REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF BANK KERJASAMA RAKYAT MALAYSIA BERHAD FOR THE YEAR ENDED 31 DECEMBER 2013

KETUA AUDIT NEGARA MALAYSIA

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 FEB 2014

Report of Shariah Committee

بسم الله الرحمن الرحيم

In the name of Allah, the most Beneficent, the most Merciful

In carrying out the roles and responsibilities of Shariah Committee of Bank Rakyat, we hereby submit the following report on Shariah compliance of Bank Rakyat's business activities and operations for the financial year ended 31st December 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 Ujrah launched on 27th January 2013.
   ii. Home Financing-i Manzili based on Tawarruq launched on 29th April 2013.
   iii. Car Financing-i An-Naqlu 2 based on Tawarruq launched on 29th April 2013.
   iv. NIDC Ziyadah based on Tawarruq launched on 06th May 2013.
   v. Personal Financing-i Aslah based on Tawarruq launched on 15th May 2013.

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

   i. Shariah review on product and departmental policies and procedures.
   ii. Shariah review on Product Disclosure Sheet (PDS), legal documents and marketing materials prior to publishment.
   iii. Shariah review on Shariah compliance status of commercial banking customers prior to approval of financing.
   iv. Shariah review on subscription of Islamic government securities and Islamic Private Debt Securities (IPDS).
   v. Shariah review on product operations at the level of branches and departments which involve review on legal documents executed and `aqad sequence.
   vi. Shariah risk assessment on the new products or enhancement to the existing products, processes and procedures, business activities and operations.
   vii. Shariah 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 Shariah governance which include Shariah 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 Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Bank Rakyat and to report to you.

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

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

In our opinion:

1. the principles and the contracts implemented on products listed above are in compliance with the Shariah principles and Shariah resolutions issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

2. the transactions, applications and dealings entered into by Bank Rakyat that we have reviewed are in compliance with the Shariah principles and Shariah resolutions issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

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 Shariah principles.

5. all earnings that have been realized from sources or by means prohibited with the Shariah principles have been considered for disposal to charitable causes.

6. the calculation of zakat is in compliance with Shariah principles. The total amount of Business Zakat of Bank Rakyat for 2012 was RM 41,000,000.00.

We, the members of the Shariah Committee of Bank Rakyat, to the best of our knowledge, do hereby confirm that the operations of Bank Rakyat, to the best of its effort, for the year ended 31st December 2013 have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee:

....
Dato' Setia Mohd Tamyes Bin Abd Wahid

Ahli-ahli Jawatankuasa Syariah:

....
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 FEB 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 FEB 2014

NOR HAIMEE ZAKARIA

Before me:

PESURUHJAYA SUMPAH
NO. W465
KAPT. (B) JASNI BIN YUSOFF
MALAYSIA

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.

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 4 to 141 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.

OTHER STATUTORY INFORMATION (CONTINUED)

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

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

(ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year.

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

DATUK MUSTAFHA ABD RAZAK

Kuala Lumpur
Date: 27 FEB 2014

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

		Group			Bank		
		31.12.2013	31.12.2012	1.1.2012	**31.12.2013**	31.12.2012	1.1.2012
	Note	**RM'000**	RM'000	RM'000	**RM'000**	RM'000	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 (CONTINUED)

		Group			Bank		
		31.12.2013	31.12.2012	1.1.2012	**31.12.2013**	31.12.2012	1.1.2012
	Note	**RM'000**	RM'000	RM'000	**RM'000**	RM'000	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	
		2013	2012	**2013**	2012
	Note	**RM'000**	RM'000	**RM'000**	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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

		Group		Bank	
		2013	2012	**2013**	2012
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Statutory appropriations	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
Other comprehensive income					
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	Share capital RM'000	Share redemp-tion fund RM'000	Profit equali-sation reserve (Bank) RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
		← Non-distributable			→	Distributable	
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 Cooperatve Education Trust Fund		-	-	-	-	(21,139)	(21,139)
Contribution to the Cooperatve 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	
		Share capital	Share redemp-tion fund	Profit equali-sation reserve (Bank)	Other reserves	Retained profits	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	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 Cooperatve Education Trust Fund		-	-	-	-	(42,508)	(42,508)
Contribution to the Cooperatve 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 (CONTINUED)

Bank	Note	Share capital RM'000	Share redemp-tion fund RM'000	Profit equali-sation reserve (Bank) RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
		← Non-distributable			→	Distributable	
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 Cooperatve Education Trust Fund		-	-	-	-	(21,139)	(21,139)
Contribution to the Cooperatve 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 (CONTINUED)

Bank	Note	Share capital RM'000	Share redemp-tion fund RM'000	Profit equali-sation reserve (Bank) RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
		← Non-distributable			→	Distributable	
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 Cooperatve Education Trust Fund		-	-	-	-	**(42,508)**	**(42,508)**
Contribution to the Cooperatve 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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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 (CONTINUED)

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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 (CONTINUED)

	Note	Group		Bank	
		2013	2012	**2013**	2012
		RM'000	RM'000	**RM'000**	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
Repayment for profit expenses of debt securities issued		**(40,488)**	-	**(40,488)**	-
Repayment 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.

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

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

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.

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

New and revised MFRS affecting amounts reported and/or disclosures in the financial statements (cont'd)

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.

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.

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

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.

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: Levies[2]
- 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 Disclosures[1]
- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities[2]
- 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]

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

Standards and IC Interpretations issued but not yet effective (cont'd)

[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.

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 interest 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.

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)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and basis of consolidation (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and basis of consolidation (cont'd)

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.

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.

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 a 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (cont'd)

3.5.1 Financial assets (cont'd)

3.5.1.2 Available-for-sale financial assets (cont'd)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (cont'd)

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 repayments based on the revised and/or restructured terms have been observed continuously for certain period of months.

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.

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 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 Loans/Financing was revised on 9 November 2011 to align the requirements on the determination of collective assessment allowance with that of the Malaysian Financial Reporting Standard 139: Financial Instruments: Recognition and Measurement ["MFRS 139"]. Based on the revised guideline, the transitional arrangement on collective assessment is removed with effect from 1 January 2012. Thereafter, the Bank applies the basis for collective assessment impairment allowance by grouping of these financing with similar credit risk characteristics as explained above.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (cont'd)

3.5.2 Impairment of financial assets (cont'd)

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.

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 repayments are made promptly for a continuous period. Where an impaired financing is renegotiated, the borrower must adhere to the revised and/or restructured repayment 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 collaterised 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (cont'd)

3.5.7 Determination of fair value (cont'd)

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

The fair value for financing and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

3.6 Cash and cash equivalents

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

3.7 Leases

Leases comprise 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (cont'd)

3.7.2 Group as lessee (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Property and equipment (cont'd)

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)

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Profit income and expense (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Income tax (cont'd)

3.18.2 Deferred income tax (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits (cont'd)

3.19.1 Defined benefit plan (cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits (cont'd)

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.

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.

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.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 repayment 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.

5. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Cash and short-term funds	**1,907,843**	3,597,488	**1,905,665**	3,593,936
Bank 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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Licensed banks	**947,386**	258,980	**942,295**	253,873

7. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

8. FINANCIAL ASSETS HELD-TO-MATURITY

	Group and Bank	
	2013	2012
	RM'000	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

8. FINANCIAL ASSETS HELD-TO-MATURITY (CONTINUED)

Movement of accumulated impairment losses for financial assets held to maturity is as follows:

	Group and Bank	
	2013	2012
	RM'000	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	2012
	RM'000	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

9. FINANCING AND ADVANCES

(i) Financing and advances analysed by type

	Group and Bank	
	2013	2012
	RM'000	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	2012
	RM'000	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

9. FINANCING AND ADVANCES (CONTINUED)

(iii) Financing and advances analysed by geographical distribution

	Group and Bank	
	2013	2012
	RM'000	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	2012
	RM'000	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, insurance 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	2012
	RM'000	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

9. FINANCING AND ADVANCES (CONTINUED)

(vi) Financing and advances analysed by customer type

	Group & Bank	
	2013	2012
	RM'000	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	2012
	RM'000	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	2012
	RM'000	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

9. FINANCING AND ADVANCES (CONTINUED)

(ix) Impaired financing and advances analysed by economic sector

	Group and Bank	
	2013	2012
	RM'000	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, insurance, property and business services	**200,038**	259,660
Community, social and personal services	**3,465**	1,016
	1,305,119	1,431,737

(x) Movement in impaired financing and advances are as follows:

	Group and Bank	
	2013	2012
	RM'000	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%

9. FINANCING AND ADVANCES (CONTINUED)

(xi) Movement in allowance for individual assessment impairment losses on financing and advances are as follows:

	Group and Bank	
	2013	2012
	RM'000	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

(xii) Movement in allowance for collective assessment impairment on financing and advances are as follows:

	Group and Bank	
	2013	2012
	RM'000	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%

10. TRADE RECEIVABLES

	Group	
	2013	2012
	RM'000	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	2012
	RM'000	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

10. TRADE RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts are as follows:

	Group	
	2013	2012
	RM'000	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	31.12.2012	1.1.2012	**31.12.2013**	31.12.2012	1.1.2012
	RM'000	RM'000	RM'000	**RM'000**	RM'000	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 repayment.

	Bank	
	2013	2012
	RM'000	RM'000
Outstanding balances	**21,284**	21,485
Less: Allowance for doubtful debts	**(18,596)**	(18,596)
	2,688	2,889

11. OTHER ASSETS (CONTINUED)

(ii) Other receivables, deposits and prepayments

	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
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		Bank	
	2013 RM'000	2012 RM'000	**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.

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	2012
	RM'000	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

11. OTHER ASSETS (CONTINUED)

(iii) Defined benefit plan (Continued)

Amount recognised in the statements of financial position arising from the Bank's obligation in respect of its defined benefit plan is as follows:

	Group and Bank		
	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

11. OTHER ASSETS (CONTINUED)

(iii) Defined benefit plan

The fair value of the plan assets at the end of the reporting period is as follows:

	Group and Bank	
	2013	2012
	RM'000	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 occuring at the end of the reporting period, while holding all other assumptions constant.

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- 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.

12. INVENTORIES

Inventories consist of the following:

	Group	
	2013	2012
	RM'000	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	2012
	RM'000	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	2012
	RM'000	RM'000
As of 1 January	**-**	-
Transfer from investment properties (Note 16)	**80,432**	-
As of 31 December	**80,432**	-

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	2012
	RM'000	RM'000
Unquoted shares, at cost	**43,500**	43,500

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries, all incorporated in Malaysia, are as follows:

Name	Equity interest 2013 %	Equity interest 2012 %	Principal activities
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

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**

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

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	Reno-vation 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**

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

15. PROPERTY AND EQUIPMENT (CONTINUED)

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.

16. INVESTMENT PROPERTIES

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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.

16. INVESTMENT PROPERTIES (CONTINUED)

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.

17. PREPAID LEASE PAYMENTS

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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.

18. DEFERRED TAX ASSETS

Deferred tax assets of the Group and of the Bank are as follows:

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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)	**-**	-	**-**	-

19. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2013	2012
	RM'000	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	2012
	RM'000	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	2012
	RM'000	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

20. DEPOSITS AND PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	Group and Bank	
	2013	2012
	RM'000	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.

23. OTHER LIABILITIES

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012
	RM'000	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	2012
	RM'000	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

25. FINANCING FROM OTHER FINANCIAL INSTITUTIONS

	Group	
	2013	2012
	RM'000	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	2012
	RM'000	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).

26. SHARE CAPITAL

	Group and Bank	
	2013	2012
	RM'000	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:

	Group 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**

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.

28. INCOME

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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)

28. INCOME (CONTINUED)

(iii) Income generated by subsidiary companies

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	-	-

29. EXPENDITURE

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

29. EXPENDITURE (CONTINUED)

* Income attributable to depositors

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

30. ALLOWANCES FOR IMPAIRMENT

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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.

30. ALLOWANCES FOR IMPAIRMENT (CONTINUED)

(ii) Allowance for impairment on financial assets

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

31. OTHER OPERATING INCOME

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

31. OTHER OPERATING INCOME (CONTINUED)

(ii) Other income

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

32. OPERATING EXPENSES

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

32. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (cont'd)

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

32. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (cont'd)

The above expenditure includes the following statutory disclosures:

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

32. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (cont'd)

Total remuneration of the Directors is as follows:

	Remuneration received from Bank				Remuneration received from Subsidiary Companies			Group
2013	**Salary and Bonus RM'000**	**Fees RM'000**	**Other Emolu-ments RM'000**	**Total RM'000**	**Fees RM'000**	**Other Emolu-ments RM'000**	**Total RM'000**	**Total RM'000**
Executive Director								
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 Nawi	-	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

32. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (cont'd)

2012	Remuneration received from Bank				Remuneration received from Subsidiary Companies			Group
	Salary and Bonus RM'000	Fees RM'000	Other Emolu-ments RM'000	Total RM'000	Fees RM'000	Other Emolu-ments RM'000	Total RM'000	Total RM'000
Executive Director								
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

33. TAXATION

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012
	RM'000	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: 2%)	**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.

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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012
	RM'000	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	2012
	RM'000	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

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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

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	2012
	RM'000	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:

i) Credit risk
ii) Liquidity risk
iii) Market risk
iv) 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.

42. FINANCIAL RISK MANAGEMENT

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.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (cont'd)

42.3.2 Management of credit risk (cont'd)

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.

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 repayment track record and current repayment 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. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (cont'd)

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.

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. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (cont'd)

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.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk (cont'd)

42.3.14 Maximum exposure to credit risk (cont'd)

	Group		Bank	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	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

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	2012
	RM'000	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

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

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

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

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

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.

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 borrowings 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:

	Bank	
	2013	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.

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	-

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (cont'd)

42.4.4 Liquidity risk of contingent liabilities and commitment by remaining contractual maturities

Bank 2013	Up to 1 week	More than 1 week – 1 month	More than 1 month – 3 months	More than 3 months - 6 months	More than 6 months - 1 year	More than 1 year	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(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**

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	-

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Liquidity risk (cont'd)

42.4.4 Liquidity risk of contingent liabilities and commitment 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. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk (cont'd)

42.5.2 Profit rate risk (cont'd)

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.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk (cont'd)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments

	Non-trading book							
Bank 2013	**Up to 1 month RM'000**	**More than 1 month - 3 months RM'000**	**More than 3 months - 1 year RM'000**	**More than 1 year - 5 years RM'000**	**More than 5 years RM'000**	**Non-profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash, 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

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk (cont'd)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments (cont'd)

	Non-trading book							
Bank 2013	**Up to 1 month RM'000**	**More than 1 month - 3 months RM'000**	**More than 3 months - 1 year RM'000**	**More than 1 year - 5 years RM'000**	**More than 5 years RM'000**	**Non-profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
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**	-

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk (cont'd)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments (cont'd)

	Non-trading book							
Bank 2012	**Up to 1 month RM'000**	**More than 1 month - 3 months RM'000**	**More than 3 months - 1 year RM'000**	**More than 1 year - 5 years RM'000**	**More than 5 years RM'000**	**Non-profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash, 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

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk (cont'd)

42.5.4 Exposure to profit rate risk on profit-bearing financial instruments (cont'd)

Bank 2012	Non-trading book: Up to 1 month RM'000	More than 1 month - 3 months RM'000	More than 3 months - 1 year RM'000	More than 1 year - 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
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	-

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 insurance 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.

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.

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.

	Bank	
	2013	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:

	Bank	
	2013 RM'000	2012 RM'000
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

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.7.1 Capital adequacy (cont'd)

42.7.1 Capital adequacy ratio (cont'd)

* 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.

Assets in various categories are risk-weighted as follows:

	Bank	
	2013	2012
	RM'000	RM'000
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. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

ii) Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

iii) Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Group 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. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Valuation of financial instruments at fair value

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
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

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
Group					
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**

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
Group					
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
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

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
Group					
2012					
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

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Valuation of financial instruments at fair value

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
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

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Valuation of financial instruments at fair value

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
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**

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Valuation of financial instruments at fair value

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
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
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	383,455	372,124	-	-	372,124
Khazanah bonds	294,853	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	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

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Valuation of financial instruments at fair value

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2012					
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

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

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**	**9,873,131**	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

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 Valuation of financial instruments not carried at fair value (cont'd)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

43.3.1 Cash and short-term funds

The carrying amounts of cash and short-term funds approximate fair values due to the relatively short maturity of the financial instruments. This is similar to deposits and placements with financial institutions maturing within one month that have relatively short maturity period.

43.3.2 Deposits and placements with financial institutions

The fair values of deposits and placements with financial institutions are not materially sensitive to changes in market profit rate because of their limited term to maturity.

43.3.3 Financial assets 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.

43.3.4 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 repayment 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.

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 Valuation of financial instruments not carried at fair value (cont'd)

43.3.7 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.

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 repayment of the financing.

43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

43.3 Valuation of financial instruments not carried at fair value (cont'd)

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.

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	**1.1.2012**
	RM'000	**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	**1.1.2012**
	RM'000	**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

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)

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**

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 31.12.2012	**As previously stated RM'000**	**Effect of MFRS 119 adoption RM'000**	**As restated RM'000**
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**

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**

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
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**

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**

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
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**

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**

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**
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**

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**
Other comprehensive income			
Net gain/(loss) on revaluation of financial assets available-for-sale	68,780	-	68,780
Additions/(Utlisation) 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**

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**
Other comprehensive income			
Net gain/(loss) on revaluation of financial assets available-for-sale	68,780	-	68,780
Additions/(Utlisation) 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**