. Where an impaired financing is renegotiated, the borrower must adhere to the revised and/or restructured financing payment/instalment terms for a continuous period of six months before the financing is classified as non-impaired. These financing continue 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 it transfers 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 continues to control the transferred asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts it may have to pay. The Group and the Bank continue to recognise the financial asset and also recognise a collateralised borrowing.

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

3.5.4 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.5.5 Financial liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective profit method. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities at amortised cost include deposits from customers, deposits and placements from banks and financial institutions, trade and other payables, recourse obligation on financing sold to Cagamas, debt securities issued and other borrowed funds.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (cont'd)

3.5.6 Derecognition of financial liabilities

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

3.5.7 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on Bursa Malaysia and broker quotes from Bond Pricing Agency.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. Under these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, and using inputs existing at the end of the reporting period.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases

Leases comprise financial lease and operating lease. Leases are classified as finance lease if the Group and the Bank assume substantially all the risks and benefits of ownership of the assets. Lease of assets is classified as operating lease where a significant portion of the risks and rewards of ownership is retained by the lessor.

3.7.1 Group as lessor

Outstanding amount from lessee under finance lease is recognised as a receivable at the net amount of the Group's and the Bank's lease investment. Lease income is charged to profit or loss over the term of the lease on a straight line basis on the net amount of the Group's and the Bank's lease investment.

3.7.2 Group as lessee

Rental income from operating lease is recognised over the term of the lease on a straight line basis. Direct cost incurred during consultation and preparing the operating lease is included in the carrying amount of the leased asset and is recognised over the term of the lease on a straight line basis.

Asset under finance lease is recognised as the Group's and the Bank's asset at the lower of present value of the minimum lease payments and the fair value of the leased asset at the beginning of the lease term. Lease payment is allocated between the liability and finance charges and included in the liabilities.

Finance charges is charged to profit or loss, and will be capitalised according to the Group's and the Bank's accounting policy for the borrowing cost if it has direct relation with the qualifying assets. However, contingency rental is recognised as expense in the year it is incurred. Depreciation policy for the leased asset is based on the Group's and the Bank's accounting policy for the depreciation of property and equipment.

Rental payable under operating lease is charged to profit or loss over the term of the lease on a straight line basis. Incentives received and incentives receivable during the operating lease is also charged over the term of the lease on a straight line basis. However, contingency rental derived from the operating lease is recognised as expenses according to the stipulated basis.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is directly attributable to the acquisition of the items.

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 is not depreciated as this asset is also not available for 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	2%
Leasehold land and buildings	2%
Renovation	2% - 20%
Furniture, fittings and office equipment	20%
Motor vehicles	20%

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 estimate 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 assets. Any gains and losses arising on disposals are determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.10 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 18 to 96 years (2012: 19 to 97 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Assets classified as held for sale

Asset is 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 groups) 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 asset (and 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 cashflows 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.

3.14 Property development

Property development is stated at cost of freehold land and development expenditure plus attributable profits less any impairment losses net of progress billings.

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 of one to two years as current assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 instruments 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 service taxes and discounts on completion of each stage of the assignment.

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

3.17 Dividend income

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

3.18 Income tax

3.18.1 Current income tax

Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Income tax (cont'd)

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 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 its 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 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 and the Group and the Bank intend to settle its 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 services. The retirement benefit payable is based on last drawn salary and years of service.

The Bank established a trust fund to provide such benefits to its eligible members. The trust fund is managed by Amanah Raya Berhad.

The Bank has a policy to contribute up to 5% of its annual profit before taxation and zakat to the trust fund. The trust fund is, however, not an Inland Revenue Board approved fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits (cont'd)

3.19.1 Defined benefit plan (cont'd)

The liability recognised in the statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates of high-quality corporate bonds, and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

The Bank determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the defined benefit liability or asset during the period as a result of contributions and benefit payments.

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 bond 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 bond profit rate will increase the plan liability. This is not 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. This is 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 current 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.

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 & Wakalah, with products that comply with the new requirements under IFSA 2013.

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 declined resulting in the reduction of PER through its utilisation in accordance with guidelines on PER.

3.22 Zakat

In computing for zakat, the Group and the Bank have been applying the working capital method based on the rate of 2.5%. This method applies the rate on current asset, net of current liabilities 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 principal and being extended through Baitul Mal of the respective states and other rightful beneficiaries or asnaf.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 judgement, 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 standard.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's and the Bank's results and financial situation due to their materiality.

4.1 Impairment losses on financing and advances

The Group and the Bank review their financing and advances portfolio to determine whether impairment losses should be recognised in profit or loss.

Financing is considered as impaired when there is objective evidence of impairment as a result of loss event that has affected future estimated cash flows of the financing subsequent to its initial recognition.

Components of impairment allowance are as follows:

(i) Individual impairment

Where an account has exceeded certain number of arrears or when the account has fulfilled certain criteria that indicates credit weaknesses, the account is individually assessed for impairment.

Individual allowance is measured as the difference between carrying amount of the financing and present value of estimated future cash flows that are discounted at the effective profit rate.

Expectation on future cash flows is established by applying the best estimate formed on reliable and objective evidence. This process involves significant and reasonable judgement.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 payment of the securities.

(ii) Impairment for equity securities

For equity instrument, impairment is not identified based on analysis of projected cash flows similar to debt instrument 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 is considered objective evidence for provision of impairment on the equity securities.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and balances with banks and other financial institutions	746,196	529,046	744,018	525,494
Money at call and deposit placements maturing within one month	1,161,647	3,068,442	1,161,647	3,068,442
	1,907,843	3,597,488	1,905,665	3,593,936

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

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and short-term funds	1,907,843	3,597,488	1,905,665	3,593,936
Overdrafts (Note 25)	(5,695)	(2,634)	—	—
	1,902,148	3,594,854	1,905,665	3,593,936

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Licensed banks	947,386	258,980	942,295	253,873

7. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At fair value				
Islamic debt securities	2,287,255	2,253,273	2,287,255	2,253,273
Government investment issues	6,209,785	5,591,321	6,209,785	5,591,321
Government bonds	1,747,170	1,737,625	1,747,170	1,737,625
Khazanah bonds	22,500	21,877	22,500	21,877
Cagamas bonds	—	10,047	—	10,047
Quoted shares	183,245	175,347	182,472	174,591
Unit trust shares	1,892	1,750	1,892	1,750
At cost, net of impairment loss				
Unquoted shares	11,250	11,241	6,833	6,833
Net carrying amount	10,463,097	9,802,481	10,457,907	9,797,317

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

8. FINANCIAL ASSETS HELD-TO-MATURITY

	Group and Bank	
	2013 RM'000	2012 RM'000
At amortised cost		
Islamic debt securities	565,505	690,425
Government investment issues	8,574,372	6,649,152
Government bonds	903,555	521,435
Khazanah bonds	306,684	294,854
Cagamas bonds	–	351,278
Islamic commercial papers	62,008	93,998
	10,412,124	8,601,142
Less: accumulated impairment losses		
Islamic debt securities	(213,639)	(306,971)
Islamic commercial papers	(57,036)	(73,215)
	(270,675)	(380,186)
Net carrying amount	10,141,449	8,220,956

Movement of accumulated impairment losses for financial assets held to maturity is as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
As of 1 January	380,186	271,182
Impairment loss during the year (Note 30(ii))	–	116,646
Recoveries of impairment loss during the year (Note 31(ii))	(109,511)	(7,642)
As of 31 December	270,675	380,186

The maturity structures of the instruments are as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
Maturity within one year	598,590	1,000,138
More than one year to five years	4,682,099	2,779,162
More than five years	5,131,435	4,821,842
	10,412,124	8,601,142

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

9. FINANCING AND ADVANCES

(i) Financing and advances analysed by type

	Group and Bank	
	2013 RM'000	2012 RM'000
At amortised cost		
Term financing	5,284,458	5,349,912
Personal financing	46,937,581	43,951,408
Revolving credit	465,430	485,419
House financing	2,569,422	2,978,340
Hire-purchase receivables	361,859	420,621
Pawn broking	1,762,602	1,741,343
Bridging	595,183	819,219
Syndicated financing	106,222	323,060
Credit card	452,991	397,135
Staff financing	273,207	290,030
Gross financing and advances, net of unearned income	58,808,955	56,756,487
Allowance for impairment on financing and advances:		
Individual assessment impairment	(212,222)	(285,543)
Collective assessment impairment	(1,292,556)	(1,237,668)
	(1,504,778)	(1,523,211)
Net financing and advances	57,304,177	55,233,276

(ii) Financing and advances analysed by concept

	Group and Bank	
	2013 RM'000	2012 RM'000
Bai Innah	43,503,470	44,138,071
Bai Bithaman Ajil	3,137,380	3,541,378
Rahnu	1,762,602	1,741,343
Qard	416	508
Ijarah Thumma Al-Bai'	355,359	413,206
Murabahah	5,886,027	6,406,820
Musharakah	72,027	118,027
Tawarruq	4,091,674	397,134
	58,808,955	56,756,487

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

9. FINANCING AND ADVANCES (CONTINUED)

(iii) Financing and advances analysed by geographical distribution

	Group and Bank	
	2013 RM'000	2012 RM'000
Central Region	25,779,235	25,829,619
Southern Region	8,227,957	7,771,127
Eastern Region	8,242,686	7,517,658
Northern Region	7,070,647	6,748,464
East Malaysia Region	9,488,430	8,889,619
	58,808,955	56,756,487

(iv) Financing and advances analysed by economic sector

	Group and Bank	
	2013 RM'000	2012 RM'000
Purchase of securities	96,140	108,647
Purchase of property	2,348,971	2,614,660
Consumption credit	50,468,948	47,577,806
Agriculture	444,941	531,904
Mining and quarrying	88,420	100,820
Manufacturing	761,932	1,218,702
Electricity, gas and water	82	272
Construction	1,589,424	1,913,490
Wholesale & retail trade	111,241	137,568
Transportation & communication	328,488	223,594
Financial, takaful and business services	2,519,567	2,279,279
Community, social and personal services	50,801	49,745
	58,808,955	56,756,487

(v) Financing and advances analysed by remaining contractual maturity

	Group and Bank	
	2013 RM'000	2012 RM'000
Maturity within one year	3,512,768	4,101,630
More than one year to three years	2,424,576	2,488,025
More than three years to five years	3,490,441	3,377,503
More than five years	49,381,170	46,789,329
	58,808,955	56,756,487

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

9. FINANCING AND ADVANCES (CONTINUED)

(vi) Financing and advances analysed by customer type

	Group and Bank	
	2013 RM'000	2012 RM'000
Individuals	52,869,164	50,242,172
Business enterprises	3,779,153	4,570,770
Non-bank financial institutions:		
Co-operatives	1,819,046	1,582,963
Others	54,927	58,310
Foreign entities	267,869	294,630
Other entities	18,740	7,571
Banking institutions	56	71
	58,808,955	56,756,487

(vii) Financing and advances analysed by profit rate sensitivity

	Group and Bank	
	2013 RM'000	2012 RM'000
Fixed rate		
Personal financing	43,766,471	43,951,406
House financing	2,314,941	2,620,150
Others	4,236,154	5,018,285
Floating rate		
Personal financing	3,171,108	–
House financing	254,466	358,022
Others	5,065,815	4,808,624
	58,808,955	56,756,487

(viii) Impaired financing and advances analysed by geographical distribution

	Group and Bank	
	2013 RM'000	2012 RM'000
Central Region	939,346	1,106,596
Southern Region	119,323	120,820
Eastern Region	84,055	68,474
Northern Region	101,975	94,627
East Malaysia Region	60,420	41,220
	1,305,119	1,431,737

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

9. FINANCING AND ADVANCES (CONTINUED)

(ix) Impaired financing and advances analysed by economic sector

	Group and Bank	
	2013 RM'000	2012 RM'000
Purchase of securities	1,346	1,933
Purchase of property	188,545	273,144
Consumption credit	559,145	484,922
Agriculture	69,046	67,584
Manufacturing	30,952	57,242
Electricity, gas and water	–	132
Construction	213,592	163,360
Wholesale & retail trade	38,714	41,234
Transportation & communication	276	81,510
Financial, takaful, property and business services	200,038	259,660
Community, social and personal services	3,465	1,016
	1,305,119	1,431,737

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

	Group and Bank	
	2013 RM'000	2012 RM'000
As of 1 January	1,431,737	1,429,833
Classified as impaired during the year	2,086,386	1,892,376
Amount written-back in respect of recoveries	(1,457,955)	(1,397,794)
Amount written-off during the year	(755,049)	(492,678)
	(126,618)	1,904
As of 31 December	1,305,119	1,431,737
Gross impaired financing and advances as a percentage of gross financing and advances	2.22%	2.52%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

9. FINANCING AND ADVANCES (CONTINUED)

(x) Movement in allowance for individual assessment impairment losses on financing and advances are as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
Individual assessment impairment		
As of 1 January		
- As previously stated	285,543	416,509
- Transfer to collective assessment impairment	—	(296,717)
As of 1 January, as restated	285,543	119,792
Allowance made during the year (Note 30(i))	623,034	279,819
Amount written-back in respect of recoveries (Note 30(i))	(259,516)	(90,915)
Amount written-off during the year	(436,839)	(23,153)
	(73,321)	165,751
As of 31 December	212,222	285,543

(xi) Movement in allowance for collective assessment impairment on financing and advances are as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
Collective assessment impairment		
As of 1 January		
- As previously stated	1,237,668	1,107,497
- Transfer from individual assessment impairment	—	296,717
As of 1 January, as restated	1,237,668	1,404,214
Allowance made during the year (Note 30(i))	1,511,284	1,365,934
Amount written-back in respect of recoveries (Note 30(i))	(1,138,225)	(1,062,922)
Amount written-off during the year	(318,171)	(469,558)
	54,888	(166,546)
As of 31 December	1,292,556	1,237,668
Collective impairment as a percentage of gross financing and advances after deduction of individual assessment impairment	2.21%	2.19%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

10. TRADE RECEIVABLES

	Group	
	2013 RM'000	2012 RM'000
At amortised cost		
Trade receivables	9,169	8,625
Less: Allowance for doubtful debts	(121)	(190)
	9,048	8,435

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 (2012: 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 RM7,741,000 (2012: RM4,261,000) 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	
	2013 RM'000	2012 RM'000
Neither past due nor impaired		
1 day to less than 1 month	1,307	4,174
Past due but not impaired		
1 month to less than 2 months	–	1,401
2 months to less than 3 months	2,032	481
3 months to less than 4 months	1,980	427
4 months and above	3,729	1,952
	7,741	4,261
Past due and impaired	121	190
	9,169	8,625

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

10. TRADE RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts are as follows:

	Group	
	2013 RM'000	2012 RM'000
As of 1 January	190	4,487
Impairment losses recognised on receivables (Note 32(ii))	–	112
Amount recovered during the year (Note 31(ii))	(68)	(191)
Bad debt written-off against allowance	(1)	(4,218)
As of 31 December	121	190

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables 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		
	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
Amount due from subsidiaries (i)	–	–	–	2,688	2,889	3,943
Other receivables, deposits and prepayments (ii)	483,257	529,213	261,834	430,722	476,385	217,782
Defined benefit plan (iii)	192,937	128,290	199,939	192,937	128,290	199,939
Tax recoverable	99,685	99	89,122	99,557	–	88,563
	775,879	657,602	550,895	725,904	607,564	510,227

(i) Amount due from subsidiaries

The amount due from subsidiaries is non-trade in nature, not subject to financing charges and has no fixed terms of payment.

	Bank	
	2013 RM'000	2012 RM'000
Outstanding balances	21,284	21,485
Less: Allowance for doubtful debts	(18,596)	(18,596)
	2,688	2,889

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

11. OTHER ASSETS (CONTINUED)

(ii) Other receivables, deposits and prepayments

	31.12.2013 RM'000	Group 31.12.2012 RM'000	1.1.2012 RM'000	31.12.2013 RM'000	Bank 31.12.2012 RM'000	1.1.2012 RM'000
Other receivables	216,719	328,913	236,732	213,407	278,673	192,680
Allowance for doubtful debts *	(17,688)	(33,201)	(3)	(17,577)	(33,090)	(3)
Refundable deposits	57,889	7,957	5,814	8,902	6,132	5,814
Prepayments	26,337	25,544	19,291	25,990	24,670	19,291
Contribution to Central Liquidity Monetary Fund **	200,000	200,000	–	200,000	200,000	–
	483,257	529,213	261,834	430,722	476,385	217,782

* Movement in the allowance for doubtful debts are as follows:

	Group 2013 RM'000	2012 RM'000	Bank 2013 RM'000	2012 RM'000
As of 1 January	33,201	3	33,090	3
Impairment losses recognised on receivables (Note 32(ii))	–	33,198	–	33,087
Impairment losses recovered from receivables (Note 31(ii))	(15,513)	–	(15,513)	–
As of 31 December	17,688	33,201	17,577	33,090

** This contribution is required under sub-section 42(i) of Malaysian Co-operatives Commission Act 2007 (Act 665) either at rate of 1% on the qualifying liability or RM200 million, whichever is lower, commencing the financial period beginning on or after 1 January 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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	
	2013	2012
Normal retirement age: Male and Female (years)	60	56
Discount rate	5.50%	5.50%
Rate of salary increases	8-10%	8-10%

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
Service cost:		
Current service cost	31,485	15,288
Past service cost	20,286	–
Net profit income	(7,056)	(12,996)
Components of defined benefit costs recognised in profit or loss (Note 32 (i))	44,715	2,292
Remeasurement on the net defined benefit liability:		
Actuarial loss arising from changes in demographic assumptions	–	(474)
Actuarial gain/(loss) arising from changes in financial assumptions	(20,695)	147,957
Actuarial gain arising from changes in experience adjustments	6,544	16,257
Net return on plan assets	10,483	6,567
Components of defined benefit costs recognised in other comprehensive income	(3,668)	170,307
Total	41,047	172,599

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

11. OTHER ASSETS (CONTINUED)

(iii) Defined benefit plan (Cont'd)

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		
	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
Present value of funded obligations	(454,879)	(402,777)	(219,955)
Fair value of plan assets	647,816	531,067	419,894
Net assets	192,937	128,290	199,939

Movement in the present value of defined benefit obligation in the current year are as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
As of 1 January	402,777	219,955
Current service cost	31,485	15,288
Past service cost	20,286	–
Finance cost	21,980	14,096
Actuarial loss arising from changes in demographic assumptions	–	(474)
Actuarial gain/(loss) arising from changes in financial assumptions	(20,695)	147,957
Actuarial gain arising from changes in experience adjustments	6,544	16,257
Benefits paid	(7,498)	(10,302)
As of 31 December	454,879	402,777

Movement in the fair value of plan assets in the current year are as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
As of 1 January	531,068	419,894
Finance income	29,036	27,092
Contributions paid during the year	105,693	100,950
Benefits paid from defined benefit plan	(7,498)	(10,302)
Net return on plan assets	(10,483)	(6,567)
As of 31 December	647,816	531,067

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

11. OTHER ASSETS (CONTINUED)

(iii) Defined benefit plan (Cont'd)

The fair value of the plan assets at the end of the reporting period is as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
Term deposits	647,816	531,067
	647,816	531,067

The actual return on plan assets was RM18,553,000 (2012: RM20,525,000).

Sensitivity analysis on defined benefit plan

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate reduces (increases) by 1%, the defined benefit obligation would increase by 14% (decrease by 14%);
- If the expected salary growth rate increases (decreases) by 1%, the defined benefit obligation would increase by 14% (decrease by 14%);

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

12. INVENTORIES

Inventories consist of the following:

	Group	
	2013 RM'000	2012 RM'000
Trading inventories, at cost	8,105	2,676
Property development cost *	4,263	4,182
	12,368	6,858

* Movement for property development is as follows:

	Group	
	2013 RM'000	2012 RM'000
Freehold land, at cost		
As of 1 January	1,424	1,465
Charged to profit or loss	(23)	(41)
Reclassification to development cost	(948)	–
As of 31 December	453	1,424
Development cost		
As of 1 January	2,758	492
Cost incurred during the year	499	2,266
Charged to profit or loss	(395)	–
Reclassification from development cost	948	–
As of 31 December	3,810	2,758
Total	4,263	4,182

13. ASSET CLASSIFIED AS HELD-FOR-SALE

	Group	
	2013 RM'000	2012 RM'000
As of 1 January	–	–
Transfer from investment properties (Note 16)	80,432	–
As of 31 December	80,432	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

13. ASSET CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

On 3 December 2013, a subsidiary entered into a sale and purchase agreement with a third party for the disposal of a freehold hotel land and building for a cash consideration of RM85,000,000.

Accordingly, the said freehold hotel and building had been classified as asset held for sale as of 31 December 2013. The said disposal is expected to be completed subsequent to the financial year.

As of 31 December 2013, the said asset has been charged as collateral to a local bank for credit facilities granted to the subsidiary as disclosed in Note 25.

14. INVESTMENT IN SUBSIDIARIES

	Bank	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost	43,500	43,500

Details of the subsidiaries, all incorporated in Malaysia, are as follows:

Name	Equity interest		Principal activities
	2013 %	2012 %	
Directly owned			
Rakyat Holdings Sdn Bhd *	100	100	Investment and property management
Indirectly owned through Rakyat Holdings Sdn Bhd			
Rakyat Hartanah Sdn Bhd *	100	100	Property development and project management
Rakyat Management Services Sdn Bhd *	100	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	100	Dormant
Rakyat Niaga Sdn Bhd *	100	100	Trading and supply of goods

* The financial statements of these subsidiary companies were not audited by the Auditor General of Malaysia

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY AND EQUIPMENT

Group 2013	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	Reno- vation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	50,553	58,291	106,869	868	280,107	185,958	396,847	7,383	1,086,876
Additions	–	–	5,712	–	242,390	6,023	59,960	1,300	315,385
Disposals	–	–	–	–	–	–	(24)	(693)	(717)
Write-offs	–	–	–	–	–	(1,910)	(23,107)	–	(25,017)
Reclassifications	–	3,840	12,136	–	(24,556)	8,580	–	–	–
Transfer to prepaid lease payments (Note 17)	–	–	(37)	–	–	–	–	–	(37)
Transfer to investment properties (Note 16)	–	(1,500)	(504)	–	–	–	–	–	(2,004)
At 31 December	50,553	60,631	124,176	868	497,941	198,651	433,676	7,990	1,374,486
Accumulated depreciation									
At 1 January	–	8,334	22,534	254	–	108,411	273,507	3,179	416,219
Charge for the year	–	1,958	2,225	32	–	22,479	49,492	947	77,133
Disposals	–	–	–	–	–	–	(24)	(294)	(318)
Write-offs	–	–	–	–	–	(1,820)	(20,465)	–	(22,285)
Transfer to prepaid lease payments (Note 17)	–	–	(1)	–	–	–	–	–	(1)
Transfer to investment properties (Note 16)	–	–	86	–	–	–	–	–	86
At 31 December	–	10,292	24,844	286	–	129,070	302,510	3,832	470,834
Net book value									
At 31 December	50,553	50,339	99,332	582	497,941	69,581	131,166	4,158	903,652

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY AND EQUIPMENT (CONTINUED)

Group 2012	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	Reno- vation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	49,485	54,016	102,180	868	122,679	163,180	343,392	6,483	842,283
Additions	–	–	148	–	185,636	8,679	57,628	1,760	253,851
Disposals	–	–	–	–	–	–	(46)	(860)	(906)
Write-offs	–	–	–	–	–	(1,025)	(4,127)	–	(5,152)
Reclassifications	1,068	3,585	7,996	–	(28,208)	15,559	–	–	–
Transfer to prepaid lease payments (Note 17)	–	–	(8,925)	–	–	–	–	–	(8,925)
Transfer from/(to) investment properties (Note 16)	–	690	5,470	–	–	(435)	–	–	5,725
At 31 December	50,553	58,291	106,869	868	280,107	185,958	396,847	7,383	1,086,876
Accumulated depreciation									
At 1 January	–	6,630	20,886	229	–	87,625	233,765	2,882	352,017
Charge for the year	–	1,704	1,648	25	–	21,796	43,767	761	69,701
Disposals	–	–	–	–	–	–	(46)	(464)	(510)
Write-offs	–	–	–	–	–	(1,010)	(3,979)	–	(4,989)
At 31 December	–	8,334	22,534	254	–	108,411	273,507	3,179	416,219
Net book value									
At 31 December	50,553	49,957	84,335	614	280,107	77,547	123,340	4,204	670,657

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2013	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	Renov- ation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	50,421	58,291	96,716	868	271,793	183,830	393,794	1,413	1,057,126
Additions	–	–	–	–	240,630	6,023	59,766	640	307,059
Disposals	–	–	–	–	–	–	(24)	(324)	(348)
Write-offs	–	–	–	–	–	(1,910)	(23,107)	–	(25,017)
Reclassifications	–	3,840	–	–	(12,420)	8,580	–	–	–
Transfer to prepaid lease payments (Note 17)	–	–	(37)	–	–	–	–	–	(37)
Transfer to investment properties (Note 16)	–	(1,500)	–	–	–	–	–	–	(1,500)
At 31 December	50,421	60,631	96,679	868	500,003	196,523	430,429	1,729	1,337,283
Accumulated depreciation									
At 1 January	–	8,334	20,888	254	–	107,383	271,449	865	409,173
Charge for the year	–	1,958	1,889	32	–	22,279	49,240	199	75,597
Disposals	–	–	–	–	–	–	(24)	(59)	(83)
Write-offs	–	–	–	–	–	(1,820)	(20,465)	–	(22,285)
Transfer to prepaid lease payments (Note 17)	–	–	(1)	–	–	–	–	–	(1)
At 31 December	–	10,292	22,776	286	–	127,842	300,200	1,005	462,401
Net book value									
At 31 December	50,421	50,339	73,903	582	500,003	68,681	130,229	724	874,882

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2012	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	Reno- vation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	49,353	54,016	95,044	868	115,056	161,203	340,653	815	817,008
Additions	–	–	50	–	182,026	8,528	57,309	598	248,511
Disposals	–	–	–	–	–	–	(46)	–	(46)
Write-offs	–	–	–	–	–	(1,025)	(4,122)	–	(5,147)
Reclassifications	1,068	3,585	5,077	–	(25,289)	15,559	–	–	–
Transfer to prepaid lease payments (Note 17)	–	–	(8,925)	–	–	–	–	–	(8,925)
Transfer from/(to) investment properties (Note 16)	–	690	5,470	–	–	(435)	–	–	5,725
At 31 December	50,421	58,291	96,716	868	271,793	183,830	393,794	1,413	1,057,126
Accumulated depreciation									
At 1 January	–	6,630	19,625	229	–	86,781	231,993	801	346,059
Charge for the year	–	1,704	1,263	25	–	21,612	43,481	64	68,149
Disposals	–	–	–	–	–	–	(46)	–	(46)
Write-offs	–	–	–	–	–	(1,010)	(3,979)	–	(4,989)
At 31 December	–	8,334	20,888	254	–	107,383	271,449	865	409,173
Net book value									
At 31 December	50,421	49,957	75,828	614	271,793	76,447	122,345	548	647,953

Land titles of certain freehold land of the Bank with carrying amount of RM7,017,267 (2012: RM6,214,595) have not been issued by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

16. INVESTMENT PROPERTIES

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At fair value				
As of 1 January	236,581	246,898	145,384	155,160
Additions	40	1,432	–	–
Gain/(Loss) on revaluation (Note 32(ii), Note 31(ii))	(157)	(4,754)	1,564	(2,781)
Disposal	–	(1,270)	–	(1,270)
Transfer from/(to) property and equipment (Note 15)	1,918	(5,725)	1,500	(5,725)
Transfer from prepaid lease payments (Note 17)	2,524	–	–	–
Transfer to asset classified as held for sale (Note 13)	(80,432)	–	–	–
As of 31 December	160,474	236,581	148,448	145,384

Investment properties include the following:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Freehold land	4,779	4,130	4,697	4,048
Buildings	19,022	96,597	8,942	7,386
Leasehold land and buildings	136,673	135,854	134,809	133,950
	160,474	236,581	148,448	145,384

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 have been arrived at on the basis of a valuation carried out at that date by independent valuers who have appropriate qualification and recent experience in the valuation of properties in the relevant locations. The fair value was arrived by 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.

Land titles for certain freehold land and leasehold land of the Bank with fair value amounting to RM890,000 (2012: RM78,800,000) have not been issued to the Bank by the relevant authorities.

The investment properties held by the Bank are let under operating leases to third parties, from which rental income of RM6,213,684 (2012: RM6,109,574) has been earned during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

17. PREPAID LEASE PAYMENTS

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cost				
As of 1 January	99,259	90,334	82,605	73,680
Transfer from property and equipment (Note 15)	37	8,925	37	8,925
Transfer to investment properties (Note 16)	(2,524)	–	–	–
As of 31 December	96,772	99,259	82,642	82,605
Accumulated amortisation				
As of 1 January	15,316	13,671	11,614	10,049
Transfer from property and equipment (Note 15)	1	–	1	–
Charge for the year (Note 32 (ii))	1,673	1,645	1,655	1,565
As of 31 December	16,990	15,316	13,270	11,614
	79,782	83,943	69,372	70,991

Prepaid lease payments include:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Long-term leasehold land	18,886	75,292	8,476	62,340
Short-term leasehold land	60,896	8,651	60,896	8,651
	79,782	83,943	69,372	70,991

The remaining period of the leasehold land of the Group and of the Bank ranges from 18 to 96 years (2012: 19 to 97 years) and 20 to 93 years (2012: 21 to 94 years) respectively.

The land titles of certain leasehold land of the Bank amounting to RM14,843,434 (2012: RM27,885,174) have not been issued to the Bank by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

18. DEFERRED TAX ASSETS

Deferred tax assets of the Group and of the Bank are as follows:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
As of 1 January	408,494	355,496	410,000	356,000
Transfer to/(from) profit or loss (Note 33)				
Property and equipment	(8,462)	(11,002)	(9,000)	(10,000)
Financing and advances	(164,000)	–	(164,000)	–
Provision for retirement benefits	8,000	2,000	8,000	2,000
Other payables	71,000	8,000	71,000	8,000
Profit equalisation reserve	(50,000)	54,000	(50,000)	54,000
	(143,462)	52,998	(144,000)	54,000
As of 31 December	265,032	408,494	266,000	410,000

Deferred tax assets/(liabilities) presented in the statements of financial position are in respect of the tax effects of the following:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets				
Temporary differences arising from:				
Financing and advances	124,000	288,000	124,000	288,000
Provision for retirement benefits	15,000	7,000	15,000	7,000
Other payables	104,000	33,000	104,000	33,000
Profit equalisation reserve	102,000	152,000	102,000	152,000
	345,000	480,000	345,000	480,000
Offsetting	(79,968)	(71,506)	(79,000)	(70,000)
Deferred tax assets (after offsetting)	265,032	408,494	266,000	410,000
Deferred tax liabilities				
Temporary differences arising from:				
Property and equipment	79,968	71,506	79,000	70,000
Offsetting	(79,968)	(71,506)	(79,000)	(70,000)
Deferred tax liabilities (after offsetting)	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

19. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2013 RM'000	2012 RM'000
Non-Mudarabah		
Term deposits	38,691,634	10,248,802
Savings deposits	683,594	688,339
Negotiable Islamic debt certificate	5,992,899	3,014,379
	45,368,127	13,951,520
MUDARABAH		
Savings deposits	2,582,332	2,708,999
General investment deposits	17,188,608	45,882,785
Special investment deposits	158,700	122,700
	19,929,640	48,714,484
	65,297,767	62,666,004

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

	Group and Bank	
	2013 RM'000	2012 RM'000
Government	29,523,382	32,120,664
Business enterprises	23,229,490	15,763,095
Co-operatives	1,202,751	730,967
Individuals	10,181,934	7,349,836
Others	1,160,210	6,701,442
	65,297,767	62,666,004

Maturity structure of deposits from customers are as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
Maturity within six months	55,199,677	52,508,627
More than six months to one year	7,387,793	8,688,130
More than one year to five years	2,710,297	1,469,247
	65,297,767	62,666,004

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

20. DEPOSITS AND PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	Group and Bank	
	2013 RM'000	2012 RM'000
Licensed Islamic banks	1,620,000	200,000
	1,620,000	200,000

21. RECOURSE OBLIGATIONS ON FINANCING SOLD TO CAGAMAS

This represents proceeds received from financing sold directly to Cagamas Berhad with recourse to the Bank. Types of financing involved are personal financing and house financing. Under these agreements, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to replace any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad.

Recourse obligations on financing sold to Cagamas are stated at amortised cost.

22. DEBT SECURITIES ISSUED

Islamic Medium Term Notes Issued Under The RM1.0 Billion Sukuk Musharakah Programme

On 23 November 2012, under the Islamic medium term notes ("IMTN") programme of up to RM1.0 billion in nominal value, the Bank issued a sukuk Musharakah of RM1.0 billion consisting of RM300.0 million under tranche 1 and RM700.0 million under tranche 2.

The tenure for tranche 1 is 3 years with profit distribution rate of 3.88% and maturity date of 23 November 2015, whilst tranche 2 has a tenure of 5 years with profit distribution rate of 4.08% and maturity date of 23 November 2017.

Islamic Medium Term Notes Issued Under The RM9.0 Billion Sukuk Musharakah Programme

On 20 December 2013, under the IMTN programme of up to RM9.0 billion in nominal value, the Bank issued a sukuk Musharakah amounting to RM500.0 million consisting of RM200.0 million under tranche 1 and RM300.0 million under tranche 2.

The tenure for tranche 1 is 3 years with profit distribution rate of 4.30% and maturity date of 20 December 2016, whilst tranche 2 has a tenure of 5 years with profit distribution rate of 4.45% and maturity date of 20 December 2018.

The proceeds from the both issuance shall be utilised by the Bank for Shariah-compliant working capital and general corporate purposes.

Both sukuk issues constitute unsecured liabilities of the Bank, and are subordinated in right of payment upon occurrence of any winding up proceedings to the prior payment in full of all deposit liabilities and all other liabilities of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

23. OTHER LIABILITIES

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Amount due to subsidiaries *	–	–	170,731	167,952
Sundry creditors	219,692	286,052	187,619	251,530
Income payable	426,854	416,734	426,854	416,734
Other liabilities and accruals	584,270	598,364	577,480	593,602
Government fund	81,329	86,435	81,329	86,435
Zakat payable	47,156	54,444	46,666	54,076
	1,359,301	1,442,029	1,490,679	1,570,329

* Amount due to subsidiaries

	Bank	
	2013 RM'000	2012 RM'000
Term deposits	167,458	165,919
Savings deposits	3,273	2,033
	170,731	167,952

Included in the amount due to subsidiaries is an amount of RM170,731,000 (2012: RM167,952,000) representing deposits placed with the Bank. The average profit rate paid/payable to subsidiaries is 3.18% (2012: 3.18%) per annum.

24. PROFIT EQUALISATION RESERVE

	Group and Bank	
	2013 RM'000	2012 RM'000
As of 1 January	584,641	376,341
Net (utilisation)/addition during the year (Note 29)	(178,002)	208,300
As of 31 December	406,639	584,641
Apportioned between:		
Investor	152,145	220,538
Bank	254,494	364,103
	406,639	584,641

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

25. FINANCING FROM OTHER FINANCIAL INSTITUTIONS

	Group	
	2013 RM'000	2012 RM'000
Secured		
Term financing	33,907	37,797
Bank overdraft (Note 5)	5,695	2,634
	39,602	40,431

Remaining tenure of the term financing is as follows:

	Group	
	2013 RM'000	2012 RM'000
Within one year	33,907	3,977
More than one year	–	33,820
	33,907	37,797

As of 31 December 2013, one of the subsidiaries has a term financing and other unutilised credit facilities totalling RM61,000,000 (2012: RM61,000,000) obtained from certain local banks, which bear profit rate of 4.80% (2012: 4.87%) per annum.

The term financing and other credit facilities of the subsidiary are secured by:

- (i) First party pledge of fixed return investment Account-I Certificate with a principal amount of not less than RM3.6 million;
- (ii) First party legal charge over the investment properties of the subsidiary; and
- (iii) The subsidiary expects to redeem the term loan facility within the next 12 months period in view of the completion of the disposal exercise of asset classified as held for sale (Note 13).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

26. SHARE CAPITAL

	Grup and Bank	
	2013 RM'000	2012 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	2,865,004	2,349,063
Net issuance during the year	54,355	409,816
Bonus issues during the year	54,318	106,125
As of 31 December	2,973,677	2,865,004

Membership as of 31 December is as follows:

	Grup and Bank	
	2013	2012
Individual	941,383	945,522
Co-operative	2,081	2,019
	943,464	947,541

27. OTHER RESERVES

Group	Capital reserve RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Total RM'000
At 1 January 2012	14,617	2,858,048	109,503	2,982,168
Transfer from retained profits	–	446,404	–	446,404
Unrealised net gain on revaluation of financial assets available-for-sale	–	–	68,780	68,780
At 31 December 2012	14,617	3,304,452	178,283	3,497,352
At 1 January 2013	14,617	3,304,452	178,283	3,497,352
Transfer from retained profits	–	485,111	–	485,111
Unrealised net loss on revaluation of financial assets available-for-sale	–	–	(200,132)	(200,132)
At 31 December 2013	14,617	3,789,563	(21,849)	3,782,331

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

27. OTHER RESERVES (CONTINUED)

Bank	Capital reserve RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Total RM'000
At 1 January 2012	15,358	2,858,048	109,503	2,982,909
Transfer from retained profits	–	446,404	–	446,404
Unrealised net gain on revaluation of financial assets available-for-sale	–	–	68,780	68,780
At 31 December 2012	15,358	3,304,452	178,283	3,498,093
At 1 January 2013	15,358	3,304,452	178,283	3,498,093
Transfer from retained profits	–	485,111	–	485,111
Unrealised net loss on revaluation of financial assets available-for-sale	–	–	(200,132)	(200,132)
At 31 December 2013	15,358	3,789,563	(21,849)	3,783,072

(i) Statutory reserve

The statutory reserve is maintained in compliance with Development Financial Institutions Act 2002 and is not distributable as dividend.

(ii) Capital reserve

This is reserve required to be maintained under Co-operative Societies Act 1993 that consists of capital gain obtained from:

- (a) disposal of land or building, or both, under non-current assets; and
- (b) revaluation of land or buildings, or both, under non-current assets, with approval from the Chief Registrar

(iii) Fair value reserve

This reserve refers to revaluation reserve for unrealised fair value gains and losses on financial assets available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

28. INCOME

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income derived from investment of depositors' fund (i)	4,478,978	4,757,984	4,478,978	4,757,984
Income derived from investment of shareholders' fund (ii)	1,070,736	1,040,435	1,070,736	1,040,435
Income generated by subsidiary companies (iii)	54,456	59,571	—	—
	5,604,170	5,857,990	5,549,714	5,798,419

(i) Income derived from investment of depositors' fund

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income from financing and advances*	3,776,899	4,068,404	3,776,899	4,068,404
Income from deposits and placements with banks and financial institutions	97,163	179,600	97,163	179,600
Income from financial assets	604,916	509,980	604,916	509,980
	4,478,978	4,757,984	4,478,978	4,757,984

(ii) Income derived from investment of shareholders' fund

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income from financing and advances*	902,899	889,644	902,899	889,644
Income from deposits and placements with banks and other financial institutions	23,227	39,273	23,227	39,273
Income from financial assets	144,610	111,518	144,610	111,518
	1,070,736	1,040,435	1,070,736	1,040,435

* Included in income from financing and advances for the current year is profit accrued on impaired financing of RM72,927,365 (2012: RM99,033,877)

(iii) Income generated by subsidiary companies

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Agency income	15,993	19,657	—	—
Pawning income	15,104	17,815	—	—
Rental income	9,684	9,079	—	—
Management fee	11,286	11,743	—	—
Sale of goods	558	1,111	—	—
Other charges	1,831	166	—	—
	54,456	59,571	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

29. EXPENDITURE

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income attributable to depositors *	2,237,204	2,133,851	2,242,812	2,133,851
Profit expense on financing sold with recourse to Cagamas	104,159	111,199	104,159	111,199
Transfer (from)/to profit equalisation reserve (Note 24)	(178,002)	208,300	(178,002)	208,300
Profit expense on debt securities issued	40,918	6,658	40,918	6,658
Cost of sales	39,071	32,964	–	–
	2,243,350	2,492,972	2,209,887	2,460,008

* Income attributable to depositors

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits from customers				
Mudarabah	1,070,725	1,935,746	1,076,333	1,935,746
Non-Mudarabah	1,144,541	176,376	1,144,541	176,376
Deposits and placements from banks and other financial institutions				
Mudarabah	21,921	21,729	21,921	21,729
Non-Mudarabah	17	–	17	–
	2,237,204	2,133,851	2,242,812	2,133,851

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

30. ALLOWANCES FOR IMPAIRMENT

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Allowance for impairment on financing and advances (i)	747,982	507,093	747,982	507,093
Allowance for impairment on financial assets (ii)	1,146	131,177	1,146	126,769
	749,128	638,270	749,128	633,862

(i) Allowance for impairment on financing and advances

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Individual impairment (Note 9(x))	363,518	188,904	363,518	188,904
Individual impairment on rescheduled financing *	11,405	15,177	11,405	15,177
Collective impairment (Note 9(xi))	373,059	303,012	373,059	303,012
	747,982	507,093	747,982	507,093

* 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		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial assets available-for-sale	1,146	14,531	1,146	10,123
Financial assets held-to-maturity (Note 8)	—	116,646	—	116,646
	1,146	131,177	1,146	126,769

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

31. OTHER OPERATING INCOME

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fees and commission (i)	82,243	110,860	82,243	110,860
Other income (ii)	424,270	309,256	440,020	322,147
	506,513	420,116	522,263	433,007

(i) Fees and commission

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Takaful commission	37,985	64,784	37,985	64,784
ATM service fees	11,053	11,721	11,053	11,721
Wasiat commission	5,942	7,388	5,942	7,388
Other commission	10,336	8,348	10,336	8,348
Processing fees	2,863	5,996	2,863	5,996
MEPS fees	5,827	4,961	5,827	4,961
Guarantee fees	4,576	4,577	4,576	4,577
Other fees	3,661	3,085	3,661	3,085
	82,243	110,860	82,243	110,860

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

31. OTHER OPERATING INCOME (CONTINUED)

(ii) Other income

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other income from financial instruments				
Dividend from financial assets available-for-sale	8,145	7,859	8,145	7,859
Net gain on disposal of financial assets held-for-trading	141	933	141	933
Net gain on disposal of financial assets available-for-sale	20,196	17,082	20,485	17,082
Net gain on redemption of financial assets held-to-maturity	792	433	792	433
Others				
Rental income				
- Investment properties	6,214	6,110	6,214	6,110
- Other properties	125	272	107	272
Compensation for late payment	7,546	7,374	7,546	7,374
Charges from credit card services	16,194	15,486	16,194	15,486
Other service charges	8,034	7,606	8,034	7,606
Recoveries on financing written-off	206,477	220,323	206,477	220,323
Allowance for doubtful debts no longer required				
- Trade receivables (Note 10)	68	191	–	–
- Other receivables (Note 11(ii))	15,513	–	15,513	–
Allowance for impairment loss on financial assets held-to-maturity no longer required (Note 8)	109,511	7,642	109,511	7,642
Gain on disposal of property and equipment	59	129	9	–
Other income	25,255	17,816	39,288	31,027
Gain on revaluation of investment properties (Note 16)	–	–	1,564	–
	424,270	309,256	440,020	322,147

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

32. OPERATING EXPENSES

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Personnel expenses (i)	531,462	569,155	523,762	561,991
Other overheads and expenditure (ii)	442,078	446,969	463,782	448,135
	973,540	1,016,124	987,544	1,010,126

(i) Personnel expenses

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries and wages	210,241	193,130	205,909	188,795
Allowances and bonuses	154,892	252,114	152,648	250,250
Defined benefit plan (Note 11(iii))	44,715	2,292	44,715	2,292
Defined contribution plan - EPF	63,968	72,471	63,400	71,977
Social security contributions - SOCSO	2,555	2,430	2,500	2,377
Other staff related costs	55,091	46,718	54,590	46,300
	531,462	569,155	523,762	561,991

Total number of staffs (excluding the Board of Directors) for the Group is 4,826 persons (2012: 4,371) and for the Bank is 4,695 persons (2012: 4,248).

(ii) Other overheads and expenditure

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Establishment				
Rental	18,529	18,743	21,111	18,230
Depreciation of property and equipment and amortisation of prepaid lease payment	78,806	71,346	77,252	69,714
Repair and maintenance	70,889	48,129	70,655	47,719
Takaful	8,436	8,399	8,328	8,247
	176,660	146,617	177,346	143,910

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

32. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (cont'd)

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Promotion				
Advertisement and publicity	51,538	51,761	51,343	51,348
	51,538	51,761	51,343	51,348
General expenses				
Legal and profesional fees	4,243	11,387	8,617	10,802
Auditors' remuneration	1,366	1,235	1,216	1,085
Communication expenses	22,831	19,256	22,633	19,081
Utilities expenses	9,234	13,590	9,089	13,048
Printing and stationery	18,025	16,631	17,839	16,476
Postage and courier	11,855	12,099	11,793	12,006
Security expenses	14,612	14,244	14,516	14,177
Service charges	32,142	63,607	47,674	63,129
Loss on financing written-off	12,357	10,921	12,357	10,921
Property and equipment written-off	2,732	163	2,732	158
Commission expenses	51,965	23,759	51,965	23,759
Travelling and transportation	13,817	14,126	13,633	13,773
Others	18,701	47,573	21,029	54,462
	213,880	248,591	235,093	252,877
	442,078	446,969	463,782	448,135

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

32. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (cont'd)

The above expenditure includes the following statutory disclosures:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Allowance for doubtful debts:				
- Other receivables, deposits and prepayments (Note 11(ii))	–	33,198	–	33,087
- Trade receivables (Note 10)	–	112	–	–
Auditors' remuneration:				
- Statutory audit fees	750	700	600	550
- Other services	616	535	616	535
Amortisation of prepaid lease payment (Note 17)	1,673	1,645	1,655	1,565
Depreciation of property and equipment (Note 15)	77,133	69,701	75,597	68,149
Loss on revaluation of investment properties (Note 16)	157	4,754	–	2,781
Finance cost on financing from other financial institutions	2,275	2,185	–	–
Rental of premises	18,111	18,734	21,111	18,230
Rental of equipment	5	5	–	–
Inventories written-off	–	41	–	–

Inclusive in general expenses is the following directors' remuneration:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Executive Directors				
Salary and other remuneration	771	578	771	578
Bonuses	729	146	729	146
EPF contributions	257	126	257	126
Other emoluments	9	45	9	45
	1,766	895	1,766	895
Non-Executive Directors				
Fees	1,173	1,410	745	998
Other emoluments	600	2,149	600	1,906
	1,773	3,559	1,345	2,904
	3,539	4,454	3,111	3,799

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

32. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (cont'd)

Total remuneration of the Directors is as follows:

2013	Remuneration received from Bank			Total RM'000	Remuneration received from Subsidiary Companies			Group Total RM'000
	Salary and Bonus RM'000	Fees RM'000	Other Emoluments RM'000		Fees RM'000	Other Emoluments RM'000	Total RM'000	
Executive Director								
Datuk Mustafha Abd Razak	632	–	7	639	54	–	54	693
	632	–	7	639	54	–	54	693
Non-Executive Directors								
Tan Sri Sabbaruddin Chik	–	171	17	188	179	–	179	367
Dato’ Abdul Mutalib Alias	–	95	70	165	–	–	–	165
Dato’ Mangsor Saad	–	112	38	150	52	–	52	202
Dato’ Zuraidah Atan	–	104	10	114	19	–	19	133
Dato’ Saripuddin Kasim	–	98	77	175	10	–	10	185
Dato’ Mat Noor Nawli	–	53	3	56	–	–	–	56
	–	633	215	848	260	–	260	1,108
Former Executive Director								
Datuk Yusof Abdul Rahman	1,125	–	2	1,127	18	–	18	1,145
	1,125	–	2	1,127	18	–	18	1,145
Former Non-Executive Directors								
Dato’ Dr. Syed Hussain Syed Husman	–	63	21	84	48	–	48	132
Dato’ Amirul Rahman Abdul Rahim	–	49	26	75	48	–	48	123
Dato’ Mohd Aini Taib	–	–	338	338	–	–	–	338
	–	112	385	497	96	–	96	593
	1,757	745	609	3,111	428	–	428	3,539

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

32. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (cont'd)

2012	Remuneration received from Bank			Total RM'000	Remuneration received from Subsidiary Companies			Group Total RM'000
	Salary and Bonus RM'000	Fees RM'000	Other Emoluments RM'000		Fees RM'000	Other Emoluments RM'000	Total RM'000	
Executive Director								
Datuk Yusof Abdul Rahman	424	–	4	428	41	–	41	469
	424	–	4	428	41	–	41	469
Non-Executive Directors								
Tan Sri Sabbaruddin Chik	–	133	44	177	122	–	122	299
Dato' Dr. Syed Hussain Syed Husman	–	138	120	258	28	51	79	337
Dato' Amirul Rahman Abdul Rahim	–	127	63	190	35	–	35	225
Dato' Abdul Mutalib Alias	–	97	94	191	–	–	–	191
Dato' Mangsor Saad	–	140	37	177	36	–	36	213
Dato' Zuraidah Atan	–	17	–	17	–	–	–	17
	–	652	358	1,010	221	51	272	1,282
Former Executive Director								
Datuk Kamaruzaman Che Mat	426	–	41	467	24	72	96	563
	426	–	41	467	24	72	96	563
Former Non-Executive Directors								
Tan Sri Dato' Dr Syed Jalaludin Syed Salim	–	49	869	918	59	72	131	1,049
Dato' Mohd Aini Taib	–	127	109	236	43	24	67	303
Dato' Daud Tahir	–	89	333	422	18	21	39	461
Shahrol Anuwar Sarman	–	81	175	256	–	–	–	256
Ahmad Badri Mohd Zahir	–	–	40	40	6	3	9	49
Datuk Mohd Hashim Hassan	–	–	22	22	–	–	–	22
	–	346	1,548	1,894	126	120	246	2,140
	850	998	1,951	3,799	412	243	655	4,454

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

33. TAXATION

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysian income tax				
Current year	176,214	337,296	170,352	333,192
(Over)/Underprovision in prior years	(128,895)	48,939	(129,378)	49,076
	47,319	386,235	40,974	382,268
Deferred tax (Note 18)				
Current year	75,904	(53,417)	76,000	(54,000)
Under provision in prior years	67,558	419	68,000	—
	143,462	(52,998)	144,000	(54,000)
Total	190,781	333,237	184,974	328,268

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before taxation and zakat	2,144,665	2,130,740	2,125,418	2,127,430
Taxation at statutory tax rate of 25% (2012: 26%)	536,166	553,992	531,354	553,132
Non-taxable income	(13,311)	(10,393)	(13,239)	(10,340)
Non-deductible expenses	56,703	46,208	55,677	42,328
Tax exempt under Section 65(A)	(327,440)	(305,928)	(327,440)	(305,928)
(Over)/Underprovision in prior years:				
- Current tax	(128,895)	48,939	(129,378)	49,076
- Deferred tax	67,558	419	68,000	—
	190,781	333,237	184,974	328,268

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

34. ZAKAT

In computing for zakat, the Group and the Bank have been applying the working capital method based on the rate of 2.5%. This method applies the rate on current asset, net of current liabilities and subjected to allowable adjustments.

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Provision for current year	43,190	50,254	43,684	50,000
Overprovision in prior years	(8,886)	(4,374)	(9,684)	(4,374)
	34,304	45,880	34,000	45,626

35. STATUTORY APPROPRIATIONS

Maintenance of reserve fund is required under Development Financial Institutions Act 2002 (Act 618), whereas contributions to Cooperative Education and Development Provident Funds are made in compliance with Cooperative Societies Act 1993 (Act 502).

Contribution to Yayasan Bank Rakyat 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.

36. EARNINGS PER SHARE

Basic earnings per ordinary share have been calculated based on the Group's profit after taxation and zakat of RM1,919,580,000 (2012: RM1,751,623,000) divided by the weighted average number of ordinary shares of 2,956,390,000 (2012: 2,750,465,000) of RM1 each in issue during the financial year.

37. DIVIDENDS

	Group and Bank	
	2013 RM'000	2012 RM'000
Cash dividend of 16% for the year ended 31 December 2012 (2011: 15%)	440,740	322,348
Bonus dividend of 2% for the year ended 31 December 2012 (2011: 5%)	54,318	106,125
Overprovision of cash dividend declared in respect of prior years	–	6,746
	495,058	435,219

During the financial year, the Bank paid a final cash dividend of 16% amounting to RM440.74 million and a bonus dividend of 2% amounting to RM54.32 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 15% amounting to RM446.00 million. The proposed dividends are subject to the approval by the relevant authorities and have not been included as liabilities in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

38. 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		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Contingent liabilities				
Bank guarantee given in respect of banking facilities granted to customers	541,630	441,781	541,630	441,781
Claims for damages from litigation taken against the Bank	3,362	15,169	3,362	14,219
Commitments				
Undrawn financing	2,595,260	2,092,578	2,595,260	2,092,578
	3,140,252	2,549,528	3,140,252	2,548,578

39. CAPITAL COMMITMENTS

Capital expenditure approved but not provided for in the financial statements are as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
Capital expenditure		
- approved and contracted for	4,876	213,824

40. 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	
	2013 RM'000	2012 RM'000
Within one year	1,051	881
Between one and two years	670	164
Between two to three years	153	82
More than three years	1	—
	1,875	1,127

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

41. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both.

The related parties of the Group and of the Bank are:

41.1 Subsidiary Companies

Details of the subsidiary companies are shown in Note 14.

41.2 Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel of the Group and of the Bank includes Executive Directors and Non-Executive Directors of the Bank and certain members of senior management of the Bank and heads of major subsidiary companies of the Group.

Remuneration of directors and other members of key management are as follows:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term employee benefits				
Fees	1,162	1,384	745	998
Salary	3,180	3,890	3,180	3,890
Allowances	246	450	246	450
EPF contribution	971	1,385	971	1,385
Bonuses	2,318	4,122	2,318	4,122
Other emoluments	827	2,338	600	1,951
	8,704	13,569	8,060	12,796

Included in the total compensation for key management personnel are the following items:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors' remuneration				
Bank's directors	3,111	3,799	3,111	3,799
Subsidiary companies' directors	428	655	–	–
	3,539	4,454	3,111	3,799

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

41. RELATED PARTY TRANSACTIONS (CONTINUED)

41.3 Transactions with subsidiaries

All related party transactions within the Bank Rakyat group are conducted on normal commercial terms which are not more favourable than those generally available to the public.

	Bank	
	2013 RM'000	2012 RM'000
Expenditure incurred		
Profit expenses	5,605	5,954
Management fee expenses	5,394	3,793
Rental expenses	3,054	3,131
Purchase of goods and services	9,679	3,351
Travelling and transportation	12,075	8,562
	35,807	24,791

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:

- a) Credit risk
- b) Liquidity risk
- c) Market risk
- d) Operational risk

42.2 Risk management framework

The Risk Management Committee (RMC) was established by the Board of Directors to oversee the management of risks associated with the Bank's operations and activities. The RMC has both executive and non-executive members and report regularly to the Board of Directors on their activities. The RMC is responsible to implement sound risk management policies, strategies and procedures.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.2 Risk management framework (Cont'd)

The Bank's Audit Examination Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Examination Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Examination Committee.

42.3 Credit risk

Credit risk is the risk of financial loss due to failure by customers or counterparties to financial instruments to meet their contractual obligations. The Bank's exposure to credit risk arises principally from financing granted to customers and trading and investment of funds with other counterparties.

42.3.1 Risk governance

RMC reviews the Bank's credit risk framework and policies, aligns credit risk management with business strategies and planning, reviews credit profile of credit portfolios and recommends necessary actions to ensure that credit risk remains within established risk tolerance level.

42.3.2 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.

These policies also outline discretionary power for financing approval which is allocated to divisional heads, whereas large facilities require approval by the Board of Directors, together with guidelines for rehabilitation and restructuring of problematic and delinquent financing accounts.

All credit approving officers are guided by credit policies, guidelines and procedures that are periodically reviewed to ensure their continued relevance.

There is a section within Risk Management Department that has functional responsibility for credit risk management which includes formulating and reviewing the Bank's risk policies, guidelines and procedures, as well as managing credit portfolios and ensuring the risk policies are implemented and complied with.

Independent credit reviews are performed regularly to complement risk identification as well as to evaluate quality of credit appraisals and the competency of credit personnel. Internal risk management reports are presented to RMC, containing information on quality of credit portfolios, results of independent credit review, results of credit profiling, significant credit exposures to related parties and credit concentration by economic sectors and by large single customers.

With these information, RMC would be able to identify adverse credit trends, take corrective actions and formulate business strategies accordingly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (Cont'd)

42.3.3 Financing to retail customers and Small and Medium Enterprises (SMEs)

Financing granted to retail customers and SMEs are individually underwritten by assessing historical financing payment/instalment track record and current financing payment/instalment capacity of the customer. This process is assisted by internal credit rating score sheets.

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.

42.3.4 Financing to corporate customers

Granting of credit to corporate customers is individually underwritten. Credit officers would identify and assess the credit risks of large corporate customers, or customer groups, by taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support such as bank or corporate guarantees. These factors would influence the risk level of any financing to these customers.

42.3.5 Credit risk from trading and investment activities

Credit risk in relation to trading or investing of the Bank's surplus funds is managed by setting an issuer's credit limits which are specifically approved by the RMC. Moreover, the Bank's investment policies also stipulates minimum investment grade for debt securities, types of permissible transactions and the maximum tenure. This investment policy is subjected to regular review.

42.3.6 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).

42.3.7 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.

42.3.8 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.

42.3.9 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (Cont'd)

42.3.10 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.

42.3.11 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.

42.3.12 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

42.3.13 Credit grading for investment securities

Credit quality 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.

42.3.14 Maximum exposure to credit risk

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments.

For on-balance sheet assets, the exposure to credit risk equals the carrying amount.

For credit commitments, maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (Cont'd)

42.3.14 Maximum exposure to credit risk (cont'd)

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Assets				
Cash and short-term funds	1,907,843	3,597,488	1,905,665	3,593,936
Deposits and placements with financial institutions	947,386	258,980	942,295	253,873
Financial assets available-for-sale	10,463,097	9,802,481	10,457,907	9,797,317
Financial assets held-to-maturity	10,141,449	8,220,956	10,141,449	8,220,956
Financing and advances	57,304,177	55,233,276	57,304,177	55,233,276
Trade receivables	9,048	8,435	—	—
Other receivables	199,031	295,712	198,518	248,472
	80,972,031	77,417,328	80,950,011	77,347,830
Commitments				
Undrawn financing	2,595,260	2,092,578	2,595,260	2,092,578
Total maximum exposure to credit risk	83,567,291	79,509,906	83,545,271	79,440,408

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (cont'd)

42.3.15 Credit risk exposure on financing and advances

	Group and Bank	
	2013 RM'000	2012 RM'000
At amortised cost		
Neither past due nor impaired		
0 month	53,704,255	50,501,430
	53,704,255	50,501,430
Past due but not impaired		
1 month	2,611,576	3,341,938
2 months	767,691	1,029,021
3 months	417,733	451,130
More than 3 months	2,581	1,231
	3,799,581	4,823,320
Past due and impaired		
Less than 4 months	219,144	105,829
4 months to 6 months	341,090	342,236
7 months to 9 months	196,012	165,803
More than 9 months	548,873	817,869
	1,305,119	1,431,737
Gross financing and advances	58,808,955	56,756,487

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (cont'd)

42.3.16 Credit risk exposure on investment securities

Group 2013	Financial assets held for trading RM'000	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+	–	–	–	–
Grade AAA	–	2,033,286	305,604	2,338,890
Grade AA1	–	253,969	35,894	289,863
Grade AA2	–	–	–	–
Grade AA3	–	–	10,345	10,345
Grade BBB+ and below	–	–	23	23
	–	2,287,255	351,866	2,639,121
Cagamas bonds				
Grade AAA	–	–	–	–
Islamic commercial papers				
Grade AAA	–	–	4,972	4,972
	–	2,287,255	356,838	2,644,093
Unrated securities				
Government investment issues	–	6,209,785	8,574,372	14,784,157
Government bonds	–	1,747,170	903,555	2,650,725
Khazanah bonds	–	22,500	306,684	329,184
Islamic commercial papers	–	–	–	–
	–	7,979,455	9,784,611	17,764,066
Shares				
Quoted and unit trust shares	–	185,137	–	185,137
Non-quoted shares	–	11,250	–	11,250
	–	196,387	–	196,387
	–	10,463,097	10,141,449	20,604,546

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (cont'd)

42.3.16 Credit risk exposure on investment securities (cont'd)

Bank 2013	Financial assets held for trading RM'000	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+	–	–	–	–
Grade AAA	–	2,033,286	305,604	2,338,890
Grade AA1	–	253,969	35,894	289,863
Grade AA2	–	–	–	–
Grade AA3	–	–	10,345	10,345
Grade BBB+ and below	–	–	23	23
	–	2,287,255	351,866	2,639,121
Cagamas bonds				
Grade AAA	–	–	–	–
Islamic commercial papers				
Grade AAA	–	–	4,972	4,972
	–	2,287,255	356,838	2,644,093
Unrated securities				
Government investment issues	–	6,209,785	8,574,372	14,784,157
Government bonds	–	1,747,170	903,555	2,650,725
Khazanah bonds	–	22,500	306,684	329,184
Islamic commercial papers	–	–	–	–
	–	7,979,455	9,784,611	17,764,066
Shares				
Quoted and unit trust shares	–	184,364	–	184,364
Non-quoted shares	–	6,833	–	6,833
	–	191,197	–	191,197
	–	10,457,907	10,141,449	20,599,356

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (cont'd)

42.3.16 Credit risk exposure on investment securities (cont'd)

Group 2012	Financial assets held for trading RM'000	Financial assets available- for-sale RM'000	Financial assets held-to- maturity RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AA	–	–	5,056	5,056
Grade AA+	–	–	161,642	161,642
Grade AAA	–	2,051,055	61,942	2,112,997
Grade AA1	–	196,779	63,770	260,549
Grade AA2	–	5,439	–	5,439
Grade AA3	–	–	66,994	66,994
Grade BBB+ and below	–	–	24,050	24,050
	–	2,253,273	383,454	2,636,727
Cagamas bonds				
Grade AAA	–	10,047	351,278	361,325
	–	2,263,320	734,732	2,998,052
Unrated securities				
Government investment issues	–	5,591,321	6,649,152	12,240,473
Government bonds	–	1,737,625	521,435	2,259,060
Khazanah bonds	–	21,877	294,854	316,731
Islamic commercial papers	–	–	20,783	20,783
	–	7,350,823	7,486,224	14,837,047
Shares				
Quoted and unit trust shares	–	177,097	–	177,097
Non-quoted shares	–	11,241	–	11,241
	–	188,338	–	188,338
	–	9,802,481	8,220,956	18,023,437

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (cont'd)

42.3.16 Credit risk exposure on investment securities (cont'd)

Bank 2012	Financial assets held for trading RM'000	Financial assets available- for-sale RM'000	Financial assets held-to- maturity RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AA	–	–	5,056	5,056
Grade AA+	–	–	161,642	161,642
Grade AAA	–	2,051,055	61,942	2,112,997
Grade AA1	–	196,779	63,770	260,549
Grade AA2	–	5,439	–	5,439
Grade AA3	–	–	66,994	66,994
Grade BBB+ and below	–	–	24,050	24,050
	–	2,253,273	383,454	2,636,727
Cagamas bonds				
Grade AAA	–	10,047	351,278	361,325
	–	2,263,320	734,732	2,998,052
Unrated securities				
Government investment issues	–	5,591,321	6,649,152	12,240,473
Government bonds	–	1,737,625	521,435	2,259,060
Khazanah bonds	–	21,877	294,854	316,731
Islamic commercial papers	–	–	20,783	20,783
	–	7,350,823	7,486,224	14,837,047
Shares				
Quoted and unit trust shares	–	176,341	–	176,341
Non-quoted shares	–	6,833	–	6,833
	–	183,174	–	183,174
	–	9,797,317	8,220,956	18,018,273

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

42.4.1 Management of liquidity risk

The Bank's liquidity and funding position is supported by significant retail deposit base which comprises savings and deposits from customers. In monitoring the liquidity risk, the Bank applies maturity mismatch analysis showing concentration of these funding. Liquidity positions are reported to Asset and Liability Committee (ALCO) on monthly basis.

In mitigating this risk, management has arranged for a diversity in source of funds in addition to the core deposit base. This is besides the adoption of a policy in prudent management of assets with purpose to boost liquidity, apart from daily monitoring of future cash flows and liquidity. This shows orderly internal control processes and proper contingency plans were drawn up in managing this risk.

As a regulatory requirement, the Bank maintains liquidity level by complying to guidelines on new liquidity framework as prescribed by Bank Negara Malaysia.

Daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Bank relies on deposits from customers and corporations, and from selling of financing with recourse to Cagamas as source of funding. These sources of funding are of high liquidity since there are repayable to the depositors on demand. This situation increases the Bank's liquidity risk of which the Bank actively manages through maintenance of competitive pricing rate and constant monitoring of market trends.

During the year, issuance of additional shares to the public has further cushioned and stabilized the liquidity position of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (cont'd)

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 less any deposits from banks, debt securities issued, other financing and commitments maturing within the next month.

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:

	2013	Bank 2012
At 31 December	31.49%	30.31%
Average for the year	33.34%	33.96%
Maximum for the year	34.51%	37.37%
Minimum for the year	31.49%	30.31%

42.4.3 Liquidity risk of assets and liabilities

The main thrust of liquidity management is the projection 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 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (cont'd)

42.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities

Bank 2013	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)	Total (RM'000)
Assets							
Cash, deposits and placement with financial institutions	1,494,193	411,472	485,575	456,720	–	–	2,847,960
Investment securities	–	–	540,421	393,025	798,144	18,867,766	20,599,356
Financing and advances	131,477	844,818	1,874,956	2,935,870	3,947,704	47,569,352	57,304,177
Other receivables, deposits and prepayments	191,197	–	–	–	–	1,936,909	2,128,106
	1,816,867	1,256,290	2,900,952	3,785,615	4,745,848	68,374,027	82,879,599
Liabilities							
Deposits from customers	8,923,997	16,894,748	18,312,215	10,807,139	7,491,370	2,868,298	65,297,767
Deposits and placement from financial institutions	950,000	670,000	–	–	–	–	1,620,000
Recourse obligations on financing sold to Cagamas	–	–	–	–	–	1,528,696	1,528,696
Debt securities issued	–	–	–	9,799	–	1,497,289	1,507,088
Other liabilities and payables	–	–	–	–	–	1,642,824	1,642,824
	9,873,997	17,564,748	18,312,215	10,816,938	7,491,370	7,537,107	71,596,375
Shareholders' fund	–	–	–	–	–	11,283,224	11,283,224
	–	–	–	–	–	11,283,224	11,283,224
Net maturity mismatch	(8,057,130)	(16,308,458)	(15,411,263)	(7,031,323)	(2,745,522)	49,553,696	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (cont'd)

42.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (cont'd)

Bank 2013	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)	Total (RM'000)
Commitment and contingencies							
Bank guarantee given in respect of banking facilities granted to customers	-	-	23,634	8,271	16,860	492,865	541,630
Claims for damages from litigation taken against the Bank	-	-	-	-	-	3,362	3,362
Undrawn financing	-	-	-	-	-	2,595,260	2,595,260
	-	-	23,634	8,271	16,860	3,091,487	3,140,252

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (cont'd)

42.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (cont'd)

Bank 2012	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)	Total (RM'000)
Assets							
Cash, deposits and placement with financial institutions	2,365,987	1,227,949	203,785	50,088	–	–	3,847,809
Investment securities	–	–	833,693	416,379	1,160,699	15,607,502	18,018,273
Financing and advances	103,581	804,780	1,814,468	2,844,966	3,793,942	45,871,539	55,233,276
Other receivables, deposits and prepayments	–	–	–	–	–	1,925,392	1,925,392
	2,469,568	2,032,729	2,851,946	3,311,433	4,954,641	63,404,433	79,024,750
Liabilities							
Deposits from customers	7,884,116	17,173,060	16,527,548	8,830,305	8,747,557	3,503,418	62,666,004
Deposits and placement from financial institutions	–	200,000	–	–	–	–	200,000
Recourse obligations on financing sold to Cagamas	–	–	–	662,708	1,809,593	700,000	3,172,301
Debt securities issued	–	–	–	10,004	–	996,654	1,006,658
Other liabilities and payables	–	–	–	–	–	1,837,551	1,837,551
	7,884,116	17,373,060	16,527,548	9,503,017	10,557,150	7,037,623	68,882,514
Shareholders' fund	–	–	–	–	–	10,142,236	10,142,236
	–	–	–	–	–	10,142,236	10,142,236
Net maturity mismatch	(5,414,548)	(15,340,331)	(13,675,602)	(6,191,584)	(5,602,509)	46,224,574	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (cont'd)

42.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (cont'd)

Bank 2012	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)	Total (RM'000)
Commitment and contingencies							
Bank guarantee given in respect of banking facilities granted to customers	–	52	62,630	4,046	39,260	335,793	441,781
Claims for damages from litigation taken against the Bank	–	–	–	–	–	14,219	14,219
Undrawn financing	–	–	–	–	–	2,092,578	2,092,578
	–	52	62,630	4,046	39,260	2,442,590	2,548,578

42.5 Market risk

Market risk is the risk that fluctuation in future cash flows or fair value of financial instruments due to changes in market variables, such as profit rates and equity prices, would affect financial position or cash flows of the Bank. In managing market risk, risk exposure can be controlled within the acceptable parameters, while optimising rate of return.

42.5.1 Management of market risk

The Bank manages market risk by separating exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by treasury department which consist of financial assets that are managed on fair value basis.

Exposure of the Bank to the foreign exchange rates is minimal since operations of foreign currency unit is limited to remittance services only.

Overall authority in management of market risk is vested in ALCO.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Liquidity risk (cont'd)

42.5.2 Profit rate risk

Investment in debt securities and financing are exposed to a 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. However, the Bank has not practised hedging through profit rate swap during the year.

Management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios.

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 (RM'000)	Decrease by 100 bp (RM'000)	Increase by 50 bp (RM'000)	Decrease by 50 bp (RM'000)
2013				
Year ended 31 December	(360,162)	360,216	(180,088)	180,101
Average for the year	(373,767)	373,831	(186,891)	186,908
Maximum for the year	(429,795)	429,862	(214,906)	214,923
Minimum for the year	(358,746)	358,812	(179,381)	179,398
2012				
Year ended 31 December	(397,497)	394,688	(198,396)	197,694
Average for the year	(375,822)	371,784	(187,561)	186,238
Maximum for the year	(407,739)	404,604	(203,476)	202,692
Minimum for the year	(343,755)	341,083	(171,540)	170,876

42.5.3 Exposure to profit rate

Among other controls to ensure that market risk exposures remain within tolerable levels include stress testing, rigorous new product approval procedures and listing of permissible instruments that can be traded.

Stress test results are produced monthly to determine the impact of changes in profit rate and other risk factors on the Bank's profitability, capital adequacy and liquidity.

The stress test provides an assessment of the financial impact of identified extreme events on the market risk exposures to the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Liquidity risk (cont'd)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments

Bank 2013	Non-trading book						Trading book RM'000	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		
Assets								
Cash, deposit and placement with financial institutions	1,905,662	485,575	456,723	–	–	–	–	2,847,960
Financial assets available-for- sale	–	334,053	878,425	4,519,920	4,534,312	–	191,197	10,457,907
Financial assets held-to- maturity	–	15,172	312,744	4,682,099	5,131,434	–	–	10,141,449
Financing and advances								
- Non- impaired	10,758,785	43,152	215,355	3,793,840	42,692,704	–	–	57,503,836
- Impaired, net of allowances	–	–	–	–	–	(199,659)	–	(199,659)
Other non-profit sensitive balances	–	–	–	–	–	2,128,106	–	2,128,106
	12,664,447	877,952	1,863,247	12,995,859	52,358,450	1,928,447	191,197	82,879,599

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Liquidity risk (cont'd)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments (cont'd)

Bank 2013	Non-trading book						Trading book RM'000	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		
Liabilities								
Deposits from customers	25,977,446	18,312,215	18,298,509	2,641,581	68,016	–	–	65,297,767
Deposits and placement from financial institutions	1,620,000	–	–	–	–	–	–	1,620,000
Recourse obligations on financing sold to Cagamas	–	–	–	1,528,696	–	–	–	1,528,696
Debt securities issued	–	–	–	1,507,088	–	–	–	1,507,088
Other non-profit sensitive balances	–	–	–	–	–	1,642,824	–	1,642,824
	27,597,446	18,312,215	18,298,509	5,677,365	68,016	1,642,824	–	71,596,375
Shareholders' fund								
	–	–	–	–	–	11,283,224	–	11,283,224
On-balance sheet profit sensitivity gap								
	(14,932,999)	(17,434,263)	(16,435,262)	7,318,494	52,290,434	(10,997,601)	191,197	–
Off-balance sheet profit sensitivity gap								
	–	–	–	–	–	–	–	–
Total profit sensitivity gap								
	(14,932,999)	(17,434,263)	(16,435,262)	7,318,494	52,290,434	(10,997,601)	191,197	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Liquidity risk (cont'd)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments (cont'd)

Bank 2012	Non-trading book						Trading book RM'000	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		
Assets								
Cash, deposit and placement with financial institutions	3,593,936	203,785	50,088	—	—	—	—	3,847,809
Financial assets available-for- sale	—	620,296	987,349	2,253,060	5,753,438	—	183,174	9,797,317
Financial assets held-to- maturity	—	30,223	589,729	2,779,162	4,821,842	—	—	8,220,956
Financing and advances								
- Non- impaired	7,010,281	51,580	290,622	4,092,116	43,880,151	—	—	55,324,750
- Impaired, net of allowances	—	—	—	—	—	(91,474)	—	(91,474)
Other non- profit sensitive balances	—	—	—	—	—	1,925,392	—	1,925,392
	10,604,217	905,884	1,917,788	9,124,338	54,455,431	1,833,918	183,174	79,024,750

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Liquidity risk (cont'd)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments (cont'd)

Bank 2012	Non-trading book						Trading book RM'000	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		
Liabilities								
Deposits from customers	27,907,827	16,223,456	17,187,950	1,325,814	20,957	–	–	62,666,004
Deposits and placement from financial institutions	200,000	–	–	–	–	–	–	200,000
Recourse obligations on financing sold to Cagamas	–	–	2,472,301	700,000	–	–	–	3,172,301
Debt securities issued	–	–	–	1,006,658	–	–	–	1,006,658
Other non-profit sensitive balances	–	–	–	–	–	1,837,551	–	1,837,551
	28,107,827	16,223,456	19,660,251	3,032,472	20,957	1,837,551	–	68,882,514
Shareholders' fund								
	–	–	–	–	–	10,142,236	–	10,142,236
On-balance sheet profit sensitivity gap	(17,503,610)	(15,317,572)	(17,742,463)	6,091,866	54,434,474	(10,145,869)	183,174	–
Off-balance sheet profit sensitivity gap	–	–	–	–	–	–	–	–
Total profit sensitivity gap								
	(17,503,610)	(15,317,572)	(17,742,463)	6,091,866	54,434,474	(10,145,869)	183,174	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of an overall Bank's standards for the management of operational risk in the following areas:

- i) requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- ii) requirements for the reconciliation and monitoring of transactions;
- iii) compliance with regulatory and other legal requirements;
- iv) documentation of controls and procedures;
- v) requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- vi) requirements for the reporting of operational losses and proposed remedial action;
- vii) development of contingency plans;
- viii) training and professional development;
- ix) ethical and business standards; and
- x) risk mitigation, including takaful where this is effective.

Compliance with the Bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 statements 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 earnings; and
- ii) Tier 2 capital: collective impairment allowances on non-impaired financing

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 statements 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 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.7 Capital management (cont'd)

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.

	2013	Bank 2012 Restated
Before proposed dividend		
Core capital ratio	17.61%	15.85%
Risk-weighted capital adequacy ratio	17.83%	16.44%
After proposed dividend		
Core capital ratio	16.89%	15.12%
Risk-weighted capital adequacy ratio	17.12%	15.71%

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:

	2013 RM'000	Bank 2012 RM'000 Restated
Tier I capital		
Paid-up share capital	2,973,677	2,865,004
Retained earnings	4,218,310	3,361,365
Other reserves	3,804,921	3,319,810
Total Tier I capital (core)	10,996,908	9,546,179
Tier II capital		
Collective impairment *	675,933	686,274
Total Tier II capital	675,933	686,274
Total capital	11,672,841	10,232,453
Less: Investment in subsidiaries	(43,500)	(43,500)
Less: Investment in property and equipment**	(492,344)	(284,439)
	(535,844)	(327,939)
Total capital base	11,136,997	9,904,514

* This is surplus amount allowable after taking into account collective impairment allowance on impaired financing of the Bank.

** This refers to cumulative payment for the construction of Menara Berkembar Bank Rakyat in Jalan Travers, Kuala Lumpur.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.7 Capital management (cont'd)

42.7.1 Capital adequacy ratio (cont'd)

Assets in various categories are risk-weighted as follows:

	2013 RM'000	Bank 2012 RM'000 Restated
Total assets assigned 10% risk-weighted	–	145,222
Total assets assigned 20% risk-weighted	421,783	450,440
Total assets assigned 50% risk-weighted	1,275,974	1,568,002
Total assets assigned 100% risk-weighted	59,174,808	56,698,506
Off-Balance Sheet claims assigned 50% risk-weighted	1,038,104	837,031
Off-Balance Sheet claims assigned 100% risk-weighted	541,630	535,855
	62,452,299	60,235,056

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.

43.1 Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.1 Valuation of financial instruments (cont'd)

- c) 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 determines fair values using valuation techniques.

There were no financial liabilities of the Group at the end of the reporting period that were measured at fair value.

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 2013					
Cash and short-term funds	1,907,843	1,907,843	–	–	1,907,843
Deposits and placements with financial institutions	947,386	947,386	–	–	947,386
Financial assets available-for-sale					
Islamic debt securities	2,287,255	2,287,255	–	2,287,255	–
Government investment issues	6,209,785	6,209,785	–	6,209,785	–
Government bonds	1,747,170	1,747,170	–	1,747,170	–
Khazanah bonds	22,500	22,500	–	22,500	–
Cagamas bonds	–	–	–	–	–
Quoted shares	183,245	183,245	183,245	–	–
Unit trust shares	1,892	1,892	–	1,892	–
Unquoted shares	11,250	11,250	–	–	11,250
	10,463,097	10,463,097	183,245	10,268,602	11,250
Financial assets held-to-maturity					
Government bonds	903,555	881,543	–	–	881,543
Government investment issues	8,574,372	8,337,792	–	–	8,337,792
Islamic debt securities	351,866	345,798	–	–	345,798
Khazanah bonds	306,684	303,025	–	–	303,025
Commercial papers	4,972	4,972	–	–	4,972
	10,141,449	9,873,130	–	–	9,873,130
Financing and advances	57,304,177	66,944,853	–	–	66,944,853
Investment properties	160,474	160,474	–	160,474	–
Trade receivables	9,048	9,048	–	–	9,048
Other receivables and deposits	456,920	456,920	–	–	456,920
	81,903,394	90,762,751	183,245	10,429,076	80,150,430

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Valuation of financial instruments at fair value (cont'd)

Group	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2013					
Financial liabilities					
Deposits from customers	65,297,767	65,297,767	–	–	65,297,767
Deposits and placements from banks and financial institutions	1,620,000	1,620,000	–	–	1,620,000
Recourse obligations on financing sold to Cagamas	1,528,696	1,360,720	–	–	1,360,720
Debt securities issued	1,507,088	1,299,898	–	–	1,299,898
Financing from other financial institutions	39,602	36,270	–	–	36,270
Trade payables	6,900	6,900	–	–	6,900
Other liabilities	1,359,301	1,359,301	–	–	1,359,301
	71,359,354	70,980,856	–	–	70,980,856
Group	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2012					
Cash and short-term funds	3,597,488	3,597,488	–	–	3,597,488
Deposits and placements with financial institutions	258,980	258,980	–	–	258,980
Financial assets available-for-sale					
Islamic debt securities	2,253,273	2,253,273	–	2,253,273	–
Government investment issues	5,591,321	5,591,321	–	5,591,321	–
Government bonds	1,737,625	1,737,625	–	1,737,625	–
Khazanah bonds	21,877	21,877	–	21,877	–
Cagamas bonds	10,047	10,047	–	10,047	–
Quoted shares	175,347	175,347	175,347	–	–
Unit trust shares	1,750	1,750	–	1,750	–
Unquoted shares	11,241	11,241	–	–	11,241
	9,802,481	9,802,481	175,347	9,615,893	11,241

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Valuation of financial instruments at fair value (cont'd)

Group	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2012					
Financial assets held-to-maturity					
Government bonds	521,435	522,031	–	–	522,031
Government investment issues	6,649,152	6,681,688	–	–	6,681,688
Islamic debt securities	383,454	372,124	–	–	372,124
Khazanah bonds	294,854	295,988	–	–	295,988
Cagamas bonds	351,278	352,138	–	–	352,138
Commercial papers	20,783	20,783	–	–	20,783
	8,220,956	8,244,752	–	–	8,244,752
Financing and advances	55,233,276	71,008,768	–	–	71,008,768
Investment properties	236,581	236,581	–	236,581	–
Trade receivables	8,435	8,435	–	–	8,435
Other receivables and deposit	503,669	503,669	–	–	503,669
	77,861,866	93,661,154	175,347	9,852,474	83,633,333
Financial liabilities					
Deposits from customers	62,666,004	62,666,004	–	–	62,666,004
Deposits and placements from banks and financial institutions	200,000	200,000	–	–	200,000
Recourse obligations on financing sold to Cagamas	3,172,301	3,170,959	–	–	3,170,959
Debt securities issued	1,006,658	827,721	–	–	827,721
Financing from other financial institutions	40,431	35,647	–	–	35,647
Trade payables	6,743	6,743	–	–	6,743
Other liabilities	1,442,029	1,442,029	–	–	1,442,029
	68,534,166	68,349,103	–	–	68,349,103

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Valuation of financial instruments at fair value (cont'd)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank 2013					
Cash and short-term funds	1,905,665	1,905,665	–	–	1,905,665
Deposits and placements with financial institutions	942,295	942,295	–	–	942,295
Financial assets available-for-sale					
Islamic debt securities	2,287,255	2,287,255	–	2,287,255	–
Government investment issues	6,209,785	6,209,785	–	6,209,785	–
Government bonds	1,747,170	1,747,170	–	1,747,170	–
Khazanah bonds	22,500	22,500	–	22,500	–
Cagamas bonds	–	–	–	–	–
Quoted shares	182,472	182,472	182,472	–	–
Unit trust shares	1,892	1,892	–	1,892	–
Unquoted shares	6,833	6,833	–	–	6,833
	10,457,907	10,457,907	182,472	10,268,602	6,833
Financial assets held-to-maturity					
Government bonds	903,555	881,543	–	–	881,543
Government investment issues	8,574,372	8,337,792	–	–	8,337,792
Islamic debt securities	351,866	345,798	–	–	345,798
Khazanah bonds	306,684	303,025	–	–	303,025
Commercial papers	4,972	4,972	–	–	4,972
	10,141,449	9,873,130	–	–	9,873,130
Financing and advances	57,304,177	66,944,853	–	–	66,944,853
Investment properties	148,448	148,448	–	148,448	–
Other receivables and deposits	404,732	404,732	–	–	404,732
	81,304,673	90,677,030	182,472	10,417,050	80,077,508

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Valuation of financial instruments at fair value (cont'd)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2013					
Financial liabilities					
Deposits from customers	65,297,767	65,297,767	–	–	65,297,767
Deposits and placements from banks and financial institutions	1,620,000	1,620,000	–	–	1,620,000
Recourse obligations on financing sold to Cagamas	1,528,696	1,360,720	–	–	1,360,720
Debt securities issued	1,507,088	1,299,898	–	–	1,299,898
Other liabilities	1,490,679	1,490,679	–	–	1,490,679
	71,444,230	71,069,064	–	–	71,069,064
	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2012					
Cash and short-term funds	3,593,936	3,593,936	–	–	3,593,936
Deposits and placements with financial institutions	253,873	253,873	–	–	253,873
Financial assets available-for-sale					
Islamic debt securities	2,253,273	2,253,273	–	2,253,273	–
Government investment issues	5,591,321	5,591,321	–	5,591,321	–
Government bonds	1,737,625	1,737,625	–	1,737,625	–
Khazanah bonds	21,877	21,877	–	21,877	–
Cagamas bonds	10,047	10,047	–	10,047	–
Quoted shares	174,591	174,591	174,591	–	–
Unit trust shares	1,750	1,750	–	1,750	–
Unquoted shares	6,833	6,833	–	–	6,833
	9,797,317	9,797,317	174,591	9,615,893	6,833

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Valuation of financial instruments at fair value (cont'd)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2012					
Financial assets held-to-maturity					
Government bonds	521,435	522,031	–	–	522,031
Government investment issues	6,649,152	6,681,688	–	–	6,681,688
Islamic debt securities	383,454	372,124	–	–	372,124
Khazanah bonds	294,854	295,988	–	–	295,988
Cagamas bonds	351,278	352,138	–	–	352,138
Commercial papers	20,783	20,783	–	–	20,782
	8,220,956	8,244,752	–	–	8,244,752
Financing and advances	55,233,276	71,008,768	–	–	71,008,768
Investment properties	145,384	145,384	–	145,384	–
Other receivables	451,715	451,715	–	–	451,715
	77,696,457	93,495,745	174,591	9,761,277	83,559,877
Financial liabilities					
Deposits from customers	62,666,004	62,666,004	–	–	62,666,004
Deposits and placements from banks and financial institutions	200,000	200,000	–	–	200,000
Recourse obligations on financing sold to Cagamas	3,172,301	3,170,959	–	–	3,170,959
Debt securities issued	1,006,658	827,721	–	–	827,721
Other liabilities	1,570,329	1,570,329	–	–	1,570,329
	68,615,292	68,435,013	–	–	68,435,013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013 RM'000	Fair value 2013 RM'000	Carrying amount 2012 RM'000	Fair value 2012 RM'000
Group				
Financial assets				
Cash and short-term funds	1,907,843	1,907,843	3,597,488	3,597,488
Deposits and placements				
with financial institutions	947,386	947,386	258,980	258,980
Financial assets available-for-sale	10,463,097	10,463,097	9,802,481	9,802,481
Financial assets held-to-maturity	10,141,449	9,873,131	8,220,956	8,223,969
Financing and advances	57,304,177	66,944,853	55,233,276	71,008,768
Trade receivables	9,048	9,048	8,435	8,435
Other receivables and deposits	456,920	456,920	503,669	503,699
Financial liabilities				
Deposits from customers	65,297,767	65,297,767	62,666,004	62,666,004
Deposits and placements from				
banks and financial institutions	1,620,000	1,620,000	200,000	200,000
Recourse obligations on				
financing sold to Cagamas	1,528,696	1,360,720	3,172,301	3,170,959
Debt securities issued	1,507,088	1,299,898	1,006,658	827,721
Financing from other financial institutions	39,602	36,270	40,431	35,647
Trade payables	6,900	6,900	6,734	6,734
Other liabilities	1,359,301	1,359,301	1,442,029	1,442,029

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required)

	Carrying amount 2013 RM'000	Fair value 2013 RM'000	Carrying amount 2012 RM'000	Fair value 2012 RM'000
Bank				
Financial assets				
Cash and short-term funds	1,905,665	1,905,665	3,593,936	3,593,936
Deposits and placements with financial institutions	942,295	942,295	253,873	253,873
Financial assets available-for-sale	10,457,907	10,457,907	9,797,317	9,797,317
Financial assets held-to-maturity	10,141,449	9,868,158	8,220,956	8,208,201
Financing and advances	57,304,177	66,944,853	55,233,276	71,008,768
Other receivables and deposits	404,732	404,732	451,715	451,715
Financial liabilities				
Deposits from customers	65,297,767	65,297,767	62,666,004	62,666,004
Deposits and placements from banks and financial institutions	1,620,000	1,620,000	200,000	200,000
Recourse obligations on financing sold to Cagamas	1,528,696	1,360,720	3,172,301	3,170,959
Debt securities issued	1,507,088	1,299,898	1,006,658	827,721
Other liabilities	1,490,676	1,490,676	1,570,329	1,570,329

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

44.3.1 Cash and short-term funds

The carrying amounts of cash and short-term funds approximate fair values due to the relatively short maturity of the financial instruments. This is similar to deposits and placements with financial institutions maturing within one month that have relatively short maturity period.

44.3.2 Deposits and placements with financial institutions

The fair values of deposits and placements with financial institutions are not materially sensitive to changes in market profit rate because of their limited term to maturity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required)

44.3.3 Financial assets available-for-sale

The fair values of these financial instruments are estimated based on quoted or observable market prices. Financial assets available-for-sale as disclosed above consist of equity instruments (unquoted shares) which are measured at cost less impairment.

The carrying amounts of these instruments are deemed to approximate the fair values since the fair value cannot be reliably measured.

44.3.4 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.

43.3.5 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 financing payment/instalment to be received in the future using effective profit rate for each financing type.

43.3.6 Trade and other receivables

The carrying amounts of trade and other receivables reported in the statement of financial position approximate their fair values due to the relatively short-term maturity of these instruments.

44.3.7 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.

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.

43.3.8 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required)

43.3.9 Recourse obligations on financing sold to Cagamas

The fair values for recourse obligations sold to Cagamas that have remaining maturity of 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.

43.3.10 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.

43.3.11 Financing from other financial institutions

Financing from other financial institutions is stated at amortised cost at the end of the reporting period. Fair value is estimated using effective profit rate for the financing which was used in discounting present value for the future determinable payment of the financing.

43.3.12 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.

44. CHANGES IN ACCOUNTING POLICIES

44.1 Effects on adoption of new and revised MFRS 119 – Employee Benefits

As mentioned in Note 2, in the current year, the Bank has applied MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011) and the related consequential amendments for the first time.

The most significant changes relate to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 (IAS 19 as amended by IASB in June 2011) and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension assets or liability recognised in the statements of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the finance cost and expected return on plan assets used in the previous version of MFRS 119 are replaced with a 'net profit' amount under MFRS 119 (IAS 19 as amended by IASB in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years and the Bank has applied the relevant transitional provision and restated the comparative amount retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

44. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

44.1 Effects on adoption of new and revised MFRS 119 – Employee Benefits (cont'd.)

	Group	
	31.12.2012 RM'000	1.1.2012 RM'000
Impact on statement of financial position		
Other assets – Defined benefit plan		
As previously stated	312,167	227,056
Decrease in defined benefit plan	(183,877)	(27,117)
As restated	128,290	199,939
Impact on statement of financial position		
Shareholders fund - Reserves (Retained profits)		
As previously stated	3,800,372	2,995,438
Decrease in retained profits	(183,877)	(27,117)
As restated	3,616,495	2,968,321
	Bank	
	31.12.2012 RM'000	1.1.2012 RM'000
Impact on statement of financial position		
Other assets – Defined benefit plan		
As previously stated	312,167	227,056
Decrease in defined benefit plan	(183,877)	(27,117)
As restated	128,290	199,939
Impact on statement of financial position		
Shareholders fund – Reserves (Retained profits)		
As previously stated	3,545,242	2,738,395
Decrease in retained profits	(183,877)	(27,117)
As restated	3,361,365	2,711,278

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

44. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

44.1 Effects on adoption of new and revised MFRS 119 – Employee Benefits (cont'd)

	Group 2012 RM'000	Bank 2012 RM'000
Impact on profit or loss		
Operating expenses – Personnel expenses		
As previously stated	582,702	575,538
Decrease in personnel expenses	(13,547)	(13,547)
As restated	569,155	561,991
Impact on other comprehensive income		
Remeasurement of defined benefit plan		
As previously stated	–	–
Decrease in other comprehensive income	(170,307)	(170,307)
As restated	(170,307)	(170,307)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

44. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

44.2 Financial impact of adoption of new and revised MFRS 119 – Employee Benefits Statement of financial position

Group 31.12.2012	As previously stated RM'000	Effect of MFRS 119 adoption RM'000	As restated RM'000
ASSETS			
Cash and short-term funds	3,597,488	–	3,597,488
Deposits and placements with financial institutions	258,980	–	258,980
Financial assets available-for-sale	9,802,481	–	9,802,481
Financial assets held-to-maturity	8,220,956	–	8,220,956
Financing and advances	55,233,276	–	55,233,276
Trade receivables	8,435	–	8,435
Other assets	841,479	(183,877)	657,602
Inventories	6,858	–	6,858
Property and equipment	670,657	–	670,657
Goodwill on consolidation	13,185	–	13,185
Investment properties	236,581	–	236,581
Prepaid lease payments	83,943	–	83,943
Deferred tax assets	408,494	–	408,494
TOTAL ASSETS	79,382,813	(183,877)	79,198,936
LIABILITIES			
Deposits from customers	62,666,004	–	62,666,004
Deposits and placements from banks and financial institutions	200,000	–	200,000
Trade payables	6,734	–	6,734
Recourse obligations on financing sold to Cagamas	3,172,301	–	3,172,301
Debt securities issued	1,006,658	–	1,006,658
Other liabilities	1,442,029	–	1,442,029
Provision for taxation	47,616	–	47,616
Profit equalisation reserve (Investor)	220,538	–	220,538
Financing from other financial institutions	40,431	–	40,431
TOTAL LIABILITIES	68,802,311	–	68,802,311
SHAREHOLDERS' FUND			
Share capital	2,865,004	–	2,865,004
Share redemption fund	53,671	–	53,671
Reserves	7,297,724	(183,877)	7,113,847
Profit equalisation reserve (Bank)	364,103	–	364,103
TOTAL SHAREHOLDERS' FUND	10,580,502	(183,877)	10,396,625
TOTAL LIABILITIES AND SHAREHOLDERS' FUND	79,382,813	(183,877)	79,198,936

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

44. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

44.2 Financial impact of adoption of new and revised MFRS 119 – Employee Benefits (continued)

Statement of financial position

Bank 31.12.2012	As previously stated RM'000	Effect of MFRS 119 adoption RM'000	As restated RM'000
ASSETS			
Cash and short-term funds	3,593,936	–	3,593,936
Deposits and placements with financial institutions	253,873	–	253,873
Financial assets available-for-sale	9,797,317	–	9,797,317
Financial assets held-to-maturity	8,220,956	–	8,220,956
Financing and advances	55,233,276	–	55,233,276
Other assets	791,441	(183,877)	607,564
Investment in subsidiaries	43,500	–	43,500
Property and equipment	647,953	–	647,953
Investment properties	145,384	–	145,384
Prepaid lease payments	70,991	–	70,991
Deferred tax assets	410,000	–	410,000
TOTAL ASSETS	79,208,627	(183,877)	79,024,750
LIABILITIES			
Deposits from customers	62,666,004	–	62,666,004
Deposits and placements from banks and financial institutions	200,000	–	200,000
Recourse obligations on financing sold to Cagamas	3,172,301	–	3,172,301
Debt securities issued	1,006,658	–	1,006,658
Other liabilities	1,570,329	–	1,570,329
Provision for taxation	46,684	–	46,684
Profit equalisation reserve (Investor)	220,538	–	220,538
TOTAL LIABILITIES	68,882,514	–	68,882,514
SHAREHOLDERS' FUND			
Share capital	2,865,004	–	2,865,004
Share redemption fund	53,671	–	53,671
Reserves	7,043,335	(183,877)	6,859,458
Profit equalisation reserve (Bank)	364,103	–	364,103
TOTAL SHAREHOLDERS' FUND	10,326,113	(183,877)	10,142,236
TOTAL LIABILITIES AND SHAREHOLDERS' FUND	79,208,627	(183,877)	79,024,750

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

44. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

44.2 Financial impact of adoption of new and revised MFRS 119 – Employee Benefits (continued)

Statement of financial position

Group 1.1.2012	As previously stated RM'000	Effect of MFRS 119 adoption RM'000	As restated RM'000
ASSETS			
Cash and short-term funds	4,475,449	–	4,475,449
Deposits and placements with financial institutions	3,515,000	–	3,515,000
Financial assets held-for-trading	10,362	–	10,362
Financial assets available-for-sale	10,843,719	–	10,843,719
Financial assets held-to-maturity	2,852,471	–	2,852,471
Financing and advances	49,179,249	–	49,179,249
Trade receivables	7,293	–	7,293
Other assets	578,012	(27,117)	550,895
Inventories	1,703	–	1,703
Property and equipment	490,266	–	490,266
Goodwill on consolidation	13,185	–	13,185
Investment properties	246,898	–	246,898
Prepaid lease payments	76,663	–	76,663
Deferred tax assets	355,496	–	355,496
TOTAL ASSETS	72,645,766	(27,117)	72,618,649
LIABILITIES			
Deposits from customers	58,507,088	–	58,507,088
Deposits and placements from banks and financial institutions	595,000	–	595,000
Trade payables	6,274	–	6,274
Recourse obligations on financing sold to Cagamas	3,303,393	–	3,303,393
Other liabilities	1,435,851	–	1,435,851
Provision for taxation	–	–	–
Profit equalisation reserve (Investor)	145,776	–	145,776
Financing from other financial institutions	41,479	–	41,479
TOTAL LIABILITIES	64,034,861	–	64,034,861
SHAREHOLDERS' FUND			
Share capital	2,349,063	–	2,349,063
Share redemption fund	53,671	–	53,671
Reserves	5,977,606	(27,117)	5,950,489
Profit equalisation reserve (Bank)	230,565	–	230,565
TOTAL SHAREHOLDERS' FUND	8,610,905	(27,117)	8,583,788
TOTAL LIABILITIES AND SHAREHOLDERS' FUND	72,645,766	(27,117)	72,618,649

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

44. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

44.2 Financial impact of adoption of new and revised MFRS 119 – Employee Benefits (continued)

Statement of financial position

Bank 1.1.2012	As previously stated RM'000	Effect of MFRS 119 adoption RM'000	As restated RM'000
ASSETS			
Cash and short-term funds	4,463,644	–	4,463,644
Deposits and placements with financial institutions	3,515,000	–	3,515,000
Financial assets held-for-trading	10,362	–	10,362
Financial assets available-for-sale	10,833,332	–	10,833,332
Financial assets held-to-maturity	2,852,471	–	2,852,471
Financing and advances	49,179,249	–	49,179,249
Other assets	537,344	(27,117)	510,227
Investment in subsidiaries	43,500	–	43,500
Property and equipment	470,949	–	470,949
Investment properties	155,160	–	155,160
Prepaid lease payments	63,631	–	63,631
Deferred tax assets	356,000	–	356,000
TOTAL ASSETS	72,480,642	(27,117)	72,453,525
LIABILITIES			
Deposits from customers	58,507,088	–	58,507,088
Deposits and placements from banks and financial institutions	595,000	–	595,000
Recourse obligations on financing sold to Cagamas	3,303,393	–	3,303,393
Other liabilities	1,574,782	–	1,574,782
Profit equalisation reserve (Investor)	145,776	–	145,776
TOTAL LIABILITIES	64,126,039	–	64,126,039
SHAREHOLDERS' FUND			
Share capital	2,349,063	–	2,349,063
Share redemption fund	53,671	–	53,671
Reserves	5,721,304	(27,117)	5,694,187
Profit equalisation reserve (Bank)	230,565	–	230,565
TOTAL SHAREHOLDERS' FUND	8,354,603	(27,117)	8,327,486
TOTAL LIABILITIES AND SHAREHOLDERS' FUND	72,480,642	(27,117)	72,453,525

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

44. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

44.2 Financial impact of adoption of new and revised MFRS 119 – Employee Benefits (continued)

Statement of profit or loss and other comprehensive income

Group 2012	As previously stated RM'000	Effect of MFRS 119 adoption RM'000	As restated RM'000
Income	5,857,990	–	5,857,990
Expenditure	(2,492,972)	–	(2,492,972)
Net income	3,365,018	–	3,365,018
Allowances for impairment	(638,270)	–	(638,270)
Other operating income	420,116	–	420,116
Operating expenses	(1,029,671)	13,547	(1,016,124)
Profit before taxation and zakat	2,117,193	13,547	2,130,740
Taxation	(333,237)	–	(333,237)
Zakat	(45,880)	–	(45,880)
Profit after taxation and zakat	1,738,076	13,547	1,751,623
Statutory appropriations	(497,923)	–	(497,923)
Profit for the year	1,240,153	13,547	1,253,700
<u>Other comprehensive income</u>			
Net gain/(loss) on revaluation of financial assets available-for-sale	68,780	–	68,780
Additions/(Utilisation) of profit equalisation reserve (Bank)	133,538	–	133,538
Remeasurement of defined benefit plan	–	(170,307)	(170,307)
	202,318	(170,307)	32,011
Total comprehensive income for the year	1,442,471	(156,760)	1,285,711

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

44. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

44.2 Financial impact of adoption of new and revised MFRS 119 – Employee Benefits (continued)

Statement of profit or loss and other comprehensive income

Bank 2012	As previously stated RM'000	Effect of MFRS 119 adoption RM'000	As restated RM'000
Income	5,798,419	–	5,798,419
Expenditure	(2,460,008)	–	(2,460,008)
Net income	3,338,411	–	3,338,411
Allowances for impairment	(633,862)	–	(633,862)
Other operating income	433,007	–	433,007
Operating expenses	(1,023,673)	13,547	(1,010,126)
Profit before taxation and zakat	2,113,883	13,547	2,127,430
Taxation	(328,268)	–	(328,268)
Zakat	(45,626)	–	(45,626)
Profit after taxation and zakat	1,739,989	13,547	1,753,536
Statutory appropriations	(497,923)	–	(497,923)
Profit for the year	1,242,066	13,547	1,255,613
<u>Other comprehensive income</u>			
Net gain/(loss) on revaluation of financial assets available-for-sale	68,780	–	68,780
Additions/(Utilisation) of profit equalisation reserve (Bank)	133,538	–	133,538
Remeasurement of defined benefit plan	–	(170,307)	(170,307)
	202,318	(170,307)	32,011
Total comprehensive income for the year	1,444,384	(156,760)	1,287,624

Head Office and Branches

HEAD OFFICE

Bank Rakyat

Tower 1, Bank Rakyat Twin Tower,
No. 33, Jalan Travers, 50470 Kuala Lumpur
Tel : 03-26129600
website : www.bankrakyat.com.my
tele-Rakyat : 1-300-88-1BANK (12265)
i-Rakyat : www.irakyat.com.my
twitter/fb : /myBankRakyat

BRANCHES

REGION OFFICE 1 (SELANGOR)

No. 9 & 11, Tingkat 3, Jalan Tuanku Ampuan Zabedah H/9H,
Seksyen 9, 40000 Shah Alam, Selangor
Tel : 03-55125641
Fax : 03-55125603

SUBANG PERDANA

No. 39, Jalan Dinar GU 3/G,
Seksyen U3, Taman Subang Perdana,
40150 Shah Alam, Selangor
Tel : 03-78465169
Fax : 03-78465195

KELANA JAYA

Ground Floor, Wisma Glomac,
Glomac Business Centre,
Jalan SS 5/1, Kelana Jaya,
47301 Petaling Jaya, Selangor
Tel : 03-78048154
Fax : 03-78048159

KAJANG

No. 18 & 19, Jalan Jelok 3,
Off Jalan Bukit Kajang
43000 Kajang, Selangor
Tel : 03-87368098
Fax : 03-87367800

BANTING

No. 239, Jalan Sultan Abdul Samad,
42700 Banting, Selangor
Tel : 03-31872007
Fax : 03-31872581

BANDAR BARU KLANG

No. 28 & 30, Jalan Tiara 2C,
Bandar Baru Klang,
41500 Klang, Selangor
Tel : 03-33427433
Fax : 03-33422776

PETALING JAYA

No. 1-1, Jalan 14/22,
Wisma Federal Academy Ballet,
46100 Petaling Jaya, Selangor
Tel : 03-79584944
Fax : 03-79584931

DAMANSARA UTAMA

42G, 44G, Jalan SS21/35,
Damansara Utama,
47400 Petaling Jaya, Selangor
Tel : 03-77298205
Fax : 03-77298193

AMPANG

Unit 1A, 1B, 1C & 1D,
Pusat Komersial Ara Ampang,
Jalan Ampang, 68000 Ampang, Selangor
Tel : 03-42510396
Fax : 03-42528402

SHAH ALAM

No. 9 & 11, Jalan Tuanku Ampuan Zabedah H/9H,
Seksyen 9, 40000 Shah Alam, Selangor
Tel : 03-55108540
Fax : 03-55104210

USJ, SUBANG JAYA

No. 22 & 24, Jalan USJ 9/5Q, UEP,
47600 Subang Jaya, Selangor
Tel : 03-80239512
Fax : 03-80251984

HEAD OFFICE AND BRANCHES

SUNGAI BESAR

A12 & A13, Jalan Menteri,
45300 Sungai Besar, Selangor
Tel : 03-32242208
Fax : 03-32242299

MELAWATI

No. 326, Jalan Bandar Melawati,
Melawati Square, Pusat Bandar Melawati,
68000 Ulu Klang, Selangor
Tel : 03-41051569
Fax : 03-41054568

PUCHONG

No. 28 & 30, Jalan Puteri 4/2,
Bandar Puteri, 47100 Puchong, Selangor
Tel : 03-80606677
Fax : 03-80683953

PORT KLANG

No. 2 & 4, Harbour Point, Commercial Centre,
Jalan Sungai Aur, 42000 Port Klang, Selangor
Tel : 03-31657104
Fax : 03-31657078

SUNGAI BULOH

Lot 101, Pusat Commercial TSB,
Jalan Nautika B U20/B, Seksyen U20,
Sungai Buloh, 40160 Shah Alam, Selangor
Tel : 03-61571663
Fax : 03-61571662

P.J. STATE

No. 11 & 13, Jalan Yong Shook Lin,
Seksyen 52, 46200 Petaling Jaya, Selangor
Tel : 03-79546349
Fax : 03-79577600

BANDAR BARU BANGI

Lot 1.01 & 2.01,
Tingkat Bawah & Satu,
Wisma UNIKEB,
43609 Bangi, Selangor
Tel : 03-89223225
Fax : 03-89223229

SERDANG RAYA

No. C1-00-28,
Seksyen 9, Jalan SR 1/9,
Taman Serdang Raya,
43300 Seri Kembangan, Selangor
Tel : 03-89430890
Fax : 03-89430932

KUALA SELANGOR

No. 70, Jalan Melati 3/1,
Bandar Melawati,
45000 Kuala Selangor, Selangor
Tel : 03-32811431
Fax : 03-32811434

RAWANG

No.73, Jalan Bandar Rawang 2,
Pusat Bandar Rawang,
48000 Rawang, Selangor
Tel : 03-60925236
Fax : 03-60927385

SHAH ALAM, SEKSYEN 23

No. 23 & 25, Jalan Pelabur B/23B,
Seksyen 23 Shah Alam,
40300 Shah Alam, Selangor
Tel : 03-55411609
Fax : 03-55411624

TANJONG KARANG

No. 1& 3, Jalan Makmur 1,
Taman Makmur, Batu 7,
45500 Tanjong Karang, Selangor
Tel : 03-32690552
Fax : 03-32690566

CYBERJAYA

Unit F03 & F03A, Fasa 1,
Glomac Cyberjaya, Persiaran APEC,
63000 Cyberjaya, Selangor
Tel : 03-83181655
Fax : 03-83182369

HEAD OFFICE AND BRANCHES

REGION OFFICE 2 (KL/PUTRAJAYA)

Tingkat 14, Bangunan PERKIM,
No. 150, Jalan Ipoh, 51200 Kuala Lumpur
Tel : 03-40272405
Fax : 03-40272498/97

JALAN TANGSI, KL

Tingkat Bawah, Bangunan Bank Rakyat,
Jalan Tangsi, 50732 Kuala Lumpur
Tel : 03-26173888
Fax : 03-26982109

JALAN IPOH, KL

No. 140, Bangunan Bank Rakyat,
Jalan Ipoh, 51200 Kuala Lumpur
Tel : 03-40423244, 40423393, 40416157
Fax : 03-40428142

BANDAR TUN RAZAK

G11, G12, 01-11 & 01-12,
Wisma Zelan, Bandar Tun Razak,
56000 Kuala Lumpur
Tel : 03-91717727
Fax : 03-91723178

JALAN PINANG, KL

19-1-1 Tingkat Bawah & 19-1-1A Mezzanine Floor,
UOA Centre, No. 19 Jalan Pinang,
50450 Kuala Lumpur
Tel : 03-21612453
Fax : 03-21612459

BANGSAR BARU

No. 60 & 62, Tingkat Bawah, Satu & Dua,
Jalan Maarof,
59100 Bangsar Baru, Kuala Lumpur
Tel : 03-22831259
Fax : 03-22831258

DESA PANDAN

No. 33 & 35 Jalan 1/76,
Desa Pandan,
55100 Kuala Lumpur
Tel : 03-92812136
Fax : 03-92811394

SHAMELIN (FORMERLY KNOWN AS PUDU)

No. 68-1-1 & 68-1-2, Jalan 4/91,
Dataran Shamelin,
Taman Shamelin Perkasa,
56100 Kuala Lumpur
Tel : 03-92863214
Fax : 03-92863541

SELAYANG

Tingkat Bawah, Blok B,
KIP Tower, Jalan Kuching,
68100 Kuala Lumpur
Tel : 03-62596809
Fax : 03-62596815

SETAPAK

No.1, Jalan 2/50, Diamond Square,
Off Jalan Gombak,
53000 Kuala Lumpur
Tel : 03-40254476
Fax : 03-40254501

KEPONG

No. 11 & 15,
Jalan Rimbunan Raya 1,
Laman Rimbunan Raya 1, Laman Rimbunan,
52100 Kepong, Kuala Lumpur
Tel : 03-62525244
Fax : 03-62523722

PUTRAJAYA

Blok A, T-00-U-06&07, Jalan P8C/2,
Presint 8, 62250 Putrajaya, Wilayah Persekutuan
Tel : 03-88895268
Fax : 03-88895273

PRESINT 15, PUTRAJAYA

No.22 & 24, Jalan Diplomatik 3/1,
62050 Presint 15, Putrajaya, Wilayah Persekutuan
Tel : 03-88903393
Fax : 03-88903353

DESA SRI HARTAMAS

Lot B-02, No. 21, Galeria Hartamas,
Jalan 26/70A, Desa Seri Hartamas,
50480 Kuala Lumpur
Tel : 03-62010720
Fax : 03-62010514

HEAD OFFICE AND BRANCHES

REGION OFFICE 3 (KEDAH/PULAU PINANG/PERLIS)

No. 66, Tingkat 2, Jalan Langgar,
05460 Alor Setar, Kedah
Tel : 04-7351669
Fax : 04-7351673

BALING

Tingkat Bawah, Bangunan UMNO,
Pekan Baru,
09100 Baling, Kedah
Tel : 04-4701615
Fax : 04-4701544

KULIM

No. 203 & 204, Jalan Lunas,
Taman Seluang, Kelang Lama,
09000 Kulim, Kedah
Tel : 04-4907789
Fax : 04-4901141

MERGONG

No 7 & 8, Tuanku Haminah Business Centre Mergong,
05150 Alor Setar, Kedah
Tel : 04-7331268
Fax : 04-7316829

JITRA

No. 247 & 248, Jalan PJ 2/2,
Pekan Jitra 2,
06000 Jitra, Kedah
Tel : 04-9171009
Fax : 04-9173958

LANGKAWI

No. 140 & 142, Persiaran Bunga Raya,
Langkawi Mall, 07000 Kuah,
Langkawi, Kedah
Tel : 04-9666518
Fax : 04-9667998

SUNGAI PETANI

No. 28, Jalan Patani,
08000 Sungai Petani, Kedah
Tel : 04-4212170
Fax : 04-4217979

ALOR SETAR

66, Jalan Langgar,
05460 Alor Setar, Kedah
Tel : 04-7331240
Fax : 04-7335313

KUALA NERANG

No. 32-33 Pekan Baru,
Jalan Semeliang,
06300 Kuala Nerang, Kedah
Tel : 04-7860375
Fax : 04-7860385

GURUN

No.19 C & 19 D,
Jalan Sg. Petani,
08300 Gurun, Kedah
Tel : 04-4683702
Fax : 04-4683754

PENDANG

Lot 9-11 Pendang Square,
06700 Pendang, Kedah
Tel : 04-7596262
Fax : 04-7596270

SEBERANG JAYA

No.1, Tingkat Bawah & Satu,
Jalan Todak 1, Pusat Bandar Seberang Jaya,
13700 Prai, Pulau Pinang
Tel : 04-3988670
Fax : 04-3988985

GEORGETOWN

No.137, Jalan Magazine,
10300 Georgetown, Pulau Pinang
Tel : 04-2627731
Fax : 04-2625419

HEAD OFFICE AND BRANCHES

BUKIT MERTAJAM

No. 22 & 24, Jalan Perda Selatan,
Bandar Perda,
14000 Bukit Mertajam, Pulau Pinang
Tel : 04-5307380
Fax : 04-5307390

BAYAN BARU

No. 49, 51 & 53,
Block H, Persiaran Mahsuri 1/3,
Sunway Avenue, 11950 Bayan Baru, Pulau Pinang
Tel : 04-6420197
Fax : 04-6420205

JELUTONG

No.13 & 13A, Metro Avenue,
Jelutong Express Way,
11600 Pulau Pinang
Tel : 04-2839735
Fax : 04-2839399

JAWI

No. 56 & 58, Jalan Jawi Jaya 1,
Taman Jawi Jaya, 14200 Sungai Jawi,
Seberang Perai Selatan, Pulau Pinang
Tel : 04-5826313
Fax : 04-5826352

KEPALA BATAS

No 8, Jalan Dagangan 2,
Pusat Bandar Bertam Perdana,
13200 Kepala Batas, Pulau Pinang
Tel : 04-5741036
Fax : 04-5741060

KANGAR

No.13, Jalan Hospital,
01000 Kangar, Perlis
Tel : 04-9761877
Fax : 04-9762928

ARAU

No. 6, 8 & 10, Jalan Pauh,
Taman Pauh Utama,
02600 Pekan Pauh, Perlis
Tel : 04-9864841
Fax : 04-9863700

REGION OFFICE 4 (MELAKA/JOHOR)

No. 4-5 & 6-5, Tingkat 5,
Jalan KC 1, Kota Cemerlang,
75450 Air Keroh, Melaka
Tel : 06-2310273
Fax : 06-2310331

MELAKA

Bangunan Bank Rakyat, Jalan Hang Tuah,
Peti Surat No. 354,
75760 Melaka
Tel : 06-2846395
Fax : 06-2848940

JASIN

JA 9943 Bandar Baru Jasin III,
77000 Jasin, Melaka
Tel : 06-5298505
Fax : 06-5298511

MASJID TANAH

MT 2893-2895, Jalan Taman Bandar Baru Utama,
Taman Bandar Baru Masjid Tanah,
78300 Masjid Tanah, Melaka
Tel : 06-3845863, 3845860, 3841136
Fax : 06-3845866

AYER KEROH

No. G-4 & G-6,
Jalan KC 1, Kota Cemerlang,
75450 Ayer Keroh, Melaka
Tel : 06-2519191
Fax : 06-2519192

HEAD OFFICE AND BRANCHES

JOHOR BAHRU

Podium 2, Unit 2B, Menara Ansar,
No. 65, Jalan Trus, Peti Surat 112,
80000 Johor Bahru, Johor
Tel : 07-2239169
Fax : 07-2234845

MUAR

No. 5-1 & 5-2,
Jalan Ibrahim,
84000 Muar, Johor
Tel : 06-9510330
Fax : 06-9516416

BATU PAHAT

No. 3 & 4, Jalan Maju Barat,
Taman Maju, Bukit Pasir,
83000 Batu Pahat, Johor
Tel : 07-4314422
Fax : 07-4319691

PONTIAN

No. 11, Jalan Delima 2,
Pusat Perdagangan Pontian,
82000 Pontian, Johor
Tel : 07-6871515
Fax : 07-6870781

KOTA TINGGI

No. 24 & 26, Jalan Jaya 1,
81900 Kota Tinggi, Johor
Tel : 07-8832144
Fax : 07-8831109

SEGAMAT

No. 123 & 124, Jalan Genuang,
85000 Segamat, Johor
Tel : 07-9319214
Fax : 07-9319210

LARKIN PERDANA

No. 61 & 63, Susur Larkin Perdana 1,
Persiaran Larkin Perdana, Tmn. Larkin Perdana,
81100 Johor Bahru, Johor
Tel : 07-2360595
Fax : 07-2360635

KLUANG

No. 27 & 29,
Jalan Md Lazim Saim,
86000 Kluang, Johor
Tel : 07-7743545
Fax : 07-7743542

TAMAN UNIVERSITI, SKUDAI

No. 1 & 3, Jalan Kebudayaan 1,
Taman Universiti,
81300 Skudai, Johor
Tel : 07-5207024
Fax : 07-5207048

REGION OFFICE 5 (SABAH)

Tingkat 5, Blok B Harbour City, Lot 20 & 21,
Jalan Pantai Baru, Sembulan,
88000 Kota Kinabalu, SABAH
Tel : 088-487623
Fax : 088-487635

KOTA KINABALU

Lot 20 & 21, Blok B, Harbour City,
Jalan Pantai Baru, Sembulan,
88000, Kota Kinabalu, Sabah
Tel : 088-487613/614/615/617
Fax : 088-487610

LAHAD DATU

Lot 27 & 28, Blok D, Airport Plaza,
Fajar Centre, Jalan Segama,
91100 Lahad Datu, Sabah
Tel : 089-885600
Fax : 089-880094

HEAD OFFICE AND BRANCHES

TAWAU

TB 4615-4617, Pusat Komersial Ba Zhong,
Jalan Tawau Lama,
91000 Tawau, Sabah
Tel : 089-750391/392
Fax : 089-750393

BEAUFORT

Lot 21 & 22, Block C, At Commercial Lot,
New Beaufort Jaya, Near Beaufort Bridge,
89800 Beaufort, Sabah
Tel : 087-222145/46/49/50
Fax : 087-222143

SANDAKAN

Lot 4 & 5, Fasa 2,
Sandakan Square Jalan Prayer,
90000 Sandakan, Sabah
Tel : 089-224727
Fax : 089-224741

PENAMPANG

No. 49 & 50, Block H, Donggongan Square,
Penampang, 89507 Kota Kinabalu, Sabah
Tel : 088-731027
Faks : 088-731041

LIKAS

No. 1, Blok A, Plaza Juta, Jalan Tuaran,
88400 Kota Kinabalu, Sabah
Tel : 088-422000
Fax : 088-422434

KOTA BELUD

Lot 3 & 4, Block E, Yick Ming Commercial Centre,
89157 Kota Belud, Sabah
Tel : 088-972213
Fax : 088-972219

LABUAN

Tingkat Bawah, Bangunan UMNO, Pekan Baru,
Unit No. E001, Tingkat Bawah, Financial Park Labuan Complex,
Jalan Merdeka, 87000 Wilayah Persekutuan, Labuan
Tel : 087-422831/423137
Fax : 087-425990

KOTA MARUDU

No. 6 & 7, WTK Phase 2,
89108 Kota Marudu, Sabah
Tel : 088-663815
Fax : 088-663819

KENINGAU

Lot 7 & 8, Blok C,
Keningau Plaza, Peti Surat 910,
89008 Keningau, Sabah
Tel : 087-341501
Fax : 087-341503

PUTATAN

Lot 5 & 6, Tapak Putatan Baru,
Jalan Putatan,
88300 Kota Kinabalu, Sabah
Tel : 088-767771
Fax : 088-774477

SEMPORNA

Lot D2 & A19 Jalan Bubul,
Bandar Utama Semporna,
91308 Semporna, Sabah
Tel : 089-784111
Fax : 089-784222

REGION OFFICE 6 (KELANTAN/TERENGGANU)

KOTA BHARU

Lot 206 & 207, Jalan Pengkalan Chepa,
15400 Kota Bharu, Kelantan
Tel : 09-7441022
Fax : 09-7447051

PASIR MAS

PT 315 & PT 316,
Wisma Majlis Daerah Pasir Mas,
Jalan Pasir Pekan,
17000 Pasir Mas, Kelantan
Tel : 09-7907690
Fax : 09-7907939

HEAD OFFICE AND BRANCHES

MACHANG

Lot 90-92,
Bgn Usahasama Sentosa Jaya Dev. Sdn Bhd,
Jalan Bakat, 18500 Machang, Kelantan
Tel : 09-9752577
Fax : 09-9751355

GUA MUSANG

Lot PT 7841 & PT 7842,
Jalan Persiaran Raya, Taman Mesra,
18300 Gua Musang, Kelantan
Tel : 09-9124254
Fax : 09-9125595

KUBANG KERIAN

Lot PT 1709 & 1710,
Jalan Raja Perempuan Zainab 2,
Bandar Baru Kubang Kerian,
16150 Kelantan
Tel : 09-7640877
Fax : 09-7650918

TANAH MERAH

Lot PT 237 & PT 238, Bandar Tanah Merah,
17500 Tanah Merah, Kelantan
Tel : 09-9556400
Fax : 09-9556202

WAKAF CHE YEH

Zon Komersial Wakaf Che Yeh,
15050 Kota Bharu, Kelantan
Tel : 09-7480796
Fax : 09-7480978

KUALA KRAI

No. PT 5572 & PT 5573,
KM 2, Jln Kuala Krai - Gua Musang,
18000 Kuala Krai, Kelantan
Tel : 09-9604400
Fax : 09-9604004

KUALA TERENGGANU

Kompleks Paya Keladi,
No. 8 & 9, Jalan Paya Keladi,
20000 Kuala Terengganu, Terengganu
Tel : 09-6309989
Fax : 09-6309979

DUNGUN

PT 12447 & 12448,
Taman Saujana, Sura Gate,
23000 Dungun, Terengganu
Tel : 09-8457036
Fax : 09-8481762

KEMAMAN

Lot K12086 & K12087,
Jalan Kubang Kurus,
24000 Kemaman, Terengganu
Tel : 09-8596534
Fax : 09-8596532

GONG BADAK

No. 1,2&3, Taman Tanjung Permata,
Kampung Gong Badak, Jalan Batu Rakit,
21300 Kuala Terengganu, Terengganu
Tel : 09-6673076
Fax : 09-6670202

JERTIH

Lot 4123 & 4124,
Jalan Pasar, Badar Jertih,
22000 Jertih, Terengganu
Tel : 09-6973112
Fax : 09-6973115

HEAD OFFICE AND BRANCHES

MARANG

Lot 8996 & 8997,
Kompleks Komersial Marang,
21600 Marang, Terengganu
Tel : 09-6181434
Fax : 09-6181776

KERTEH

Lot PT14507, 14508 & 14509,
Kampung Baru, Mukim Kerteh,
24300 Kerteh, Kemaman, Terengganu
Tel : 09-8262333
Fax : 09-8262777

REGION OFFICE 7 (PAHANG/NEGERI SEMBILAN)

B160 & B162, Tingkat 1, Jalan IM 8/33,
Bandar Indera Mahkota,
25000 Kuantan, Pahang
Tel : 09-5732007
Fax : 09-5730176

KUANTAN

G 15, Mahkota Square, Jalan Mahkota,
25000 Kuantan, Pahang
Tel : 09-5144666
Fax : 09-5150941

TEMERLOH

No. 7 & 9, Jalan Sudirman 2,
Bandar Sri Semantan,
28000 Temerloh, Pahang
Tel : 09-2961420
Fax : 09-2961076

JENGKA

Lot 92, Jalan Zamrud Nadi Kota,
26400 Bandar Jengka, Pahang
Tel : 09-4662711, 4662586
Fax : 09-4662699

JERANTUT

No. 1, Jalan Pine 1, Taman Pine,
27000 Jerantut, Pahang
Tel : 09-2666548, 2666549, 2666796
Fax : 09-2666551

RAUB

No. 25 & 26, Bandar Raub Perdana, Jalan Lipis,
27600 Raub, Pahang
Tel : 09-3556299, 3556300, 3550590
Fax : 09-3556298

PEKAN

G-1, Bangunan UMNO,
Bahagian Pekan, Jalan Teng Quee,
26600 Pekan, Pahang
Tel : 09-4228078

MUADZAM SHAH

No 117, 118 & 119,
Jalan Medan Mewah 7, Medan Mewah,
26700 Bandar Muadzam Shah, Pahang
Tel : 09-4522102
Fax : 09-4523231

BANDAR INDERA MAHKOTA

No.B 56 & B 58, Persiaran Sultan, Abu Bakar,
Bandar Indera Mahkota,
25000 Kuantan, Pahang
Tel : 09-5739500
Fax : 09-5735244

BERA

No. 13, 15 & 17, Jalan Angsana 1,
Taman Angsana, Bandar Bera,
28200 Bera, Pahang
Tel : 09-2508344
Fax : 09-2508348

KUALA LIPIS

Lot 2891, Jalan BBKL, 2-3-1,
No 2-3-1, Bandar Baru Kuala Lipis,
27200 Kuala Lipis, Pahang
Tel : 09-3126136
Fax : 09-3126132

BENTONG

No P18 & P19, Jalan Prima 1, Bentong Prima,
28700 Bentong, Pahang
Tel : 09-2222192
Fax : 09-2221504

HEAD OFFICE AND BRANCHES

SEREMBAN

Bangunan Bank Rakyat,
Lot 5750, Jalan Tuanku Munawir, Peti Surat 70,
70000 Seremban, Negeri Sembilan
Tel : 06-7638943
Fax : 06-7637703

BAHAU

No. 25 & 26, Tingkat Satu & Bawah,
Pusat Perniagaan Bahau, Jalan Masjid,
72100 Bahau, Negeri Sembilan
Tel : 06-4544479
Fax : 06-4543481

LUKUT

No. 137 & 138, Jalan D8 1/11,
Bandar Dataran Segar, 71010 Lukut,
Port Dickson, Negeri Sembilan
Tel : 06-6512840
Fax : 06-6512495

TAMPIN

No.1135 Taman Seri Intan,
73000 Tampin, Negeri Sembilan
Tel : 06-4432914
Fax : 06-4432919

NILAI

PT 7436, Jalan BBN 1/2F,
Bandar Baru Nilai,
71800 Nilai, Negeri Sembilan
Tel : 06-7999134
Fax : 06-7997045

SENAWANG

No.156 & 157, Blok L,
Senawang Commercial Park,
70450 Seremban, Negeri Sembilan
Tel : 06-6786648
Fax : 06-6792655

REGION OFFICE 8 (PERAK)

No. 8 & 10, Jalan Greentown 5, Greentown Nova,
30450 Ipoh, Perak
Tel : 05-2439296
Fax : 05-2439301

TELUK INTAN

No.187, Jalan Intan 5, Bandar Baru,
36000 Teluk Intan, Perak
Tel : 05-6221000
Fax : 05-6212554,6221313

MEDAN GOPENG

No. 37 & 39, Medan Gopeng 1,
Jalan Raja Dr Nazrin Shah,
Peti Surat 494, 30750 Ipoh, Perak
Tel : 05-3123166
Fax : 05-31255886

BAGAN SERAI

No. 132, Jalan Setia, Pusat Bandar,
34300 Bagan Serai, Perak
Tel : 05-7215023
Fax : 05-7211644

TAIPING

Lot 2478 & 2482, Jalan Berek,
34000 Taiping, Perak
Tel : 05-8085808
Fax : 05-8072988

JELAPANG

No. 61 & 63, Lengkok Kledang Jaya,
Taman Kledang Jaya,
30100 Ipoh, Perak
Tel : 05-5271924
Fax : 05-5271958

MANJUNG

No.41, 43 & 45, Persiaran PM 3/2,
Pusat Bandar Seri Manjung, Seksyen III,
32040 Seri Manjung, Perak
Tel : 05-6884912
Fax : 05-6881199

HEAD OFFICE AND BRANCHES

TAPAH

No. 56 & 57, Jalan Besar,
35000 Tapa, Perak
Tel : 05-4015536
Fax : 05-4015539

KUALA KANGSAR

No. 1 & 2,
Bangunan Bank Rakyat, Jalan Daeng Selili,
33000 Kuala Kangsar, Perak
Tel : 05-7774122
Fax : 05-7774049

SRI ISKANDAR

No. 24 & 26, Jalan Maju Satu,
Taman Maju, Bandar Sri Iskandar,
32610 Bandar Seri Iskandar, Perak
Tel : 05-3713164
Fax : 05-3712632

TANJUNG MALIM

Lot 27 & 29, Jalan Permai 1,
Taman Ketoyong Permai 2,
35900 Tanjung Malim, Perak
Tel : 05-4584205
Fax : 05-4584211

GREENTOWN

No. 8 & 10, Jalan Greentown 5,
Greentown Nova,
30450 Ipoh, Perak
Tel : 05-2439296
Fax : 05-2439301

GRIK

No 1, Jalan Indah 1,
33600 Grik, Perak
Tel : 05-7917735
Faks : 05-7917727

REGION OFFICE 9 (SARAWAK)

Tingkat 3, Sublot 9 & 10, Lot 427, Blok 16,
KCLD, Jalan Tun Jugah 93350 Kuching, Sarawak
Tel : 082-463378
Fax : 082-464378

SIMPANG TIGA

Tingkat Bawah & Satu, No. 9 & 10, Blok 16,
KCLD Jalan Tun Jugah, 93350 Kuching, Sarawak
Tel : 082-572149
Fax : 082-575893

SATOK (FORMERLY KNOWN AS KUCHING)

Lot 504, Section 6, KTL, Jalan Kulas Tengah,
93400 Kuching, Sarawak
Tel : 082-237159
Fax : 082-239634

SIBU

Lot 12 E & 12 F, Blok 4,
Jalan Kampung Datu,
96000 Sibu, Sarawak
Tel : 084-342227
Fax : 084-342229

MIRI

Lot 1111 & 1112, Bangunan Tabung Baitul Mal,
Sarawak Pelita Commercial Central,
98000 Miri, Sarawak
Tel : 085-435314
Fax : 085-435106

SRI AMAN

Lot 1467 & 1468, Seksyen 3 S.T.D
Jalan Hospital, 95000 Sri Aman, Sarawak
Tel : 083-321649
Fax : 083-321654

BINTULU

Lot 22 & 23, Commerce Square,
Jalan Tun Ahmad Zaidi,
97000 Bintulu, Sarawak.
Tel : 086-313097
Fax : 086-314017

HEAD OFFICE AND BRANCHES

SARIKEI

No. 22 & 22A, Lorong Tun Razak 1,
96100 Sarikei, Sarawak
Tel : 084-657134
Fax : 084-656950

KOTA SAMARAHAN

Lot 18 & 19, Uni Capital Commercial Centre,
Kuching/Kota Samarahan Express Way,
94300 Kota Samarahan, Sarawak
Tel : 082-614126
Fax : 082-614105

MUKAH

No. 1152 & 1153, Blok C,
Mukah Town Extension Phase II
96400 Mukah, Sarawak
Tel : 084-874119
Fax : 084-874127

MATANG JAYA

No. 3 & 4, Taman Lee Ling,
Commercial Centre, Jalan Matang,
93050 Kuching, Sarawak
Tel : 082-647221
Fax : 082-647223

KAPIT

Lot 542 & 543,
Wisma Ngieng Ping Toh, Jalan Airport,
96800 Kapit, Sarawak
Tel : 084-797600
Fax : 084-798631

LIMBANG

Lot 11 & 12,
Limbang Town District, Jalan Pandaruan,
98700 Limbang, Sarawak
Tel : 085-214358
Fax : 085-211464

KOTA PADAWAN

Lot 42 & 43, 10th Commercial Centre,
Jalan Kuching-Serian, Kota Padawan
93250 Kuching, Sarawak
Tel : 082-626018, 613016
Fax : 082-627018

PERMYJAYA

Lot 7971 & 7972, Pusat Bandar Fasa 3,
Bandar Baru Permyjaya,
98000 Miri, Sarawak
Tel : 085-491725/726/727
Fax : 085-491728

Bank Rakyat Service Centres

BANK RAKYAT

Lot 1-04, Wisma UTC,
Jalan Tan Chay Yan,
Off Jalan Hang Tuah,
75300 Melaka
Tel : 06-2819902, 2819903
Fax : 06-2819904

AR-RAHNU X'CHANGE

AR-RAHNU X'CHANGE KOTA BHARU

Tingkat Bawah, Lot PT 68, Bangunan Yabmud, Jalan Kebun Sultan,
15350 Kota Bharu, Kelantan
Tel : 09-7430875, 7430876
Fax : 09-7430877

AR-RAHNU X'CHANGE AMPANG

No. 53G, Jalan Wawasan 2/1, Bandar Baru Ampang,
68000 Ampang, Selangor
Tel : 03-42926600, 42912752, 42912754
Fax : 03-42929600

AR-RAHNU X'CHANGE KEMAMAN

Lot K 737, Jalan Abdul Rahman,
24000 Chukai, Kemaman, Terengganu
Tel : 09-8594761
Fax : 09-8594726

AR-RAHNU X'CHANGE KUANTAN

No. 99, Tingkat Bawah, Jalan Tun Ismail,
25000 Kuantan, Pahang
Tel : 09-5165867
Fax : 09-5165934

AR-RAHNU X'CHANGE SG. PETANI

No. 21 F, Jalan Ibrahim,
08000 Sg. Petani, Kedah
Tel : 04-4214020, 4214025, 4214026
Fax : 04-4214029

AR-RAHNU X'CHANGE MENTAKAB

No. 119, Tingkat Bawah, Jalan Temerloh,
28400 Mentakab, Pahang
Tel : 09-2771844, 2770991, 2770453
Fax : 09-2771496

AR-RAHNU X'CHANGE MELAKA SENTRAL

No. 49, Tingkat Bawah, Jalan PMS 1,
Plaza Melaka Sentral, 75400 Melaka
Tel : 06-2860102/03/04
Fax : 06-2860105

AR-RAHNU X'CHANGE BALAKONG

No. 7G, Jalan Cheras Maju, Pusat Perniagaan Cheras Maju,
43200 Balakong, Selangor
Tel : 03-90740526
Fax : 03-90740604

AR-RAHNU ULU TIRAM

Unit S-18-B, Tingkat Bawah, Jalan Tembusu,
81800 Ulu Tiram, Johor
Tel : 07-8619297
Fax : 07-8619391

AR-RAHNU X'CHANGE ALOR SETAR

No. 47, Jalan PSK Satu, Pekan Simpang Kuala,
05400 Alor Setar, Kedah
Tel : 04-7710715, 7710750
Fax : 04-7710754

AR-RAHNU X'CHANGE SENTUL

No. 22, Jalan 14/48 A,
Sentul Raya Boulevard, 51000 Kuala Lumpur
Tel : 03-40434781
Fax : 03-40442546

AR-RAHNU X'CHANGE TELUK INTAN

Jalan Selat,
36000 Teluk Intan, Perak
Tel : 05-6212498, 6212500, 6212496
Fax : 05-6212501

AR-RAHNU X'CHANGE MUAR

No. 25-2, Jalan Majidi,
84000 Muar, Johor
Tel : 06-9514650
Fax : 06-9514661

AR-RAHNU X'CHANGE MERGONG

No. 19, Lorong Putih 9, Taman Rakyat Mergong,
05150 Alor Setar, Kedah
Tel : 04-7302712, 7303171
Fax : 04-7304190

AR-RAHNU X'CHANGE KUALA PILAH

No. 511, Tingkat Bawah, Taman Sentosa,
72000, Kuala Pilah, Negeri Sembilan
Tel : 06-4810621, 4811031, 4811395
Fax : 06-4811402

AR-RAHNU X'CHANGE

AR-RAHNU X'CHANGE BATANG KALI

No. 37, Jalan Mahogani 7/1, Seksyen 4, Bandar Utama Batang Kali,
44300 Batang Kali, Selangor
Tel : 03-60570981, 60570982
Fax : 03-60570985

AR-RAHNU X'CHANGE PEKAN SIMPANG

No. 31, Tingkat Bawah, Susur Simpang Jalan Kg. Dew,
34700 Simpang, Perak
Tel : 05-8471453, 8471493, 8471532
Fax : 05-8471429

AR-RAHNU X'CHANGE SUNGAI UDANG

No 2, Tingkat Bawah, Jalan Pahlawan 7, Taman Pahlawan,
76300 Sungai Udag, Melaka
Tel : 06-3513644/676
Fax : 06-3513593

AR-RAHNU X'CHANGE REMBAU

No. 990, Tingkat Bawah, Jalan Terentang,
71300 Rembau, Negeri Sembilan
Tel : 06-6853378 /3379 / 6853380
Fax : 06-6853375

AR-RAHNU X'CHANGE JELAWAT

Lot 164, Pekan Jelawat,
16070 Bachok, Kelantan
Tel : 09-7782971, 7782969
Fax : 09-7782972

AR-RAHNU X'CHANGE KLUANG

No. 22, Tingkat Bawah, Jalan Pesona 2, Taman Pesona,
86000 Kluang, Johor
Tel : 07-7765364
Fax : 07-7761101

AR-RAHNU X'CHANGE SATOK

Lot 497, Seksyen 6, KTLD Jalan Kulas Tengah,
93400 Kuching, Sarawak
Tel : 082-237232 / 237754 / 237326
Fax : 082-233140

AR-RAHNU X'CHANGE LANGKAWI

No. 66, Persiaran Dayang 1, Pusat Perniagaan Dayang,
07000 Langkawi, Kedah
Tel : 04-9660037 / 9662440
Fax : 09-9663019

AR-RAHNU X'CHANGE TANGKAK

No. 9, Tingkat Bawah & Mezzanine, Jalan Muar,
84900 Tangkak, Johor
Tel : 06-9784192, 9784197, 9784196
Fax : 06-9784201

AR-RAHNU X'CHANGE PAGOH

No 1-15, Tingkat Bawah, Taman Bukit Pasir,
84300 Muar, Johor
Tel : 06-9850792/0832/0827
Fax : 06-9850840

AR-RAHNU X'CHANGE ULU KELANG

No. 3-G, Tingkat Bawah, Ukay Boulevard, Jalan Lingkaran Tengah 2,
68000 Hulu Klang, Selangor
Tel : 03-41051446, 41051460, 41051506
Fax : 03-41051390

AR-RAHNU X'CHANGE CHANGLUN

No. 61-A & B, Pekan Baru, Jalan Kodiang,
06010 Changlun, Kedah
Tel : 04-9242737, 9242739
Fax : 04-9242743

AR-RAHNU X'CHANGE BATU GAJAH

No. 5, Tingkat Bawah, Jalan Dewangsa,
31000 Batu Gajah, Perak
Tel : 05-3654561, 3654580
Fax : 05-3651446

AR-RAHNU X'CHANGE MASAI

No.16, Jalan Sejambak 14, Taman Bukit Dahlia,
81700 Pasir Gudang, Johor
Tel : 07-2525834
Fax : 07-2525310

AR-RAHNU X'CHANGE SITIAWAN

No. 25, Tingkat Bawah,
Taman Sentosa, Jalan Lumut,
32000 Sitiawan, Perak
Tel : 05-6915895, 6915602, 6915945
Fax : 05-6915821

Subsidiaries

RAKYAT HOLDINGS SDN. BHD.

No.155, Tingkat Bawah, Wisma PERKESO,
Jalan Tun Razak, 50400 Kuala Lumpur
Emel : admin@rakyatholdings.com.my
Tel : 03-26816255 / 6255 / 8255
Fax : 03-26819155
Website : www.rakyatholdings.com.my

RAKYAT FACILITY MANAGEMENT SDN. BHD.

No.155, Tingkat Bawah, Wisma PERKESO,
Jalan Tun Razak, 50400 Kuala Lumpur
Emel : admin@rakyatholdings.com.my
Tel : 03-26815255 / 6255 / 8255
Fax : 03-26819155

RAKYAT TRAVEL SDN. BHD.

No.155, Tingkat Bawah, Wisma PERKESO,
Jalan Tun Razak, 50400 Kuala Lumpur
Emel : info@rakyatravel.com.my
Tel : 03-26812761 / 2762 / 2763
Fax : 03-26812764
Website : www.rakyatravel.com.my

RAKYAT NIAGA SDN. BHD.

No.155, Tingkat Bawah, Wisma PERKESO,
Jalan Tun Razak, 50400 Kuala Lumpur
Emel : admin@rakyatholdings.com.my
Tel : 03-26815255 / 6255 / 8255
Fax : 03-26819155

RAKYAT HARTANAH SDN. BHD.

Lot P.T 34060, Jalan Sungai Ramal Luar,
43000 Kajang, Selangor
Tel : 03-87365573, 87344828
Fax : 03-87370828

RAKYAT MANAGEMENT SERVICES SDN. BHD.

Suite 8-1, Tingkat 8, Bangunan PERKIM,
No. 150, Jalan Ipoh, 51200 Kuala Lumpur
Tel : 03-40416700 / 8700 / 9700
Fax : 03-40481320

Service Agents

KEDAH

KOPERASI UNIVERSITI UTARA MALAYSIA BERHAD

Pejabat Urusan
No. 66, Tingkat 1
Pekan Changlun 2, 06010 Changlun, Kedah
Tel : 04-9285507
Fax : 04-9242539

KOPERASI GURU-GURU MELAYU KEDAH BERHAD

Bangunan Guru,
Persiaran Sultan Abdul Hamid,
05050 Alor Setar, Kedah
Tel : 04-7773373
Fax : 04-7711215

Cawangan

Hotel Darulaman, Bandar Darulaman,
06000 Jitra, Kedah
Tel : 04-9183868
Fax : 04-9183866

KOPERASI PESERTA-PESERTA RANCANGAN FELCRA PULAU BELANTIK SIK BERHAD

Felcra Pulau Belantik, Kota Aur,
08210 Sik, Kedah
Tel : 04-7521440
Fax : 04-7521773 (Pejabat Felcra)

KOPERASI PASAR MINGGUAN GUAR CHEMAPEK BERHAD

No. 3 Tingkat 1, Bangunan Arked,
08800 Guar Chempedak, Kedah
Tel : 04-4681697
Fax : 04-4681697

KOPERASI PEKEBUN KECIL DAERAH KUBANG PASU BERHAD

No. 167, Jalan Hosba 7, Taman Sri Hosba,
KM 18, Lebuhraya Utara Selatan, Pekan Napoh,
06000 Jitra, Kedah
Tel : 04-9172172

PULAU PINANG

KOPERASI UNIVERSITI SAINS MALAYSIA BERHAD

Universiti Sains Malaysia,
11800 Minden, Pulau Pinang
Tel : 04-6533888
Fax : 04-6575688

KOPERASI KOLEJ KEMAHIRAN TINGGI BALIK PULAU BERHAD

Genting, 11000 Balik Pulau,
Pulau Pinang
Tel : 04-8665805
Fax : 04-8665741

Cawangan

Cemara Halal House, Lot 23,
Taman Pasir Emas, Jalan Balik Pulau,
11000 Balik Pulau, Pulau Pinang
Tel : 04-8691917

KOPERASI PEKERJA RAPID PENANG BERHAD

Mezzanine Floor, Wisma MIC Pulau Pinang,
657, Jalan Dato, Keramat, 10460 Pulau Pinang
Tel : 04-2279007
Fax : 04-2278007

KOPERASI GURU AGAMA KERAJAAN NEGERI PULAU PINANG PINANG BERHAD

2640, Tingkat 1, Taman Haji Ahmad Jamil,
13300 Tasek Gelugor,
Seberang Perai, Pulau Pinang
Tel : 04-5759566
Fax : 04-5759566

PERAK

KOPERASI KAKITANGAN KERAJAAN HULU PERAK BERHAD

Aras 2, Bangunan Wisma KOSEK,
Jalan Takong Datok, 33300 Grik, Perak
Tel : 05-7911887
Fax : 05-7911887

KOPERASI SELAMA BERHAD

Lot No. 4, Jalan Besar Selama,
34100 Selama, Perak
Tel : 05-8394532
Fax : 05-8392940

KOPERASI BINA BERSAMA KAMPONG GAJAH PERAK BERHAD

No. 14A, Medan Koperasi,
36800 Kampong Gajah, Perak
Tel : 05-6311368
Fax : 05-6311368

SERVICE AGENTS

KOPERASI GURU-GURU MELAYU KERIAN DAN SELAMA BERHAD

No. 1, Jalan Helang, Pekan Baru,
34200 Parit Buntar, Perak

Cawangan

No. 41, Jalan Wawasan 3, Taman Wawasan Jaya,
34200 Parit Buntar Perak

Tel : 05-7161157

Fax : 05-7161287

KOPERASI PESERTA-PESERTA RANCANGAN FELCRA SEBERANG PERAK BERHAD

Lot 4271, Coop Business Centre (CBC),
Lebuh Paduka, Bandar Seberang Perak,
36800 Kampung Gajah, Perak

Tel : 05-6558101

Faks : 05-6558100

SELANGOR

KOPERASI KAKITANGAN UNIVERSITI TEKNOLOGI MARA BERHAD

B13-2, Jalan Lazuardi 7/9, Seksyen 7,
40000 Shah Alam, Selangor

Tel : 03-55195912

Fax : 03-55130540

KOPERASI PEMBANGUNAN PEKERJA INDUSTRI SELANGOR BERHAD

Suite 1-17, Jalan Dagang B/3A,
Taman Dagang, 68000 Ampang, Selangor

Tel : 03-42704331

Fax : 03-42707659

KOPERASI PENEROKA SUNGAI TENGI BERHAD

Bangunan Stesen Minyak BH Petrol,
Jalan Merdeka, Desa Maju Sungai Tengi,
44010 Kuala Kubu Bharu, Selangor

Tel : 03-60421034

KOPERASI UNIKEB BERHAD

Wisma UNIKEB,
Universiti Kebangsaan Malaysia,
43600 Bangi, Selangor

Tel : 03-89252540

Fax : 03-89257177

KOPERASI MEMBELI DAN MEMBUKA TANAH SERI CHEEDING BERHAD

Lot 6665, Jalan Merak, Kampung Seri Cheeding,
42700 Banting, Kuala Langat, Selangor

Tel : 03-31914729

Fax : 03-31914729

KOPERASI TERAS SEMENYIH SELANGOR BERHAD

24 & 25, Seksyen 2, Jalan Besar,
43500 Semenyih, Selangor

Tel : 03-87238615

Fax : 03-87234479

KOPERASI PEMBANGUNAN PULAU LUMUT BERHAD

No. 24A, Jalan Batu Unjur 1,
Bayu Perdana, 41200 Klang, Selangor

Tel : 03-33242728

Fax : 03-33242558

KOPERASI UNIVERSITI PUTRA MALAYSIA BERHAD

Tingkat 1, Bangunan Pusat Perniagaan,
Beg Berkunci 260, Pejabat Pos UPM,
Universiti Putra Malaysia,
43400 Serdang, Selangor

Tel : 03-89467980

Fax : 03-89489796

KOPERASI PELABURAN PEKERJA PROTON BERHAD

Kedai Koperasi Pelaburan,
Pekerja Proton Berhad,
Seksyen 26, Shah Alam, Selangor

Tel : 03-51925611

Fax : 03-51026148

KOPERASI KAKITANGAN UNIKL MIAT SEPANG BERHAD

Lot 2891, Jalan Jenderam Hulu,
43800 Dengkil, Selangor

Tel : 03-87680804

Fax : 03-87688485

SERVICE AGENTS

KOPERASI WANITA BISTARI PANTAI SEPANG PUTRA SEPANG BERHAD

No. 7, Jalan Perling,
Pantai Sepang Putra,
43950 Sg Pelek, Sepang,
Selangor
Tel : 03-31413054
Fax : 03-31413054

WILAYAH PERSEKUTUAN

KOPERASI PEKERJA FELDA MALAYSIA BERHAD

No. 2F, Jalan Gurney, 54000 Kuala Lumpur
Tel : 03-26984202
Fax : 03-26934511

KOPERASI KAKITANGAN BANK RAKYAT BERHAD (SEKATARAKYAT)

No. 74B & 74C, Tingkat 2 & 3,
Jalan Kampung Attap, Off Jalan Sulaiman,
50460 Kuala Lumpur
Tel : 03-22733314
Fax : 03-22741314

KOPERASI PEKERJA-PEKERJA BANK MALAYSIA BERHAD

Lot No. 1108-1109B,
Tingkat 11, Wisma MPL,
Jalan Raja Chulan, 50200 Kuala Lumpur
Tel : 03-20314933
Fax : 03-20317298

KOPERASI KEDAI BUKU UNIVERSITI MALAYA BERHAD

Bangunan Perdanasiswa,
Universiti Malaya, Peti Surat 1127,
Jalan Pantai Baru,
59700 Kuala Lumpur
Tel : 03-79552595
Fax : 03-79547040

KOPERASI SIMPANAN DAN KREDIT BERSATU MALAYSIA BERHAD

G-5, Blok A, Glomac Damansara,
No 699, Jalan Damansara,
60000 Kuala Lumpur
Tel : 03-77329102

NEGERI SEMBILAN

KOPERASI MELAYU BERJAWATAN KERAJAAN NEGERI SEMBILAN BERHAD

No. 39 & 40, Wisma Bukti,
Taman Bukti Ampangan,
70400 Seremban, Negeri Sembilan
Tel : 06-6791633
Fax : 06-6791733

KOPERASI SERBAMAJU DAERAH JEMPOL BERHAD

No. 10 (Tingkat Atas), Jalan Beringin 2,
72200 Batu Kikir, Negeri Sembilan
Tel : 06-4548621

Cawangan

Stesen ESSO Serting, Lot 511 Bandar Serting,
72120 Bandar Seri Jempol, Negeri Sembilan
Tel : 06-4581454
Fax : 06-4585101

KOPERASI JELAI TIGA GEMAS BERHAD

Stesen Minyak Koperasi,
Kampung Felda Jelai Tiga,
73480 Gemas, Negeri Sembilan
Tel : 06-4347495
Fax : 06-4347495

MELAKA

KOPERASI KAKITANGAN PENJARA MELAKA BERHAD

2S & 2S-1, Jalan Seri Emas 17,
Taman Seri Telok Emas, 75460 Melaka
Tel : 06-2617429
Fax : 06-2619261

SERVICE AGENTS

JOHOR

KOPERASI PELABURAN PEKERJA-PEKERJA KEJORA BERHAD

No. 15, Bangunan Kedai,
Pusat Bandar, 81930 Bandar Penawar,
Kota Tinggi, Johor
Tel : 07-8221394
Fax : 07-8221394

KOPERASI PERUNDING TAKAFUL IKHLAS MALAYSIA BERHAD

No. 3, Jalan Langsat,
Peti Surat 142, 88000 Kluang, Johor
Tel : 07-7719788
Fax : 07-7744788

Cawangan

No. K-5 Jalan Jadi, Taman Jadi,
Tanjung Gemok, 26820 Kuala Rompin, Pahang
Tel : 09-4131382
Fax : 09-4131384

KOPERASI KEMAJUAN TANAH NEGERI JOHOR BERHAD

No. 8, Tingkat 1,
Wisma KKTNJB (KOPKETA),
Jalan Persiaran Dato' Ismail Hassan,
86000 Kluang, Johor
Tel : 07-7764076
Fax : 07-7765527

Cawangan

No. 67, Impiana Avenue,
Jalan Seri Impian 1/2,
Taman Seri Impian,
86000 Kluang, Johor

KOPERASI KONTRAKTOR DAN USAHAWAN MELAYU LEDANG BERHAD

No. 166, Tingkat Bawah,
Jalan Muar, 84900 Tangkak,
Ledang, Johor
Tel : 06-9783719
Fax : 06-9791119

KOPERASI PENULIS DAN PEMBACA MUAR BERHAD

TL MBP 115, Parit Raja,
KM5, Jalan Temenggong Ahmad,
84000 Muar, Johor
Tel : 06-9811226
Fax : 06-9811292

KOPERASI FELDA LOK HENG TIMUR BERHAD

Bangunan Koperasi,
Felda Lok Heng Timur,
81909 Kota Tinggi, Johor
Tel : 07-8947889
Fax : 07-8947452

PAHANG

KOPERASI GURU-GURU MELAYU PAHANG BARAT BERHAD

No. 3C, Tingkat 2,
Bangunan KGMPB,
Komplek Lipis Inn,
27200 Kuala Lipis, Pahang
Tel : 09-3121800
Fax : 09-3123877

KOPERASI PEMBANGUNAN DAERAH MARAN BERHAD

No. 2, Tingkat 2,
Bangunan Wisma Pemuda UMNO,
Jalan Perpustakaan,
26500 Maran, Pahang
Tel : 019-9667186

KOPERASI PESERTA-PESERTA FELCRA GUGUSAN SRI MAKMUR BERHAD

Felcra Sri Makmur,
26030 Kuantan, Pahang
Tel : 09-5468878
Fax : 09-5461040

KOPERASI FELDA SUNGAI KOYAN III RAUB BERHAD

d/a Felda Sungai Koyan 3,
27650 Raub, Pahang
Tel : 09-3401442
Fax : 09-3401442

SERVICE AGENTS

KOPERASI MUKMIN CAMERON HIGHLANDS BERHAD

Jalan Besar Brinchang,
39200 Brinchang,
Cameron Highlands, Pahang
Tel : 05-4911425

KOPERASI SERBAGUNA FELDA CHINI TIMUR SATU BERHAD

Felda Chini Timur Satu,
26690 Chini, Pekan, Pahang
Tel : 09-4571266
Fax : 09-4571266

KOPERASI SERBAGUNA FELDA KERATONG TIGA BERHAD

Felda Keratong Tiga,
26900 Bandar Tun Abdul Razak, Pahang
Tel : 09-4457452
Fax : 09-4457452

KOPERASI PENEROKA FELDA TEMBANGAU SATU KEMAYAN PAHANG BERHAD

Pejabat Koperasi Felda Tembangau Satu,
28380 Kemayan, Pahang
Tel : 06-4685406
Fax : 06-4685406

TERENGGANU

KOPERASI PEMBANGUNAN DAERAH SETIU BERHAD

Wisma KPD, Bandar Permaisuri,
22100 Setiu, Terengganu
Tel : 09-6092333
Faks : 09-6092332

KOPERASI COBE PANTAI TIMUR BERHAD

No. 102B, Tingkat 2,
Jalan Engku Embong Fatimah,
20200 Kuala Terengganu,
Terengganu
Tel : 09-6222796
Fax : 09-6241498

KOPERASI FELCRA KAWASAN HULU BERANG HULU TERENGGANU BERHAD

Lot 3765, Kampung Matang,
Jalan Felda Mengkawang,
21800 Ajil, Hulu Terengganu, Terengganu
Tel : 09-6124845

KELANTAN

KOPERASI PESERTA-PESERTA RANCANGAN FELCRA GUGUSAN GEMANG BERHAD

PT 2103/C Bandar Baru Bukit Bunga,
17700 Air Lanas, Kelantan
Tel : 09-9468799
Fax : 09-9468513

KOPERASI PEKEBUN KECIL PASIR PUTEH BERHAD

Lot 455, Bangunan PKINK, Jalan Nara,
16800 Pasir Puteh, Kelantan
Tel : 09-7867302
Fax : 09-7862717

KOPERASI PESERTA-PESERTA FELCRA GUGUSAN BUKIT TANDAK KELANTAN BERHAD

d/a Pejabat Felcra Berhad, Kawasan Bukit Tandak,
17200 Rantau Panjang, Kelantan
Tel : 013-9335259
Fax : 09-9584288

KOPERASI PENEROKA FELDA KEMAHANG 1 BERHAD

d/a Felda Kemahang 1,
17500 Tanah Merah, Kelantan
Tel : 09-9582007
Fax : 09-9584288

SABAH

KOPERASI ANAK WATAN RANAU BERHAD

Blok B, Lot 10,
Bangunan Kedai SEDCO,
89300 Ranau, Sabah
Tel : 088-879539
Fax : 088-876073

KOPERASI PEKERJA YAYASAN SABAH BERHAD

Lot 7-3, Tingkat 3,
Bunga Raja Shopping Complex,
Lorong Bunga Raja 5,
Off Jalan Lintas,
88845 Kota Kinabalu, Sabah
Tel : 088-389258
Fax : 088-383258

SERVICE AGENTS

KOPERASI BELIA TENOM BERHAD

Asia Rasa Bed & Breakfast,
Jalan Tun Mustafa, W.D.T 32,
89907 Tenom, Sabah
Tel : 013-8516198

KOPERASI UNIVERSITI MALAYSIA SABAH BERHAD

Bangunan Pusat Perkhidmatan Pelajar (Anjung Siswa),
Universiti Malaysia Sabah,
88999 Kota Kinabalu, Sabah
Tel : 088-320714

KOPERASI SERBAGUNA SANYA BERHAD (KOSAN)

Tingkat 2-4, Blok B, Wisma KOSAN Likas,
KM 7, Jalan Tuaran,
88992 Kota Kinabalu, Sabah

Cawangan

Perusahaan Pakaian KOSAN Tuaran,
Batu 19 1/2, Jalan Tuaran, Peti Surat BIL. 34,
89207 Tuaran, Sabah
Tel : 088-432855
Fax : 088-423475

KOPERASI CITRA WAWASAN BELURAN BERHAD

Lot 6, Tingkat Bawah,
Kedai SEDCO, Peti Surat 16,
90107 Beluran, Sabah
Tel : 012-8105035
Fax : 089-512595

KOPERASI ANAK WAWASAN KOTA KINABALU BERHAD

Lot 3A 34, Level 3, Central Shopping Plaza,
Jalan Banjaran, 88200 Kota Kinabalu, Sabah
Tel : 088-254534
Fax : 088-254534

SARAWAK

KOPERASI KOPERKASA BERHAD

No. 16-19, Wisma KOPERKASA,
Jalan Simpang Tiga,
93300 Kuching, Sarawak
Tel : 082-415611
Fax : 082-231650

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 : 013-8951553

KOPERASI SARATOK BERHAD

d/a Lot 379, Stesen Minyak Petronas,
Saratok Town District,
95400 Saratok, Sarawak
Tel : 083-438385

KOPERASI SINARAN LAWAS BERHAD

Batu 1/4, Jalan Punang,
98850 Lawas, Sarawak
Tel : 085-284340

KOPERASI PERDAGANGAN DAN PERINDUSTRIAN BARAM MIRI BERHAD

Lot 337, Pasar Marudi,
98050 Baram, Sarawak
Tel : 019-8561461
Faks : 085-756526

KOPERASI DAERAH JULAU BERHAD

Lot 42, Jalan Lim Ah Din,
96600 Julau, Sarawak
Tel : 019-8175566
Fax : 084-734 299

Rakyat Xcess & Ar-Rahnu X'change

RAKYAT XCESS PARIT RAJA

No. 52, Jalan Universiti 1,
Taman Universiti,
86400 Parit Raja, Johor
Tel : 07-4535254
Fax : 07-4535173

RAKYAT XCESS BENUT

No. 39, Tingkat Bawah,
Jalan Mutiara 4,
Pusat Perniagaan Benut,
82200 Benut, Johor
Tel : 07-6902290 / 6902291 / 6902292
Fax : 07-6902270

RAKYAT XCESS SAUJANA UTAMA

No. 1-G-50, Jalan Bidara 6/3,
Bandar Saujana Utama,
47000 Sungai Buloh, Selangor
Tel : 03-60387163 / 60387164
Fax : 03-60387160

RAKYAT XCESS BANDAR TASIK PUTERI

No. 69-G, Jalan 7A/3,
Bandar Tasik Puteri,
48020 Rawang, Selangor
Tel : 03-60341413
Fax : 03-60344163

RAKYAT XCESS SEMENYIH

No. 27-G, Jalan TPS 2/1,
Taman Pelangi Semenyih 2,
43700 Baranang, Selangor
Tel : 03-87275459
Fax : 03-87275133

RAKYAT XCESS MENTAKAB

No. 121, Tingkat Bawah,
Jalan Temerloh,
28400 Mentakab, Pahang
Tel : 09-2771844 / 2770991 / 2770453
Fax : 09-2771496

RAKYAT XCESS CHABANG TIGA

No. 2 & 3, Tingkat Bawah,
Wisma KY Kg. Chabang Tiga, Simpang Tok Ku,
21000 Kuala Terengganu, Terengganu
Tel : 09-6201142 / 6205835
Fax : 09-6205832

AR-RAHNU X'CHANGE PARIT RAJA

No. 53, Jalan Universiti 1,
Taman Universiti,
86400 Parit Raja, Johor
Tel : 07-4535152
Fax : 07-4535068

AR-RAHNU X'CHANGE BENUT

No. 40, Tingkat Bawah,
Jalan Mutiara 4,
Pusat Perniagaan Benut,
82200 Benut, Johor
Tel : 07-6907780 / 6907781 / 6907782
Fax : 07-6907790

AR-RAHNU X'CHANGE SAUJANA UTAMA

No. I-G-52, Jalan Bidara 6/3,
Saujana Utama 3,
47000 Sungai Buloh, Selangor
Tel : 03-60387168 / 60387169 / 60387170
Fax : 03-60387166

AR-RAHNU X'CHANGE BANDAR TASIK PUTERI

No. 69-G & 1, Jalan 7A/3,
Bandar Tasik Puteri,
48020 Rawang, Selangor
Tel : 03-60344125 / 4157
Fax : 03-60344163

AR-RAHNU X'CHANGE SEMENYIH

No. 27-G & 1, Jalan TPS 2/1,
Taman Pelangi Semenyih 2,
43700 Baranang, Selangor
Tel : 03-87275459
Fax : 03-87275133

AR-RAHNU X'CHANGE MENTAKAB

No. 119, Tingkat Bawah,
Jalan Temerloh,
28400 Mentakab, Pahang
Tel : 09-2771844 / 2770991 / 2770453
Fax : 09-2771496

AR-RAHNU X'CHANGE CHABANG TIGA

No. 2 & 3, Tingkat Bawah,
Wisma KY Kg. Chabang Tiga, Simpang Tok Ku,
21000 Kuala Terengganu, Terengganu
Tel : 09-6201142 / 6205835
Fax : 09-6205832

Rakyat Xcess

RAKYAT XCESS GEMAS

No. PT 4642, Tingkat Bawah,
Pekan Gemas,
73400 Gemas, Negeri Sembilan
Tel : 07-9481936
Fax : 07-9481940

RAKYAT XCESS SERIAN

No. 11, Tingkat Bawah,
Louis Junction, Batu 39,
Jalan Kuching-Serian,
94700 Serian, Sarawak
Tel : 082-872401 / 872403 / 872397 / 872440
Fax : 082-872363

RAKYAT XCESS SEREMBAN 2

No. 115, Tingkat Bawah,
Jalan S2 F2, Garden Homes Seremban 2,
70000 Seremban, Negeri Sembilan
Tel : 06-6314482 / 6314502 / 6314537
Fax : 06-6311141

RAKYAT XCESS CAMERON HIGHLANDS

No. 6-1, Marigold Square,
Tanah Rata,
39000 Cameron Highlands, Pahang
Tel : 05-4914694 / 4914704
Fax : 05-4914732

Susulan Berpusat Selangor 1 (SBS1)

SUSULAN BERPUSAT SELANGOR 1 (SBS 1)

Tingkat 3, Bangunan Bank Rakyat, Cawangan Sungai Buloh,
Lot 101, Pusat Commercial TSB,
Jalan Nautika B U20/B, Seksyen U20, Sungai Buloh,
40160 Shah Alam, Selangor
Tel : 03-61457400
Fax : 03-61457450

Agencies under the Ministry of Domestic Trade, Cooperatives, and Consumerism

KEMENTERIAN PERDAGANGAN DALAM NEGERI, KOPERASI DAN KEPENGGUNAAN (KPDNKK)

13, Persiaran Perdana, Presint 2,
62623 Putrajaya

Tel : 03-88825500
Fax : 03-88825762
Hotline : 1-800-886-800

BANK RAKYAT

Menara 1,
Menara Kembar Bank Rakyat ,
No. 33, Jalan Travers,
50470 Kuala Lumpur
Tel : 03-22024500
tele-Rakyat : 1-300-88-1BANK (12265)

SURUHANJAYA KOPERASI MALAYSIA (SKM)

Tingkat 10-15, 17-19,
Sunway Putra Towers, 100 Jalan Putra,
50350 Kuala Lumpur
Tel : 03-40474000
Fax : 03-40474100

MAKTAB KOPERASI MALAYSIA (MKM)

103, Jalan Templer,
46700 Petaling Jaya, Selangor
Tel : 03-79649000
Fax : 03-79570434

PERBADANAN NASIONAL BERHAD (PNS)

Level 13A, Menara PNS,
Tower 7, Avenue 7,
Bangsar South City,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Tel : 03-20827788
Fax : 03-20827787
Hotline : 1-800-22-1767

PERBADANAN HARTA INTELEK MALAYSIA (MYIPO)

Unit 1-7, Aras Bawah, Tower B,
Menara UOA Bangsar,
No. 5, Jalan Bangsar Utama 1,
59000 Kuala Lumpur
Tel : 03-22998400
Fax : 03-22998989

SURUHANJAYA SYARIKAT MALAYSIA (SSM)

Menara SSM@Sentral,
No. 7, Jalan Stesen Sentral 5,
Kuala Lumpur Sentral,
50623 Kuala Lumpur
Tel : 03-22994400
Fax : 03-22994411
Hotline : 03-77214000

SURUHANJAYA PERSAINGAN MALAYSIA (MYCC)

Aras 15, Menara SSM@Sentral,
No. 7, Jalan Stesen Sentral 5,
Kuala Lumpur Sentral,
50623 Kuala Lumpur
Tel : 03-22732277
Fax : 03-22722293

Appendix A

D. Rural Economic Financing Scheme (SPED)

- To increase the number of Bumiputera entrepreneurs in rural areas who are involved in potentially viable economic sectors and allowed under the law;
- To increase the participation rural entrepreneurs in more sectors to ensure their viability, competitiveness, resilience and commitments;
- To provide financing facility to rural Bumiputera entrepreneurs as a mean to improve rural economy;
- To provide financing facility without collateral and low installments, and
- To develop commerce and industrial community (MPPB) among rural area residents

Source Of Fund: Government through the Ministry of Rural and Regional Development

Type Of Fund: Revolving

Tenure Of Fund Received: Bank Rakyat manages the fund and provides financing facility to SPED applicants effective from 18 April 2001 until the fund is dissolved by the government

Role Of Government

As the owner of the fund, the Government is responsible:-

- To allow the executing Bank to utilise and manage the fund based the approved SPED guidelines
- To supervise and coordinate SPED implementation via SPED Highest Committee and SPED Committee

Role Of Bank Rakyat

As the executing agency, Bank Rakyat is responsible:-

- To receive and process all SPED applications;
- To be a member of SPED Highest Committee and SPED Committee;
- To collect instalment payments;
- To create promotional and advisory service on SPED fund;
- To organise support programmes for SPED customers
- To report the fund performance and customer base of the fund to the Government from time to time

Summary on SPED Fund (Accumulated as at 31 December 2013)

Type Of Funds	Fund Size RM million	Applications No.	Approved RM (mil)	Disbursement RM (mil)	Outstanding RM (mil)
SPED	106.40	2,410	169.62	150.34	83.19

Government Fund Summary (January 2013 - December 2013)

Type Of Funds	Fund Size RM million	Applications No.	Approved RM (mil)	Disbursement RM (mil)	Outstanding RM (mil)
SPED	5.00	187	19.59	20.12	83.19

Appendix B

E. Sundry Shop Transformation Scheme (TUKAR-i)

- Sundry Shop Transformation Scheme or TUKAR-i aims to modernise the present traditional sundry shops and increase their competitiveness in the very competitive retail business.
- The programme is conducted with local and foreign hypermarkets acting as consultants. The programme that will be implemented until 2020 with a target of modernising 5,000 sundry shops.
- The KPI for 2013 under this programme has been set at 500 sundry shops based on the following :-
 - Cooperative Commission Malaysia (SKM) - 120 shops
 - Cooperatives - 127 shops
 - Bank Rakyat - 253 shops

Source Of Fund: Government through the Ministry of Domestic Trade, Cooperatives & Consumerism (MDTCC)

Type Of Fund: Revolving

Tenure Of Fund Received: Bank Rakyat manages the fund and provides financing facility to TUKAR applicants effective from 18 January 2011 until the fund is dissolved by the government

Role Of Government

Provide the fund to Bank Rakyat through MDTCC. Bank Rakyat will provide the financing to sundry shop owners under the Sundry Shop Transformation Scheme that will allow the owners to make, modify, upgrade the premise or equipments, purchase stocks, use as working capital and purchase point of sale system

Role Of Bank Rakyat

To manage the fund and channel the financing facility under TUKAR and ensure the monitoring of instalment payment is conducted

Summary on TUKAR-i Fund (Accumulated as at 31 December 2013)

Type Of Funds	Fund Size/ Allocation RM million	Applications No.	Approved RM (mil)	Withdrawals RM (mil)	Disbursement RM (mil)	Outstanding RM (mil)
TUKAR	90.00	1,097	69.95	60.41	70.37	15.55

Government Fund Summary (January 2013 - December 2013)

Type Of Funds	Fund Size/ Allocation RM million	Applications No.	Approved RM (mil)	Withdrawals RM (mil)	Disbursement RM (mil)	Outstanding RM (mil)
TUKAR	0.00	276	19.99	23.78	70.37	15.55

Appendix C

F. Automotive Workshop Modernisation (ATOM-i)

- Automotive Workshop Modernisation (ATOM) programme aims to the present traditional workshops and increase their competitiveness in the very competitive automotive services industry.
- The programme is conducted with organisations and industry players acting as consultants. The programme will be implemented until 2020.
- The KPI for 2013 under this programme is 120 workshops.

Source Of Fund: Government through the Ministry of Domestic Trade, Cooperatives & Consumerism (MDTCC)

Type Of Fund: Revolving

Tenure Of Fund Received: Bank Rakyat manages the fund and provides financing facility to ATOM applicants effective from 18 January 2011 until the fund is dissolved by the government

Role Of Government

Provide the fund to Bank Rakyat through MDTCC. Bank Rakyat will provide the financing to workshop owners under the Automotive Workshop Modernisation (ATOM) programme that will allow the owners to make, modify, upgrade the premise or equipments, purchase stocks, use as working capital and purchase point of sale system

Role Of Bank Rakyat

To manage the fund and channel the financing facility under ATOM and ensure the monitoring of instalment payment is conducted

Summary on ATOM-i Fund (Accumulated as at 31 December 2013)

Type Of Funds	Fund Size/ Allocation RM million	Applications No.	Approved RM (mil)	Withdrawals RM (mil)	Disbursement RM (mil)	Outstanding RM (mil)
ATOM	55.00	507	47.44	40.78	48.97	4.81

Government Fund Summary (January 2013 - December 2013)

Type Of Funds	Fund Size/ Allocation RM million	Applications No.	Approved RM (mil)	Withdrawals RM (mil)	Disbursement RM (mil)	Outstanding RM (mil)
ATOM	15.00	149	14.74	18.08	48.97	4.81

BANK KERJASAMA RAKYAT MALAYSIA BERHAD (Reg No. 2192)

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