REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
BANK KERJASAMA RAKYAT MALAYSIA BERHAD
FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015

Report on the Financial Statements

The financial statements of Bank Kerjasama Rakyat Malaysia Berhad and the Group have been audited by my representative which comprise the Statements of Financial Position as at 31 December 2015 and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with approved financial reporting standards in Malaysia, guidelines issued by Bank Negara Malaysia, the requirements of the Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Cooperative Societies Act 1993 (Act 502) and the Development Financial Institutions Act 2002 (Act 618). The directors are also responsible for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of Bank Kerjasama Rakyat Malaysia Berhad and the Group as at 31 December 2015 and their financial performance as well as cash flows for the year then ended in accordance with approved financial reporting standards in Malaysia.

I have considered the financial statements and the auditors' reports of the subsidiary companies of which I have not acted as auditor as indicated in the notes to the financial statements. I am satisfied that the financial statements of the subsidiary companies that have been consolidated with Bank Kerjasama Rakyat Malaysia Berhad's financial statements are in appropriate form and content for the purpose in the preparation of the financial statements. I have received satisfactory information and explanations required for those purposes. The auditors' reports on the financial statements of the subsidiary companies were not subjected to any observations that could affect the financial statements.

Report on Other Legal and Regulatory Requirements

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

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

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 2015 are in accordance with the Act, the provision of Bank Kerjasama

Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202) and the by-laws of Bank Kerjasama Rakyat Malaysia Berhad; and

iii. The assets and liabilities, in all material respects, are fairly stated in accordance with the accounting policies.

(TAN SRI HAJI AMBRIN BIN BUANG)
KETUA AUDIT NEGARA
MALAYSIA

PUTRAJAYA
29 FEBRUARY 2016

STATEMENT BY DIRECTORS

We, **GENERAL TAN SRI DATO' SRI (DR.) ABDUL AZIZ HJ. ZAINAL (R)** and **DATO' MUSTAFHA HJ. ABD. 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 the provisions of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Co-operative Societies Act 1993 (Act 502), Development Financial Institutions Act 2002 (Act 618) and 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");

(ii) 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.

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 2015 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,

GENERAL TAN SRI DATO' SRI (DR.) ABDUL AZIZ HJ. ZAINAL (R)
Chairman

DATO' MUSTAFHA HJ. ABD. RAZAK
Managing Director/President

Kuala Lumpur
Date: 23 FEB 2016

BANKRAKYAT

Annual Report of Shariah Committee of Bank Rakyat 2015

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 2015.

1. We have reviewed the principles and the contracts relating to the following products introduced by Bank Rakyat in a year of 2015 as below :

    i. Electronic Current Account-i (eCA-i) based on *Wadi`ah* launched on 1st January 2015.
    ii. Credit Card-i Platinum based on *Tawarruq* launched on 10th March 2015.
    iii. Takaful Family Care via telemarketing channel based on *Wakalah bil Ujrah* launched on 5th May 2015.

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

    i. Shariah review on products and departmental policies and procedures.
    ii. Shariah review on legal documents, Product Disclosure Sheet (PDS), notices and marketing materials prior to publishment.
    iii. Shariah review on Shariah compliance status of commercial banking customers prior to approval of financing.
    iv. Shariah review on product operations at the level of branches, related departments and Bank's subsidiaries which involve review on legal documents executed and *akad* sequence.
    v. Shariah review on system application related to banking products.
    vi. Shariah review on bank activities including rental activities of Bank Rakyat and it subsidiaries' assets to 3rd parties and sponsorship.
    vii. Shariah risk assessment on new products or enhancement to the existing products, processes and procedures, business activities and operations.
    viii. Shariah audit on operations, documentations and system application of departments, branches and subsidiaries of Bank Rakyat.

3. The management of Bank Rakyat is responsible 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 Research and Consultation Department, Shariah Review Department and Shariah Audit Department which included examining on a sample basis, each type of transaction, the relevant documentations and procedures adopted by Bank Rakyat.

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

In our opinion:

1. the principles and the contracts implemented on products listed 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. all confirmed Shariah Non-Compliant events have been rectified accordingly.

4. the transactions, applications and dealings which are subjected to further investigation and rectification will be carried out on an on-going basis.

5. 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.

6. all earnings that have been realized from sources or by means prohibited with the Shariah principles have been considered for disposal to charitable causes. The distributed amount of Shariah non-compliance income within 2015 was RM 8,525.39 and balance as at 31st December 2015 to be distributed is RM 10,709.81.

7. the calculation of zakat is in compliance with Shariah principles. The distributed amount of Bank Rakyat zakat on business within 2015 was RM 42,543,329.32.

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 2015 have been conducted in conformity with the Shariah principles.

BANK RAKYAT

Annual Report of Shariah Committee of Bank Rakyat 2015

DATUK ABU HASAN L. DIN AL HAFIZ Member of Shariah Committee	**PROF. MADYA DR. SITI SALWANI RAZALI** Member of Shariah Committee
USTAZ MD. YUNUS ABD. AZIZ Member of Shariah Committee	**USTAZ WAN RUMAIZI WAN HUSIN** Member of Shariah Committee
USTAZ ABDULLAAH JALIL Member of Shariah Committee	**PROF. MADYA DR. AZMAN MOHD NOOR** Member of Shariah Committee

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

23 FEB 2016

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 23 FEB 2016

NOR HAIMEE ZAKARIA

Before me:

PESURUHJAYA SUMPAH
No: W465
Nama: 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 2015.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are disclosed in Note 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	2,011,723	1,959,573
Taxation	(148,292)	(143,225)
Zakat	(39,310)	(37,343)
Profit after taxation and zakat	1,824,121	1,779,005
Statutory appropriations	(527,793)	(527,793)
Profit for the year after statutory appropriations	1,296,328	1,251,212
Other comprehensive income	(26,622)	(26,622)
Total comprehensive income for the year	1,269,706	1,224,590
Profit for the year attributable to:		
Equity holders of the Bank	1,269,706	1,224,590

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

RESERVES AND PROVISION

There were no material 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 15% amounting to RM443 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 13% amounting to RM390 million. The proposed dividend is 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 137 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 2015 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 has been taken on the following matters:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment provisions and allowance for doubtful debts and had satisfied themselves that all known bad financing and bad debts had been written off and that adequate impairment provisions 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 37 to the financial statements. No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

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

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

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

GENERAL TAN SRI DATO' SRI (DR.) ABDUL AZIZ HJ. ZAINAL (R)

DATO' MUSTAFHA HJ. ABD. RAZAK

Kuala Lumpur
Date: 23 FEB 2016

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

		Group		Bank	
		2015	2014	**2015**	2014
	Note	**RM'000**	RM'000	**RM'000**	RM'000
ASSETS					
Cash and short-term funds	5	**1,899,146**	3,080,554	**1,897,976**	3,078,779
Deposits and placements with financial institutions	6	**933,286**	185,838	**908,750**	160,099
Financial assets available-for-sale	7	**13,296,973**	11,962,018	**13,295,819**	11,958,602
Financial assets held-to-maturity	8	**10,718,843**	11,131,717	**10,718,843**	11,131,717
Financing and advances	9	**63,137,184**	60,482,549	**63,137,184**	60,482,549
Trade receivables	10	**8,416**	6,484	**-**	-
Other assets	11	**808,703**	908,730	**770,321**	851,118
Inventories	12	**4,946**	9,484	**-**	-
Investment in subsidiaries	14	**-**	-	**61,976**	43,500
Property and equipment	15	**747,301**	765,413	**689,656**	739,321
Goodwill on consolidation		**13,185**	13,185	**-**	-
Investment properties	16	**708,590**	539,288	**685,145**	524,179
Prepaid lease payments	17	**65,258**	80,674	**65,258**	66,790
Deferred tax assets	18	**54,598**	139,221	**55,000**	140,000
TOTAL ASSETS		**92,396,429**	89,305,155	**92,285,928**	89,176,654

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015 (CONTINUED)

		Group		Bank	
		2015	2014	**2015**	2014
	Note	**RM'000**	RM'000	**RM'000**	RM'000
LIABILITIES					
Deposits from customers	19	**70,981,772**	68,522,973	**70,981,772**	68,522,973
Deposits and placements					
from banks and financial institutions	20	**1,940,000**	1,800,000	**1,940,000**	1,800,000
Trade payables		**3,582**	3,348	**-**	-
Recourse obligations on					
financing sold to Cagamas	21	**1,478,659**	1,777,618	**1,478,659**	1,777,618
Debt securities issued	22	**2,718,871**	3,020,571	**2,718,871**	3,020,571
Other liabilities	23	**1,251,329**	1,431,012	**1,476,120**	1,592,597
Provision for taxation		**929**	1,073	**-**	-
Profit equalisation reserve (Investor)	24	**-**	18,776	**-**	18,776
TOTAL LIABILITIES		**78,375,142**	76,575,371	**78,595,422**	76,732,535
SHAREHOLDERS' FUND					
Share capital	25	**2,983,923**	2,973,677	**2,983,923**	2,973,677
Share redemption fund		**53,671**	52,800	**53,671**	52,800
Reserves	26	**10,983,693**	9,673,442	**10,652,912**	9,387,777
Profit equalisation reserve (Bank)	24	**-**	29,865	**-**	29,865
TOTAL SHAREHOLDERS' FUND		**14,021,287**	12,729,784	**13,690,506**	12,444,119
TOTAL LIABILITIES AND SHAREHOLDERS' FUND		**92,396,429**	89,305,155	**92,285,928**	89,176,654
COMMITMENTS AND CONTINGENCIES	37	**2,600,935**	2,633,804	**2,600,935**	2,633,804

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Bank	
		2015	2014	**2015**	2014
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Income	27	**5,686,287**	5,486,299	**5,618,618**	5,409,643
Expenditure	28	**(2,918,040)**	(2,222,911)	**(2,846,960)**	(2,151,521)
Net income		**2,768,247**	3,263,388	**2,771,658**	3,258,122
Allowances for impairment	29	**(473,436)**	(708,907)	**(473,436)**	(708,907)
Other operating income	30	**745,038**	577,152	**707,362**	571,562
Operating expenses	31	**(1,028,126)**	(946,600)	**(1,046,011)**	(960,592)
Profit before taxation and zakat		**2,011,723**	2,185,033	**1,959,573**	2,160,185
Taxation	32	**(148,292)**	(169,478)	**(143,225)**	(163,480)
Zakat	33	**(39,310)**	(39,710)	**(37,343)**	(39,000)
Profit after taxation and zakat		**1,824,121**	1,975,845	**1,779,005**	1,957,705

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

		Group		Bank	
		2015	2014	**2015**	2014
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Statutory appropriations	34				
Transfer to statutory reserve: 25% (2014: 25%)		**(454,087)**	(499,177)	**(454,087)**	(499,177)
Contribution to the Co-operative Education Trust Fund: 2% (2014: 2%)		**(39,191)**	(43,204)	**(39,191)**	(43,204)
Contribution to the Co-operative Development Provident Fund: 1% (2014: 1%)		**(19,596)**	(21,602)	**(19,596)**	(21,602)
Contribution to Bank Rakyat Foundation		**(14,919)**	(9,246)	**(14,919)**	(9,246)
		(527,793)	(573,229)	**(527,793)**	(573,229)
Profit for the year		**1,296,328**	1,402,616	**1,251,212**	1,384,476
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Net gain/(loss) on revaluation of financial assets available-for-sale	26	**13,703**	(55,565)	**13,703**	(55,565)
Utilisation of profit equalisation reserve (Bank)		**(29,865)**	(224,629)	**(29,865)**	(224,629)
Item that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	11(iii)	**(10,460)**	(791)	**(10,460)**	(791)
		(26,622)	(280,985)	**(26,622)**	(280,985)
Total comprehensive income for the year		**1,269,706**	1,121,631	**1,224,590**	1,103,491
Earnings per share (RM)					
Basic	35	**0.61**	0.66		

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

Group	Note	← Share capital RM'000	Non-distributable Share redemption fund RM'000	Profit equalisation reserve (Bank) RM'000	Other reserves RM'000 →	Distributable Retained profits RM'000	Total RM'000
At 1 January 2014		2,973,677	53,671	254,494	3,782,331	4,486,576	11,550,749
Profit after taxation and zakat		-	-	-	-	1,975,845	1,975,845
Transfer to statutory reserve		-	-	-	-	(499,177)	(499,177)
Contribution to the Co-operative Education Trust Fund		-	-	-	-	(43,204)	(43,204)
Contribution to the Co-operative Development Provident Fund		-	-	-	-	(21,602)	(21,602)
Contribution to Bank Rakyat Foundation		-	-	-	-	(9,246)	(9,246)
Profit for the year		-	-	-	-	1,402,616	1,402,616
Other comprehensive income		-	-	(224,629)	(55,565)	(791)	(280,985)
Total comprehensive income for the year		-	-	(224,629)	(55,565)	1,401,825	1,121,631
Transfer from retained profits		-	-	-	499,177	-	499,177
Issuance to new members		4,581	-	-	-	-	4,581
Transfer to other liabilities		(5,452)	-	-	-	-	(5,452)
Transfer to share capital		871	(871)	-	-	-	-
Transfer to regulatory reserve		-	-	-	245,566	(245,566)	-
Dividends	36	-	-	-	-	(441,053)	(441,053)
Overprovision in contribution to Bank Rakyat Foundation		-	-	-	-	151	151
At 31 December 2014		2,973,677	52,800	29,865	4,471,509	5,201,933	12,729,784
		Note 25		Note 24	Note 26	Note 26	

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

		← Non-distributable			→	Distributable	
Group	**Note**	**Share capital RM'000**	**Share redemption fund RM'000**	**Profit equalisation reserve (Bank) RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2015		**2,973,677**	**52,800**	**29,865**	**4,471,509**	**5,201,933**	**12,729,784**
Profit after taxation and zakat		**-**	**-**	**-**	**-**	**1,824,121**	**1,824,121**
Transfer to statutory reserve		**-**	**-**	**-**	**-**	**(454,087)**	**(454,087)**
Contribution to the Co-operative Education Trust Fund		**-**	**-**	**-**	**-**	**(39,191)**	**(39,191)**
Contribution to the Co-operative Development Provident Fund		**-**	**-**	**-**	**-**	**(19,596)**	**(19,596)**
Contribution to Bank Rakyat Foundation		**-**	**-**	**-**	**-**	**(14,919)**	**(14,919)**
Profit for the year		**-**	**-**	**-**	**-**	**1,296,328**	**1,296,328**
Other comprehensive income		**-**	**-**	**(29,865)**	**13,703**	**(10,460)**	**(26,622)**
Total comprehensive income for the year		**-**	**-**	**(29,865)**	**13,703**	**1,285,868**	**1,269,706**
Transfer from retained profits		**-**	**-**	**-**	**454,087**	**-**	**454,087**
Issuance to new Members		**11,117**	**-**	**-**	**-**	**-**	**11,117**
Transfer to share capital		**(871)**	**871**	**-**	**-**	**-**	**-**
Transfer to regulatory reserve		**-**	**-**	**-**	**13,087**	**(13,087)**	**-**
Dividends	36	**-**	**-**	**-**	**-**	**(443,502)**	**(443,502)**
Overprovision in contribution to Bank Rakyat Foundation		**-**	**-**	**-**	**-**	**95**	**95**
At 31 December 2015		**2,983,923**	**53,671**	**-**	**4,952,386**	**6,031,307**	**14,021,287**
		Note 25		Note 24	Note 26	Note 26	

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

Bank	Note	← Non-distributable: Share capital RM'000	Share redemption fund RM'000	Profit equalisation reserve (Bank) RM'000	Other reserves RM'000 →	Distributable: Retained profits RM'000	Total RM'000
At 1 January 2014		2,973,677	53,671	254,494	3,783,072	4,218,310	11,283,224
Profit after taxation and zakat		-	-	-	-	1,957,705	1,957,705
Transfer to statutory reserve		-	-	-	-	(499,177)	(499,177)
Contribution to the Co-operative Education Trust Fund		-	-	-	-	(43,204)	(43,204)
Contribution to the Co-operative Development Provident Fund		-	-	-	-	(21,602)	(21,602)
Contribution to Bank Rakyat Foundation		-	-	-	-	(9,246)	(9,246)
Profit for the year		-	-	-	-	1,384,476	1,384,476
Other comprehensive income		-	-	(224,629)	(55,565)	(791)	(280,985)
Total comprehensive income for the year		-	-	(224,629)	(55,565)	1,383,685	1,103,491
Transfer from retained profits		-	-	-	499,177	-	499,177
Issuance to new members		4,581	-	-	-	-	4,581
Transfer to other liabilities		(5,452)	-	-	-	-	(5,452)
Transfer to share capital		871	(871)	-	-	-	-
Transfer to regulatory reserve		-	-	-	245,566	(245,566)	-
Dividends	36	-	-	-	-	(441,053)	(441,053)
Overprovision in contribution to Bank Rakyat Foundation		-	-	-	-	151	151
At 31 December 2014		2,973,677	52,800	29,865	4,472,250	4,915,527	12,444,119
		Note 25		Note 24	Note 26	Note 26	

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

Bank	Note	← Share capital RM'000	Share redemption fund RM'000	Non-distributable Profit equalisation reserve (Bank) RM'000	Other reserves RM'000 →	Distributable Retained profits RM'000	Total RM'000
At 1 January 2015		**2,973,677**	**52,800**	**29,865**	**4,472,250**	**4,915,527**	**12,444,119**
Profit after taxation and zakat		-	-	-	-	1,779,005	1,779,005
Transfer to statutory reserve		-	-	-	-	(454,087)	(454,087)
Contribution to the Co-operative Education Trust Fund		-	-	-	-	(39,191)	(39,191)
Contribution to the Co-operative Development Provident Fund		-	-	-	-	(19,596)	(19,596)
Contribution to Bank Rakyat Foundation		-	-	-	-	(14,919)	(14,919)
Profit for the year		-	-	-	-	1,251,212	1,251,212
Other comprehensive income		-	-	(29,865)	13,703	(10,460)	(26,622)
Total comprehensive income for the year		-	-	(29,865)	13,703	1,240,752	1,224,590
Transfer from retained profits		-	-	-	454,087	-	454,087
Issuance to new members		11,117	-	-	-	-	11,117
Transfer from share capital		(871)	871	-	-	-	-
Transfer to regulatory reserve		-	-	-	13,087	(13,087)	-
Dividends	36	-	-	-	-	(443,502)	(443,502)
Overprovision in contribution to Bank Rakyat Foundation		-	-	-	-	95	95
At 31 December 2015		**2,983,923**	**53,671**	**-**	**4,953,127**	**5,699,785**	**13,690,506**
		Note 25		Note 24	Note 26	Note 26	

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit for the year	**1,296,328**	1,402,616	**1,251,212**	1,384,476
Adjustments for:				
Transfer to statutory reserve	**454,087**	499,177	**454,087**	499,177
Contribution to the Co-operative Education Trust Fund	**39,191**	43,204	**39,191**	43,204
Contribution to the Co-operative Development Provident Fund	**19,596**	21,602	**19,596**	21,602
Contribution to Bank Rakyat Foundation	**14,919**	9,246	**14,919**	9,246
Taxation	**148,292**	169,478	**143,225**	163,480
Zakat	**39,310**	39,710	**37,343**	39,000
Profit expense on debt securities issued	**127,701**	98,663	**127,701**	98,663
Allowance for impairment on financing and advances	**463,366**	698,875	**463,366**	698,875
Allowance for impairment on financial assets available-for-sale	**10,070**	10,032	**10,070**	10,032
Depreciation of property and equipment	**98,831**	84,064	**96,400**	82,516
Amortisation of prepaid lease payment	**1,532**	1,994	**1,532**	1,662
Property and equipment written off	**3,750**	525	**3,439**	525
Gain on disposal of property and equipment	**(5)**	(39)	**(5)**	(1)
Gain on disposal of asset classified as held-for-sale	**-**	(4,568)	**-**	-
Loss on financing written off	**26,541**	9,212	**26,541**	9,212
Provision for defined benefit plan	**(21,134)**	24,270	**(21,134)**	24,270
Allowance for doubtful debts	**1,084**	5,219	**94**	5,228
Finance cost	**-**	839	**-**	-
Gain on revaluation of investment properties	**(73,983)**	(186,741)	**(66,236)**	(187,077)
Allowance for doubtful debts no longer required	**(322)**	(106)	**(18,480)**	(106)
Allowance for impairment loss on financial assets held-to-maturity no longer required	**(745)**	(4,388)	**(745)**	(4,388)
Net gain on disposal of financial assets available-for-sale	**(22,599)**	(20,210)	**(22,599)**	(20,210)
Net gain on disposal of financial assets held for trading	**(83)**	(139)	**(83)**	(139)
Transfer to profit equalisation reserve	**(48,641)**	(357,998)	**(48,641)**	(357,998)
Profit expense on financing sold with recourse to Cagamas	**65,736**	62,526	**65,736**	62,526
Operating profit before working capital changes	**2,642,822**	2,607,063	**2,576,529**	2,583,775

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
(Increase)/Decrease in assets:				
Deposits and placements with financial institutions	**(747,448)**	761,548	**(748,651)**	782,196
Financing and advances	**(3,144,542)**	(3,886,459)	**(3,144,542)**	(3,886,459)
Trade receivables	**(2,604)**	1,186	**-**	-
Other assets	**61,470**	4,488	**40,709**	10,613
Inventories	**4,538**	2,884	**-**	-
Increase/(Decrease) in liabilities:				
Deposits from customers	**2,458,799**	3,225,206	**2,458,799**	3,225,206
Deposits and placements from banks and financial institutions	**140,000**	180,000	**140,000**	180,000
Trade payables	**234**	(3,552)	**-**	-
Recourse obligations on financing sold to Cagamas	**(364,695)**	186,396	**(364,695)**	186,396
Other liabilities	**(254,655)**	(162,917)	**(190,028)**	(132,574)
Cash generated from operations	**793,919**	2,915,843	**768,121**	2,949,153
Income tax paid	**(14,756)**	(104,122)	**(7,552)**	(97,220)
Tax refunded	**84**	107	**-**	-
Zakat paid	**(42,136)**	(41,685)	**(41,591)**	(41,111)
Payment for retirement benefits	**-**	(106,270)	**-**	(106,270)
Net cash from operating activities	**737,111**	2,663,873	**718,978**	2,704,552
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Purchases of financial assets held-for-trading	**(232,500)**	(225,000)	**(232,500)**	(225,000)
Proceeds from disposal of financial assets held for trading	**232,583**	225,139	**232,583**	225,139
Purchases of financial assets available-for-sale	**(3,442,350)**	(2,697,000)	**(3,442,350)**	(2,697,000)
Proceeds from disposal of financial assets available-for-sale	**2,133,627**	1,152,692	**2,131,365**	1,150,918
Purchases of financial assets held-to-maturity	**(488,270)**	(1,640,640)	**(488,270)**	(1,640,640)
Proceeds from disposal of financial assets held-to-maturity	**901,889**	654,760	**901,889**	654,760
Purchase of investment properties	**(16,081)**	(51)	**(16,081)**	-
Proceeds from disposal of investment properties	**4,369**	-	**4,035**	-
Purchase of property and equipment	**(169,445)**	(141,743)	**(144,476)**	(135,477)
Proceeds from disposal of property and equipment	**15,258**	524	**11,623**	264
Proceeds from disposal of asset classified as held-for-sale	**-**	85,000	**-**	-
Net cash used in investing activities	**(1,060,920)**	(2,586,319)	**(1,042,182)**	(2,667,036)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

		Group		Bank	
		2015	2014	**2015**	2014
	Note	**RM'000**	RM'000	**RM'000**	RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares to members		**11,117**	4,581	**11,117**	4,581
Dividend paid		**(443,502)**	(441,053)	**(443,502)**	(441,053)
Fund received from government		**4,187**	157,250	**4,187**	157,250
Proceeds from debt securities issued		**-**	1,500,000	**-**	1,500,000
Payment of profit expenses on debt securities issued		**(429,401)**	(85,180)	**(429,401)**	(85,180)
Repayment of financing from other financial institutions		**-**	(34,746)	**-**	-
Net cash (used in)/from financing activities		**(857,599)**	1,100,852	**(857,599)**	1,135,598
Net (decrease)/increase in cash and cash equivalents		**(1,181,408)**	1,178,406	**(1,180,803)**	1,173,114
Cash and cash equivalents at beginning of year		**3,080,554**	1,902,148	**3,078,779**	1,905,665
Cash and cash equivalents at end of year	5	**1,899,146**	3,080,554	**1,897,976**	3,078,779

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

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

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

The principal activities of the subsidiaries are disclosed in Note 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 148 branches as of 31 December 2015 (2014: 147)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared in accordance with the provisions of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Co-operative Societies Act 1993 (Act 502), Development Financial Institutions Act 2002 (Act 618) and 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)

Amendments to MFRSs that are mandatorily effective for the current year

In current year, the Group and the Bank have applied a number of amendments to MFRSs and a new Interpretation issued by the Malaysian Accounting Standards Board (MASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

Amendments to MFRS 119 Defined Benefits Plans: Employee Contributions

The Group and the Bank have applied the amendments for the first time in the current year. Prior to the amendments, the Group accounted for discretionary employee contributions to defined benefits plans as a reduction of the service cost when contributions were paid to the plans, and accounted for employee contributions specified in the defined benefit plans as a reduction of the service cost when services are rendered. The amendments require the Group and the Bank to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.

- Employee contributions specified in the defined benefits plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent on the number of years of service), the Group and the Bank recognises the reduction in the service cost in the period in which the related services are rendered.

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Annual Improvements to MFRSs 2010 - 2012 Cycle and 2011 - 2013 Cycle

The Group and the Bank have applied the amendments to MFRSs included in the *Annual Improvements to MFRSs 2010-2012 Cycle* and *2011-2013 Cycle* for the first time in the current year. The application of the amendments has had no impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

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

New and revised standards in issue but not yet effective

The Directors anticipate that the following Standards will be adopted in the annual financial statements of the Group and of the Bank when they become mandatorily effective for adoption. The adoption of these Standards is not expected to have a material impact on the financial statements of the Group and of the Bank except as further discussed below.

- MFRS 9: Financial Instruments[2]
- MFRS 15: Revenue from Contracts with Customers[2]
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception[1]
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations[1]
- Amendments to MFRS 101: Disclosure Initiative[1]
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation[1]
- Amendments to MFRSs: Annual Improvements to MFRSs 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[3] Effective date deferred to a date to be determined and announced, with earlier application still permitted.

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

New and revised standards in issue but not yet effective (continued)

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by International Accounting Standards Board ("IASB") in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) include requirements for the classification and measurement of financial liabilities and for derecognition, and in February 2014, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and profit on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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 an equity investment (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. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

New and revised standards in issue but not yet effective (continued)

MFRS 9 Financial Instruments (continued)

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors of the Group and of the Bank anticipate that the application of MFRS 9 in the future may have a material impact on amounts reported in respect of the Group's and the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Group completes a detailed review.

Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception

The amendments to MFRS 10, MFRS 12 and MFRS 128 address issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments make changes aimed at clarifying the following aspects:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by MFRS 12.

As the Group and the Bank are not an investment entity (assessed based on the criteria set out in MFRS 10) and not an investor in an investment entity, the application of these amendments is not expected to have any impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

New and revised standards in issue but not yet effective (continued)

Amendments to MFRS 11 Accounting for Acquisitions of Interest in Joint Operations

The amendments to MFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in MFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in MFRS 3 and other standards (e.g. MFRS112 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and MFRS 136 *Impairment of Assets* regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has be allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by MFRS 3 and other standards for business combinations.

The Directors do not anticipate that the application of these amendments to MFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to MFRS 101 Disclosure Initiative

The amendments to MFRS 101 aim at clarifying MFRS 101 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments make the following changes:

- They clarify that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply.

- They introduce a clarification that the list of line items to be presented in the statement of financial position and the statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- They add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The Directors do not anticipate that the application of these amendments to MFRS 101 will have a material impact on the Group's consolidated financial statements as these amendments deal with the presentation of financial statements.

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

New and revised standards in issue but not yet effective (continued)

Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to MFRS 116 prohibit entities from using a revenue-based depreciation method for items of property and equipment. The amendments to MFRS 138 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a. when the intangible asset is expressed as a measure of revenue; or

b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Currently, the Group uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to MFRS 116 and MFRS 138 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to MFRSs 2012-2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below.

The amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operation* adds specific guidance in MFRS 5 for cases in which an entity reclassifies an asset from held-for-sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

The amendments to MFRS 7 *Financial Instruments: Disclosures* clarify the applicability of the amendments to MFRS 7 on offsetting disclosures to condensed interim financial statements.

The amendments to MFRS 119 *Employee Benefits* clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendments to MFRS 134 *Interim Financial Reporting* clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

The Directors do not anticipate that the application of these amendments will have a significant impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.2 Subsidiaries and basis of consolidation

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

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policy.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held-for-sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Business combinations (continued)

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

Effective profit method

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets

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

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

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

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

3.5.1.2 Available-for-sale financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Available-for-sale financial assets (continued)

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

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

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 (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.2 Impairment of financial assets (continued)

3.5.2.1 Financing and advances (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.2 Impairment of financial assets (continued)

3.5.2.1 Financing and advances (continued)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.2 Impairment of financial assets (continued)

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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.2 Impairment of financial assets (continued)

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. This financing continues to be subjected to individual or collective impairment assessment.

3.5.3 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or when 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 profit in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continue to recognise the financial asset and also recognise a collaterised borrowing for the proceeds received.

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

3.5.4 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instruments.

3.5.5 Equity instruments

An equity instrument is any contract that evidences a residual profit in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.5 Equity instruments (continued)

Repurchase of the Group's and of the Bank's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's and of the Bank's own equity instruments.

3.5.6 Financial liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective profit method. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities at amortised cost include deposits from customers, deposits and placements from banks and financial institutions, trade and other payables, recourse 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.

3.5.7 Derecognition of financial liabilities

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

3.5.8 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on Bursa Malaysia and broker quotes from Bond Pricing Agency.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.8 Determination of fair value (continued)

For all other financial instruments, fair value is determined using valuation techniques. Under these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, and using inputs existing at the end of the reporting period.

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

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

3.6 Cash and cash equivalents

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

3.7 Leases

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

a) Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

b) Group as lessee

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

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

3.8 Investment properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the Group and the Bank are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Freehold land has unlimited useful life and therefore is not depreciated. Construction work-in-progress is not depreciated as this asset is also not available for use.

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

Buildings	2%
Leasehold land and buildings	2%
Renovation	2% - 20%
Furniture, fittings and office equipment	20%
Motor vehicles	20%

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

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

3.10 Prepaid lease payments

Leasehold land that has an indefinite economic life which title is not expected to pass to the Group by end of the lease period is classified as operating lease.

The upfront payments for right to use the leasehold land over a predetermined period are accounted for as prepaid lease payments and are stated at cost less amount amortised. The prepaid lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 16 to 94 years (2014: 17 to 95 years).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Assets classified as held-for-sale

Assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal 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 assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

3.12 Provisions

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

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

3.13 Inventories

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

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

3.14 Property development

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

The Group considers the portion of land and development expenditure on which development work has commenced and is expected to be completed within the normal operating cycle as current assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Profit income and expense

For all financial instruments measured at amortised cost and profit-bearing financial assets classified as held-for-trading and available-for-sale, income and expense are recognised under "Income" and "Expenditure" respectively using the effective profit method.

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

The calculation takes into account all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective profit rate, as well as premiums or discounts are also considered.

For impaired assets where the value of the financial assets has been written down as a result of an impairment loss, profit income continues to be recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

3.16 Fee and commission income

Financing arrangement fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of goods and services tax and discounts on completion of each stage of the assignment.

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

3.17 Dividend income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Income tax

3.18.1 Current income tax

Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3.18.2 Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Bank expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Bank intend to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contribution.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit actuarial cost method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding profit), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net profit is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- net profit expense or income; and
- remeasurement.

The Group and the Bank present the first two components of defined benefit costs in profit or loss in the line item of personnel expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represent value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restricting costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits (continued)

3.19.1 Defined benefit plan (continued)

The plan exposes the Bank to actuarial risks as follows:

i. Investment

Present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate 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.

3.19.2 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Impairment of non-financial assets

At the end of each reporting period, the Group and the Bank review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Bank estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.21 Profit equalisation reserve (PER)

PER is a mechanism to enable the Bank to mitigate the downside risk of income reduction and to maintain competitive rates of returns or deposit rates in line with “Guidelines on Profit Equalisation Reserve” as prescribed by Bank Negara Malaysia.

PER is created by setting aside an amount out of total gross income before distribution to depositors and the Bank.

PER is segregated between the portion belonging to the depositors and the Bank based on the contractual profit sharing ratio at the point of creation. PER for depositors is classified as other liability and PER for the Bank is classified as a separate reserve in equity.

Utilisation of PER shall be appropriated from both the depositors’ and the Bank’s portion based on the contractual profit sharing ratio at the point of utilisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Profit equalisation reserve (PER) (continued)

In line with the transition plan for implementation of classification of Islamic deposits and investment accounts under Islamic Financial Services Act 2013 (IFSA 2013), banks are required to replace all deposit products applying Shariah concepts of which non-principal contract is guaranteed, for example Mudarabah and Wakalah, with products that comply with the new requirements under IFSA.

In this respect, the Bank has taken steps by offering term deposits under concept Tawarruq which is in line with the requirements of the transition plan. In effect, deposit products under Mudarabah contract has not being offered and PER has been fully utilise in accordance with guidelines on PER.

3.22 Zakat

In computing for zakat, the Group and the Bank have been applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and subjected to allowable adjustments.

It is an obligatory amount payable on the business on behalf of the shareholders and/or business entity depending on the ownership characteristics.

Zakat is distributed according to Shariah principal and being extended through Islamic Religious Council of the respective states and other rightful beneficiaries or asnaf.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's and the Bank's financial statements and financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with MFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's and the Bank's results and financial situation due to their materiality.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 (CONTINUED)

4.2 Impairment of financial assets available-for-sale

At the end of each reporting period, management will assess if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment.

(i) Impairment for debt securities

A debt security is impaired if there is an indication that a loss event has occurred since initial recognition. This normally has a negative impact on the estimated future cash flows in relation to the 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 sufficient future taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profit together with future tax planning strategies.

5. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Cash and balances with banks and other financial institutions	**1,082,437**	956,994	**1,081,267**	955,219
Money at call and deposit placements maturing within one month	**816,709**	2,123,560	**816,709**	2,123,560
	1,899,146	3,080,554	**1,897,976**	3,078,779

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

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Cash and short-term funds	**1,899,146**	3,080,554	**1,897,976**	3,078,779
	1,899,146	3,080,554	**1,897,976**	3,078,779

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Licensed banks	**933,286**	185,838	**908,750**	160,099

7. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
At fair value				
Islamic debt securities	**2,736,259**	2,652,177	**2,736,259**	2,652,177
Government investment issues	**7,384,890**	6,793,223	**7,384,890**	6,793,223
Government bonds	**2,521,156**	2,162,419	**2,521,156**	2,162,419
Khazanah bonds	**100,117**	85,259	**100,117**	85,259
Cagamas bonds	**310,530**	53,627	**310,530**	53,627
Quoted shares	**234,304**	203,347	**234,304**	203,347
Unit trust shares	**1,730**	1,717	**1,730**	1,717
At cost, net of impairment loss				
Unquoted shares	**7,987**	10,249	**6,833**	6,833
Net carrying amount	**13,296,973**	11,962,018	**13,295,819**	11,958,602

8. FINANCIAL ASSETS HELD-TO-MATURITY

	Group and Bank	
	2015	2014
	RM'000	RM'000
At amortised cost		
Islamic debt securities	**513,405**	767,814
Government investment issues	**8,289,353**	8,673,072
Government bonds	**1,096,603**	1,078,786
Khazanah bonds	**467,356**	449,742
Cagamas bonds	**177,946**	122,835
Negotiable Islamic debt certificates	**198,440**	248,719
Islamic commercial papers	**-**	57,036
	10,743,103	11,398,004
Less: accumulated impairment losses		
Islamic debt securities	**(24,260)**	(209,251)
Islamic commercial papers	**-**	(57,036)
	(24,260)	(266,287)
Net carrying amount	**10,718,843**	11,131,717

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

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

	Group and Bank	
	2015	2014
	RM'000	RM'000
As of 1 January	**266,287**	270,675
Recoveries of impairment loss during the year (Note 30(ii))	**(745)**	(4,388)
Amount written off during the year	**(241,282)**	-
As of 31 December	**24,260**	266,287

The maturity structures of the instruments are as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Maturity within one year	**1,077,026**	1,005,642
More than one year to five years	**7,380,637**	6,846,551
More than five years	**2,285,440**	3,545,811
	10,743,103	11,398,004

9. FINANCING AND ADVANCES

(i) Financing and advances analysed by type and concept

Group and Bank 2015	Bai` `Inah RM'000	Bai` Bithaman Ajil RM'000	Ar-Rahn RM'000	Qard RM'000	Murabahah RM'000	Ijarah Thumma Al-Bai` RM'000	Musharakah RM'000	Tawarruq RM'000	Total RM'000
At amortised cost									
Term financing	**141,137**	**524,542**	**-**	**167**	**3,606,482**	**-**	**-**	**288,806**	**4,561,134**
Personal financing	**34,177,876**	**-**	**-**	**-**	**-**	**-**	**-**	**18,796,275**	**52,974,151**
Revolving credit	**68**	**-**	**-**	**-**	**408,165**	**-**	**-**	**-**	**408,233**
House financing	**-**	**1,760,636**	**-**	**-**	**261,616**	**-**	**-**	**857,356**	**2,879,608**
Hire-purchase receivables	**-**	**-**	**-**	**-**	**-**	**693,219**	**-**	**-**	**693,219**
Pawn broking	**-**	**-**	**1,556,226**	**-**	**-**	**-**	**-**	**-**	**1,556,226**
Bridging financing	**-**	**-**	**-**	**-**	**402,442**	**-**	**-**	**-**	**402,442**
Syndicated financing	**-**	**-**	**-**	**-**	**149,362**	**-**	**51,621**	**-**	**200,983**
Credit card	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**476,799**	**476,799**
Staff financing	**2**	**227,588**	**-**	**-**	**-**	**-**	**-**	**83,266**	**310,856**
	34,319,083	**2,512,766**	**1,556,226**	**167**	**4,828,067**	**693,219**	**51,621**	**20,502,502**	**64,463,651**
Allowance for impairment on financing and advances:									
Individual assessment impairment									**(316,652)**
Collective assessment impairment									**(1,009,815)**
Net financing and advances									**63,137,184**

9. FINANCING AND ADVANCES (CONTINUED)

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

Group and Bank 2014	Bai` `Inah RM'000	Bai` Bithaman Ajil RM'000	Ar-Rahn RM'000	Qard RM'000	Murabahah RM'000	Ijarah Thumma Al-Bai` RM'000	Musharakah RM'000	Tawarruq RM'000	Total RM'000
At amortised cost									
Term financing	150,215	680,532	-	213	3,908,813	7	-	-	4,739,780
Personal financing	38,466,958	-	-	8	-	-	-	12,084,080	50,551,046
Revolving credit	165	-	-	-	525,061	-	-	-	525,226
House financing	-	1,990,936	-	-	267,047	-	-	379,919	2,637,902
Hire-purchase receivables	-	-	-	-	-	536,556	-	-	536,556
Pawn broking	-	-	1,662,191	-	-	-	-	-	1,662,191
Bridging financing	-	-	-	-	557,446	-	-	-	557,446
Syndicated financing	-	-	-	-	83,175	-	51,351	-	134,526
Credit card	-	-	-	-	-	-	-	468,833	468,833
Staff financing	2	286,113	-	-	-	-	-	-	286,115
	38,617,340	2,957,581	1,662,191	221	5,341,542	536,563	51,351	12,932,832	62,099,621
Allowance for impairment on financing and advances:									
Individual assessment impairment									(492,436)
Collective assessment impairment									(1,124,636)
Net financing and advances									60,482,549

9. FINANCING AND ADVANCES (CONTINUED)

(ii) Financing and advances analysed by geographical distribution

	Group and Bank	
	2015	2014
	RM'000	RM'000
Central Region	**26,726,373**	26,151,058
Southern Region	**9,302,359**	8,772,193
Eastern Region	**9,703,878**	8,958,123
Northern Region	**7,676,331**	7,857,861
East Malaysia Region	**11,054,710**	10,360,386
	64,463,651	62,099,621

(iii) Financing and advances analysed by economic sector

	Group and Bank	
	2015	2014
	RM'000	RM'000
Purchase of securities	**71,482**	67,180
Purchase of property	**1,930,704**	2,370,866
Consumption credit	**58,021,238**	54,339,439
Agriculture	**365,995**	437,215
Mining and quarrying	**-**	87,259
Manufacturing	**189,274**	598,011
Electricity, gas and water	**100,341**	100,074
Construction	**1,139,670**	1,399,162
Wholesale and retail trade	**117,907**	165,101
Transportation and communication	**155,563**	297,254
Financial, takaful and business services	**2,342,040**	2,197,824
Community, social and personal services	**29,437**	40,236
	64,463,651	62,099,621

(iv) Financing and advances analysed by remaining contractual maturity

	Group and Bank	
	2015	2014
	RM'000	RM'000
Maturity within one year	**3,370,212**	3,617,726
More than one year to three years	**1,935,878**	1,901,949
More than three years to five years	**3,122,138**	3,287,345
More than five years	**56,035,423**	53,292,601
	64,463,651	62,099,621

9. FINANCING AND ADVANCES (CONTINUED)

(v) Financing and advances analysed by customer type

	Group and Bank	
	2015	2014
	RM'000	RM'000
Individuals	**59,603,949**	56,724,284
Business enterprises	**2,918,535**	3,366,931
Non-bank financial institutions:		
Co-operatives	**1,828,831**	1,869,353
Others	**47,354**	51,279
Foreign entities	**1,404**	36,566
Other entities	**63,564**	51,174
Banking institutions	**14**	34
	64,463,651	62,099,621

(vi) Financing and advances analysed by profit rate sensitivity

	Group and Bank	
	2015	2014
	RM'000	RM'000
Fixed rate		
Personal financing	**39,478,010**	39,286,310
House financing	**1,759,920**	1,620,286
Others	**3,973,189**	4,296,655
Floating rate		
Personal financing	**13,496,141**	11,264,736
House financing	**1,119,688**	1,017,616
Others	**4,636,703**	4,614,018
	64,463,651	62,099,621

(vii) Impaired financing and advances analysed by geographical distribution

	Group and Bank	
	2015	2014
	RM'000	RM'000
Central Region	**1,027,733**	1,034,558
Southern Region	**62,112**	70,459
Eastern Region	**44,519**	50,756
Northern Region	**45,774**	74,865
East Malaysia Region	**37,747**	36,669
	1,217,885	1,267,307

9. FINANCING AND ADVANCES (CONTINUED)

(viii) Impaired financing and advances analysed by economic sector

	Group and Bank	
	2015	2014
	RM'000	RM'000
Purchase of securities	**595**	345
Purchase of property	**143,240**	127,240
Consumption credit	**419,767**	344,204
Agriculture	**99**	71,532
Mining and quarrying	**-**	87,259
Manufacturing	**17,745**	137,078
Electricity, gas and water	**-**	9
Construction	**282,901**	348,588
Wholesale and retail trade	**30,296**	37,858
Transportation and communication	**20**	322
Financial, takaful and business services	**305,956**	109,676
Community, social and personal services	**17,266**	3,196
	1,217,885	1,267,307

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

	Group and Bank	
	2015	2014
	RM'000	RM'000
As of 1 January	**1,267,307**	1,305,119
Classified as impaired during the year	**1,819,529**	1,794,281
Amount written back in respect of recoveries	**(1,104,141)**	(1,256,871)
Amount written off during the year	**(764,810)**	(575,222)
	(49,422)	(37,812)
As of 31 December	**1,217,885**	1,267,307
Gross impaired financing and advances as a percentage of gross financing and advances	**1.89%**	2.04%

9. FINANCING AND ADVANCES (CONTINUED)

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

	Group and Bank	
	2015	2014
	RM'000	RM'000
Individual assessment impairment		
As of 1 January	**492,436**	212,222
Allowance made during the year (Note 29(i))	**272,273**	497,265
Amount written back in respect of recoveries (Note 29(i))	**(166,882)**	(210,463)
Amount written off during the year	**(281,175)**	(6,588)
	(175,784)	280,214
As of 31 December	**316,652**	492,436

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

	Group and Bank	
	2015	2014
	RM'000	RM'000
Collective assessment impairment		
As of 1 January	**1,124,636**	1,292,556
Allowance made during the year (Note 29(i))	**1,445,218**	1,316,981
Amount written back in respect of recoveries (Note 29(i))	**(1,095,656)**	(920,416)
Amount written off during the year	**(464,383)**	(564,485)
	(114,821)	(167,920)
As of 31 December	**1,009,815**	1,124,636
Collective impairment (inclusive of regulatory reserve) as a percentage of gross financing and advances after deduction of individual assessment impairment	**1.98%**	2.22%

10. TRADE RECEIVABLES

	Group	
	2015	2014
	RM'000	RM'000
At amortised cost		
Trade receivables	**10,507**	7,983
Less: Allowance for doubtful debts	**(2,091)**	(1,499)
	8,416	6,484

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 (2014: 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 RM7,155,000 (2014: RM4,348,000) 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	
	2015	2014
	RM'000	RM'000
Neither past due nor impaired		
1 day to less than 1 month	**1,261**	2,136
Past due but not impaired		
2 months to less than 3 months	**1,552**	1,558
3 months to less than 4 months	**719**	699
4 months and above	**4,884**	2,091
	7,155	4,348
Past due and impaired	**2,091**	1,499
	10,507	7,983

10. TRADE RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts are as follows:

	Group	
	2015	2014
	RM'000	RM'000
As of 1 January	**1,499**	121
Impairment losses recognised during the year (Note 31(ii))	**990**	1,378
Amount recovered during the year (Note 30(ii))	**(318)**	-
Amount written off during the year	**(80)**	-
As of 31 December	**2,091**	1,499

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

11. OTHER ASSETS

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Amount due from subsidiaries (i)	**-**	-	**4,089**	1,325
Other receivables, deposits and prepayments (ii)	**413,474**	475,034	**372,787**	416,350
Defined benefit plan (iii)	**284,820**	274,146	**284,820**	274,146
Tax recoverable	**110,409**	159,550	**108,625**	159,297
	808,703	908,730	**770,321**	851,118

(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	
	2015	2014
	RM'000	RM'000
Outstanding balances	**5,596**	21,308
Less: Allowance for doubtful debts	**(1,507)**	(19,983)
	4,089	1,325

11. OTHER ASSETS (CONTINUED)

(i) Amount due from subsidiaries (continued)

Movement in the allowance for doubtful debts are as follows:

	Bank	
	2015	2014
	RM'000	RM'000
As of 1 January	**19,983**	18,596
Impairment losses recognised during the year (Note 31(ii))	**-**	1,387
Amount recovered during the year (Note 30(ii))	**(18,476)**	-
As of 31 December	**1,507**	19,983

(ii) Other receivables, deposits and prepayments

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Other receivables	**162,961**	206,213	**156,198**	201,514
Allowance for doubtful debts *	**(15,399)**	(15,371)	**(15,288)**	(15,260)
Refundable deposits	**42,642**	59,389	**9,697**	9,344
Prepayments	**23,270**	24,803	**22,180**	20,752
Contribution to Central Liquidity Monetary Fund **	**200,000**	200,000	**200,000**	200,000
	413,474	475,034	**372,787**	416,350

* Movement in the allowance for doubtful debts are as follows:

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
As of 1 January	**15,371**	17,688	**15,260**	17,577
Impairment losses recognised during the year (Note 31(ii))	**94**	3,841	**94**	3,841
Amount recovered during the year (Note 30(ii))	**(4)**	(106)	**(4)**	(106)
Amount written off during the year	**(62)**	(6,052)	**(62)**	(6,052)
As of 31 December	**15,399**	15,371	**15,288**	15,260

** This contribution is required under sub-section 42(i) of Malaysian Co-operatives Commission Act 2007 (Act 665) either at a rate of 1% on the qualifying liability or RM200 million, whichever is lower, commencing in the financial period beginning on or after 1 January 2012.

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	
	2015	2014
Normal retirement age: Male and Female (years)	**60**	60
Discount rate	**5.75%**	5.75%
Rate of salary increases	**8-9%**	8-9%

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Service cost:		
Current service cost	**35,816**	34,881
Past service cost	**(40,522)**	-
Net profit income	**(16,428)**	(10,611)
Components of defined benefit costs recognised in profit or loss (Note 31(i))	**(21,134)**	24,270
Remeasurement on the net defined benefit liability:		
Actuarial gain arising from changes in financial assumptions	**-**	1,245
Actuarial loss arising from changes in experience adjustments	**(2,051)**	(6,937)
Net return on plan assets	**12,511**	6,483
Components of defined benefit costs recognised in other comprehensive income	**10,460**	791
Total	**(10,674)**	25,061

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	
	2015	2014
	RM'000	RM'000
Present value of funded obligations	**(513,023)**	(501,195)
Fair value of plan assets	**797,843**	775,341
Net assets	**284,820**	274,146

Movement in the present value of funded obligations are as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
As of 1 January	**501,195**	454,879
Current service cost	**35,816**	34,881
Past service cost	**(40,522)**	-
Finance cost	**27,969**	24,896
Actuarial gain arising from changes in financial assumptions	**-**	1,245
Actuarial loss arising from changes in experience adjustments	**(2,051)**	(6,937)
Benefits paid	**(9,384)**	(7,769)
As of 31 December	**513,023**	501,195

Movement in the fair value of plan assets are as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
As of 1 January	**775,341**	647,816
Profit income	**44,397**	35,507
Contributions paid during the year	**-**	106,270
Benefits paid from defined benefit plan	**(9,384)**	(7,769)
Net return on plan assets	**(12,511)**	(6,483)
As of 31 December	**797,843**	775,341

11. OTHER ASSETS (CONTINUED)

(iii) Defined benefit plan (continued)

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

	Group and Bank	
	2015	2014
	RM'000	RM'000
Term deposits	**797,843**	775,341
	797,843	775,341

The actual return on plan assets was RM31,886,000 (2014: RM29,024,000).

Sensitivity analysis on defined benefit plan

Significant actuarial assumptions for the determination of the defined obligation are discount rate, 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 12%);
- If the expected salary growth rate increases (decreases) by 1%, the defined benefit obligation would increase by 13% (decrease by 11%);

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	
	2015	2014
	RM'000	RM'000
Trading inventories, at cost	**4,358**	5,140
Completed property units	**588**	4,344
	4,946	9,484

13. ASSET CLASSIFIED AS HELD-FOR-SALE

	Group	
	2015	2014
	RM'000	RM'000
As of 1 January	**-**	80,432
Disposal	**-**	(80,432)
As of 31 December	**-**	-

On 3 December 2013, a subsidiary entered into a sale and purchase agreement with a third party for the disposal of a freehold land and building for a cash consideration of RM85,000,000. Accordingly, the said freehold land and building was classified as asset held-for-sale as of 31 December 2013. The said disposal was completed 31 July 2014 upon the surrender of vacant possession to the purchaser. The gain arising from the said disposal is disclosed in Note 30(ii).

14. INVESTMENT IN SUBSIDIARIES

	Bank	
	2015	2014
	RM'000	RM'000
Unquoted shares, at cost	**61,976**	43,500

During the year, the Bank has acquired additional interest in the wholly owned subsidiary company, Rakyat Holdings Sdn Bhd by capitalising of amount due from subsidiary amounting to RM18,476,000. Subsequent to that, the investment in subsidiary company recorded at cost amounts to RM61,976,000.

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name	Proportion of ownership interest and voting power held by the Group 2015 %	2014 %	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.

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of Incorporation and Operation	Number of directly owned subsidiary		Number of indirectly owned subsidiaries	
		2015	2014	2015	2014
Investment and property management	Malaysia	1	1	-	-
Property development and project management	Malaysia	-	-	1	1
Management of Ar-Rahnu business and franchise	Malaysia	-	-	1	1
Management services and co-operative administrator	Malaysia	-	-	1	1
Building management and maintenance	Malaysia	-	-	1	1
Transportation and travelling services	Malaysia	-	-	1	1
Trading and supply of goods	Malaysia	-	-	1	1
Dormant	Malaysia	-	-	1	1
		1	1	7	7

15. PROPERTY AND EQUIPMENT

Group 2015	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	51,941	420,250	97,715	868	5,085	219,740	499,229	8,502	1,303,330
Additions	-	28,978	5,087	60	37,681	23,888	72,364	1,387	169,445
Disposals	(10,420)	(865)	(3,325)	-	-	(125)	(564)	(710)	(16,009)
Write-offs	-	(498)	-	-	-	(714)	(4,537)	-	(5,749)
Reclassifications	-	1,479	-	-	(17,378)	15,899	-	-	-
Transfer to investment properties (Note 16)	-	(84,434)	(20,616)	-	(9,062)	(1,139)	(765)	-	(116,016)
Transfer from investment properties (Note 16)	-	12,598	28,678	-	-	-	-	-	41,276
At 31 December	41,521	377,508	107,539	928	16,326	257,549	565,727	9,179	1,376,277
Accumulated depreciation									
At 1 January	-	15,037	12,541	302	-	153,465	351,988	4,584	537,917
Charge for the year	-	7,406	4,250	39	-	29,897	56,162	1,077	98,831
Disposals	-	(15)	-	-	-	(125)	(549)	(67)	(756)
Write-offs	-	(50)	-	-	-	(374)	(1,575)	-	(1,999)
Transfer to investment properties (Note 16)	-	(1,750)	(1,956)	-	-	(686)	(625)	-	(5,017)
At 31 December	-	20,628	14,835	341	-	182,177	405,401	5,594	628,976
Net book value									
At 31 December	41,521	356,880	92,704	587	16,326	75,372	160,326	3,585	747,301

15. PROPERTY AND EQUIPMENT (CONTINUED)

Group 2014	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	50,553	60,631	124,176	868	497,941	198,651	433,676	7,990	1,374,486
Additions	-	-	-	-	68,632	8,037	63,900	1,174	141,743
Disposals	-	-	-	-	-	-	(250)	(662)	(912)
Write-offs	-	(510)	-	-	-	-	(2,004)	-	(2,514)
Reclassifications	-	360,129	1,405	-	(378,493)	13,052	3,907	-	-
Transfer to prepaid lease payments (Note 17)	-	-	(8,343)	-	-	-	-	-	(8,343)
Transfer to investment properties (Note 16)	-	-	(22,848)	-	(182,995)	-	-	-	(205,843)
Transfer from investment properties (Note 16)	1,388	-	3,325	-	-	-	-	-	4,713
At 31 December	51,941	420,250	97,715	868	5,085	219,740	499,229	8,502	1,303,330
Accumulated depreciation									
At 1 January	-	10,292	24,844	286	-	129,070	302,510	3,832	470,834
Charge for the year	-	4,764	2,262	16	-	24,395	51,695	932	84,064
Disposals	-	-	-	-	-	-	(247)	(180)	(427)
Write-offs	-	(19)	-	-	-	-	(1,970)	-	(1,989)
Transfer to prepaid lease payments (Note 17)	-	-	(77)	-	-	-	-	-	(77)
Transfer to investment properties (Note 16)	-	-	(14,488)	-	-	-	-	-	(14,488)
At 31 December	-	15,037	12,541	302	-	153,465	351,988	4,584	537,917
Net book value									
At 31 December	51,941	405,213	85,174	566	5,085	66,275	147,241	3,918	765,413

15. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2015	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	50,421	420,250	73,776	868	7,631	217,500	495,772	1,729	1,267,947
Additions	-	28,978	5,087	60	17,073	22,070	70,870	338	144,476
Disposals	(10,420)	(865)	-	-	-	(125)	(564)	(338)	(12,312)
Write-offs	-	(498)	-	-	-	(167)	(3,836)	-	(4,501)
Reclassifications	-	1,479	-	-	(17,378)	15,899	-	-	-
Transfer to investment properties (Note 16)	-	(84,434)	-	-	-	-	-	-	(84,434)
At 31 December	40,001	364,910	78,863	928	7,326	255,177	562,242	1,729	1,311,176
Accumulated depreciation									
At 1 January	-	15,037	10,587	302	-	152,072	349,440	1,188	528,626
Charge for the year	-	7,125	3,590	39	-	29,634	55,823	189	96,400
Disposals	-	(15)	-	-	-	(125)	(549)	(5)	(694)
Write-offs	-	(50)	-	-	-	(51)	(961)	-	(1,062)
Transfer to investment properties (Note 16)	-	(1,750)	-	-	-	-	-	-	(1,750)
At 31 December	-	20,347	14,177	341	-	181,530	403,753	1,372	621,520
Net book value									
At 31 December	40,001	344,563	64,686	587	7,326	73,647	158,489	357	689,656

15. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2014	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At cost									
At 1 January	50,421	60,631	96,679	868	500,003	196,523	430,429	1,729	1,337,283
Additions	-	-	-	-	63,602	7,925	63,690	260	135,477
Disposals	-	-	-	-	-	-	(250)	(260)	(510)
Write-offs	-	(510)	-	-	-	-	(2,004)	-	(2,514)
Reclassifications	-	360,129	-	-	(377,088)	13,052	3,907	-	-
Transfer to prepaid lease payments (Note 17)	-	-	(1,680)	-	-	-	-	-	(1,680)
Transfer to investment properties (Note 16)	-	-	(21,223)	-	(178,886)	-	-	-	(200,109)
At 31 December	50,421	420,250	73,776	868	7,631	217,500	495,772	1,729	1,267,947
Accumulated depreciation									
At 1 January	-	10,292	22,776	286	-	127,842	300,200	1,005	462,401
Charge for the year	-	4,764	1,866	16	-	24,230	51,457	183	82,516
Disposals	-	-	-	-	-	-	(247)	-	(247)
Write-offs	-	(19)	-	-	-	-	(1,970)	-	(1,989)
Transfer to investment properties (Note 16)	-	-	(14,055)	-	-	-	-	-	(14,055)
At 31 December	-	15,037	10,587	302	-	152,072	349,440	1,188	528,626
Net book value									
At 31 December	50,421	405,213	63,189	566	7,631	65,428	146,332	541	739,321

15. PROPERTY AND EQUIPMENT (CONTINUED)

Land titles of certain freehold land of the Bank with carrying amount of RM3,531,519 (2014: RM3,611,933) have not been issued by the relevant authorities.

16. INVESTMENT PROPERTIES

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
At fair value				
As of 1 January	**539,288**	160,474	**524,179**	148,448
Additions	**16,081**	51	**16,081**	-
Gain on revaluation (Note 30(ii))	**73,983**	186,741	**66,236**	187,077
Disposal	**(4,369)**	-	**(4,035)**	-
Transfer from property and equipment (Note 15)	**110,999**	191,355	**82,684**	186,054
Transfer from prepaid lease payments (Note 17)	**13,884**	5,380	**-**	2,600
Transfer to property and equipment (Note 15)	**(41,276)**	(4,713)	**-**	-
As of 31 December	**708,590**	539,288	**685,145**	524,179

Investment properties include the following:

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Freehold land	**7,448**	5,539	**7,568**	6,845
Buildings	**464,682**	305,880	**455,952**	291,844
Leasehold land and buildings	**236,460**	227,869	**221,625**	225,490
	708,590	539,288	**685,145**	524,179

Investment properties of the Group and of the Bank are stated at fair value and are situated in Malaysia.

The fair values of the Group's and of the Bank's investment properties as at 31 December 2015 and 31 December 2014 have been arrived at on the basis of a valuation carried out by independent valuers who have appropriate qualification and recent experience in the valuation of properties in the relevant locations. The fair value was arrived at by reference to current prices in an active market for similar properties in the same location and condition. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

16. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's and the Bank's investment properties and information about the fair value hierarchy are as follows:

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
As of 31 December 2015	**708,590**	**708,590**	**-**	**708,590**	**-**
As of 31 December 2014	539,288	539,288	-	539,288	-
Bank					
As of 31 December 2015	**685,145**	**685,145**	**-**	**685,145**	**-**
As of 31 December 2014	524,179	524,179	-	524,179	-

Land titles for certain freehold land and leasehold land of the Bank with fair value amounting to RM950,000 (2014: RM950,000) have not been issued to the Bank by the relevant authorities.

The investment properties held by the Bank are let under operating leases to third parties, from which rental income of RM15,482,733 (2014: RM6,993,431) has been earned during the year.

17. PREPAID LEASE PAYMENTS

	Group		Bank	
	2015 RM'000	2014 RM'000	**2015 RM'000**	2014 RM'000
Cost				
As of 1 January	**93,682**	96,772	**76,680**	82,642
Transfer from property and equipment (Note 15)	**-**	8,343	**-**	1,680
Transfer to investment properties (Note 16)	**(17,002)**	(11,433)	**-**	(7,642)
As of 31 December	**76,680**	93,682	**76,680**	76,680
Accumulated amortisation				
As of 1 January	**13,008**	16,990	**9,890**	13,270
Charge for the year (Note 31 (ii))	**1,532**	1,994	**1,532**	1,662
Transfer from property and equipment (Note 15)	**-**	77	**-**	-
Transfer to investment properties (Note 16)	**(3,118)**	(6,053)	**-**	(5,042)
As of 31 December	**11,422**	13,008	**11,422**	9,890
	65,258	80,674	**65,258**	66,790

17. PREPAID LEASE PAYMENTS (CONTINUED)

Prepaid lease payments include:

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Long-term leasehold land	**50,562**	51,745	**50,562**	51,745
Short-term leasehold land	**14,696**	28,929	**14,696**	15,045
	65,258	80,674	**65,258**	66,790

The remaining period of the leasehold land of the Group and of the Bank ranges from 18 to 91 years (2014: 17 to 95 years) and 18 to 91 years (2014: 19 to 92 years) respectively.

The land titles of certain leasehold land of the Bank amounting to RM12,882,032 (2014: RM16,926,226) 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	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
As of 1 January	**139,221**	265,032	**140,000**	266,000
Transfer to/(from) profit or loss (Note 32)				
Property and equipment	**15,231**	(2,027)	**15,000**	(2,000)
Financing and advances	**(52,000)**	(6,000)	**(52,000)**	(6,000)
Provision for retirement benefits	**(7,000)**	3,000	**(7,000)**	3,000
Other payables	**(29,000)**	(31,000)	**(29,000)**	(31,000)
Profit equalisation reserve	**(12,000)**	(90,000)	**(12,000)**	(90,000)
Trade receivables	**146**	216	**-**	-
	(84,623)	(125,811)	**(85,000)**	(126,000)
As of 31 December	**54,598**	139,221	**55,000**	140,000

18. DEFERRED TAX ASSETS (CONTINUED)

Deferred tax assets/(liabilities) presented in the statements of financial position are in respect of the tax effects of the following:

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax assets				
Temporary differences arising from:				
Financing and advances	**66,000**	118,000	**66,000**	118,000
Provision for retirement benefits	**11,000**	18,000	**11,000**	18,000
Other payables	**44,000**	73,000	**44,000**	73,000
Profit equalisation reserve	**-**	12,000	**-**	12,000
Trade receivables	**362**	216	**-**	-
	121,362	221,216	**121,000**	221,000
Offsetting	**(66,764)**	(81,995)	**(66,000)**	(81,000)
Deferred tax assets (after offsetting)	**54,598**	139,221	**55,000**	140,000
Deferred tax liabilities				
Temporary differences arising from:				
Property and equipment	**66,764**	81,995	**66,000**	81,000
Offsetting	**(66,764)**	(81,995)	**(66,000)**	(81,000)
Deferred tax liabilities (after offsetting)	**-**	-	**-**	-

19. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2015	2014
	RM'000	RM'000
Savings deposits		
Wadiah	**3,750,568**	3,585,232
Term deposits		
Tawarruq	**58,114,929**	52,494,140
General investment deposits		
Mudarabah	**156**	1,627,722
Special investment deposits		
Mudarabah	**-**	182,200
Negotiable Islamic debt certificate	**9,116,119**	10,633,679
	70,981,772	68,522,973

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

	Group and Bank	
	2015	2014
	RM'000	RM'000
Government	**30,251,363**	30,692,105
Business enterprises	**27,743,606**	24,086,611
Co-operatives	**943,212**	1,220,504
Individuals	**10,774,077**	11,290,827
Others	**1,269,514**	1,232,926
	70,981,772	68,522,973

Maturity structure of deposits from customers is as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Maturity within six months	**49,636,311**	56,791,442
More than six months to one year	**18,141,585**	8,765,853
More than one year to five years	**3,203,876**	2,965,678
	70,981,772	68,522,973

20. DEPOSITS AND PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	Group and Bank	
	2015	2014
	RM'000	RM'000
Licensed Islamic banks	**1,940,000**	1,800,000
	1,940,000	1,800,000

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

		Group and Bank	
		2015	2014
		RM'000	RM'000
Issued under the RM1.0 billion IMTN Programme:			
First tranche:			
RM300 million IMTN due in 2015	(i)	**-**	301,896
Second tranche:			
RM700 million IMTN due in 2017	(i)	**704,775**	704,683
Issued under the RM9.0 billion IMTN Programme:			
First tranche:			
RM200 million IMTN due in 2016	(ii)(a)	**200,190**	200,220
Second tranche:			
RM300 million IMTN due in 2018	(ii)(a)	**300,453**	300,330
Third tranche:			
RM575 million IMTN due in 2017	(ii)(b)	**581,551**	581,589
Fourth tranche:			
RM425 million IMTN due in 2019	(ii)(b)	**430,128**	430,188
Fifth tranche:			
RM150 million IMTN due in 2019	(ii)(c)	**150,519**	150,484
Sixth tranche:			
RM350 million IMTN due in 2021	(ii)(c)	**351,255**	351,181
		2,718,871	3,020,571

(i) On 26 September 2012, the Bank obtained the approval from the Securities Commission for the establishment of a Senior Islamic Medium Term Notes (IMTNs) Programme to issue a Sukuk Musharakah of up to RM1.0 billion. The issuance was made via a Special Purpose Vehicle (SPV), Imtiaz Sukuk Berhad. The Senior IMTNs Programme has a tenor of up to 10 years from the date of the first issuance and shall be issued for a maturity of up to 10 years provided that the Senior IMTNs mature prior to the expiry of the Senior IMTNs Programme.

On 23 November 2012, the Bank issued its inaugural RM1.0 billion Sukuk Musharakah made in two tranches. The first tranche of RM300 million in nominal value of Senior IMTNs for a tenor of 3 years with profit distribution rate at 3.88% and maturity date at 23 November 2015. The second tranche of RM700 million in nominal value of Senior IMTN for a tenor of 5 years with profit distribution rate at 4.08% and maturity date at 23 November 2017. In November 2015, the first tranche of RM300 million notes were fully redeemed upon maturity.

22. DEBT SECURITIES ISSUED (CONTINUED)

(ii) On 25 October 2013, the Bank established a RM9.0 billion Senior IMTNs Programme to issue Sukuk Musharakah via Imtiaz Sukuk (II) Berhad with a programme tenor of 10 years.

(a) On 20 December 2013, the Bank issued the first tranche and second tranche of Senior IMTNs of RM200 million and RM300 million respectively. The first tranche has a tenor of 3 years with profit distribution rate at 4.30%, maturing in December 2016 and the second tranche has a tenor of 5 years with profit distribution rate at 4.45%, maturing in December 2018. The profit is payable semi-annually each year commencing 20 June 2013.

(b) On 24 March 2014, the Bank issued the third tranche and forth tranche of RM575 and RM425 million of the Senior IMTNs. The third tranche has a tenor of 3 years with profit distribution rate at 4.30% and the fourth tranche has a tenor of 5 years with profit distribution rate at 4.60%. The notes will mature on 24 March 2017 and 22 March 2019 respectively. The profit is payable semi-annually each year commencing 24 September 2013.

(c) On 24 November 2014, the Bank issued the fifth tranche and the sixth tranche of RM150 million and RM350 million. The fifth tranche bears a profit distribution rate at 4.50% and matures on 22 November 2019. The sixth tranche bears a profit distribution rate at 4.65% maturing on 24 November 2021. The profit is payable semi-annually each year commencing 25 May 2015.

The proceeds from the issuances were utilised by the Bank for Shariah-compliant working capital and general corporate purposes.

The Sukuk Musharakah constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank paripassu without discrimination, preference or priority among themselves and at least paripassu with all other unsecured and unsubordinated obligations of the Issuer, subject to the provisions of the Transaction Documents and those preferred by law.

23. OTHER LIABILITIES

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Amount due to subsidiaries (i)	**-**	-	**249,781**	194,846
Sundry creditors	**194,322**	243,138	**171,734**	217,804
Income payable	**487,537**	421,314	**487,537**	421,314
Other liabilities and accruals	**349,544**	520,576	**349,190**	513,275
Government fund	**177,571**	200,803	**177,571**	200,803
Zakat payable	**42,355**	45,181	**40,307**	44,555
	1,251,329	1,431,012	**1,476,120**	1,592,597

(i) Amount due to subsidiaries

	Bank	
	2015	2014
	RM'000	RM'000
Term deposits	**235,499**	189,410
Savings deposits	**14,282**	5,436
	249,781	194,846

The amount due to subsidiaries of RM249,781,000 (2014: RM194,846,000) represents deposits placed with the Bank. The average profit rate paid/payable to subsidiaries is 3.74% (2014: 3.49%) per annum.

24. PROFIT EQUALISATION RESERVE

	Group and Bank	
	2015	2014
	RM'000	RM'000
As of 1 January	**48,641**	406,639
Net utilisation during the year (Note 28)	**(48,641)**	(357,998)
As of 31 December	**-**	48,641
Apportioned between:		
Investor	**-**	18,776
Bank	**-**	29,865
	-	48,641

25. SHARE CAPITAL

	Group and Bank	
	2015	2014
	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	**2,973,677**	2,973,677
Net issuance during the year	**11,117**	4,581
Transfer to other liabilities	**-**	(5,452)
Transfer (to)/from share redemption fund	**(871)**	871
As of 31 December	**2,983,923**	2,973,677

Membership as of 31 December is as follows:

	Group and Bank	
	2015	2014
Individual	**905,790**	922,452
Co-operative	**2,128**	2,099
	907,918	924,551

26. RESERVES

Group	Capital reserve RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserves RM'000	Retained profits RM'000	Total RM'000
	←		Non-distributable		→	Distributable	
At 1 January 2014	14,617	3,789,563	(21,849)	-	3,782,331	4,486,576	8,268,907
Profit after taxation and zakat	-	-	-	-	-	1,975,845	1,975,845
Transfer from retained profits	-	499,177	-	245,566	744,743	(744,743)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	(43,204)	(43,204)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	(21,602)	(21,602)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	(9,095)	(9,095)
Remeasurement of defined benefit plan	-	-	-	-	-	(791)	(791)
Unrealised net loss on revaluation of financial assets available-for-sale	-	-	(55,565)	-	(55,565)	-	(55,565)
Dividends	-	-	-	-	-	(441,053)	(441,053)
At 31 December 2014	14,617	4,288,740	(77,414)	245,566	4,471,509	5,201,933	9,673,442
At 1 January 2015	**14,617**	**4,288,740**	**(77,414)**	**245,566**	**4,471,509**	**5,201,933**	**9,673,442**
Profit after taxation and zakat	**-**	**-**	**-**	**-**	**-**	**1,824,121**	**1,824,121**
Transfer from retained profits	**-**	**454,087**	**-**	**13,087**	**467,174**	**(467,174)**	**-**
Contribution to the Co-operative Education Trust Fund	**-**	**-**	**-**	**-**	**-**	**(39,191)**	**(39,191)**
Contribution to the Co-operative Development Provident Fund	**-**	**-**	**-**	**-**	**-**	**(19,596)**	**(19,596)**
Contribution to Bank Rakyat Foundation	**-**	**-**	**-**	**-**	**-**	**(14,824)**	**(14,824)**
Remeasurement of defined benefit plan	**-**	**-**	**-**	**-**	**-**	**(10,460)**	**(10,460)**
Unrealised net gain on revaluation of financial assets available-for-sale	**-**	**-**	**13,703**	**-**	**13,703**	**-**	**13,703**
Dividends	**-**	**-**	**-**	**-**	**-**	**(443,502)**	**(443,502)**
At 31 December 2015	**14,617**	**4,742,827**	**(63,711)**	**258,653**	**4,952,386**	**6,031,307**	**10,983,693**

26. RESERVES (CONTINUED)

Bank	Capital reserve RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserves RM'000	Retained profits RM'000	Total RM'000
	← Non-distributable				→	Distributable	
At 1 January 2014	15,358	3,789,563	(21,849)	-	3,783,072	4,218,310	8,001,382
Profit after taxation and zakat	-	-	-	-	-	1,957,705	1,957,705
Transfer from retained profits	-	499,177	-	245,566	744,743	(744,743)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	(43,204)	(43,204)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	(21,602)	(21,602)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	(9,095)	(9,095)
Remeasurement of defined benefit plan	-	-	-	-	-	(791)	(791)
Unrealised net loss on revaluation of financial assets available-for-sale	-	-	(55,565)	-	(55,565)	-	(55,565)
Dividends	-	-	-	-	-	(441,053)	(441,053)
At 31 December 2014	15,358	4,288,740	(77,414)	245,566	4,472,250	4,915,527	9,387,777
At 1 January 2015	**15,358**	**4,288,740**	**(77,414)**	**245,566**	**4,472,250**	**4,915,527**	**9,387,777**
Profit after taxation and zakat	**-**	**-**	**-**	**-**	**-**	**1,779,005**	**1,779,005**
Transfer from retained profits	**-**	**454,087**	**-**	**13,087**	**467,174**	**(467,174)**	**-**
Contribution to the Co-operative Education Trust Fund	**-**	**-**	**-**	**-**	**-**	**(39,191)**	**(39,191)**
Contribution to the Co-operative Development Provident Fund	**-**	**-**	**-**	**-**	**-**	**(19,596)**	**(19,596)**
Contribution to Bank Rakyat Foundation	**-**	**-**	**-**	**-**	**-**	**(14,824)**	**(14,824)**
Remeasurement of defined benefit plan	**-**	**-**	**-**	**-**	**-**	**(10,460)**	**(10,460)**
Unrealised net gain on revaluation of financial assets available-for-sale	**-**	**-**	**13,703**	**-**	**13,703**	**-**	**13,703**
Dividends	**-**	**-**	**-**	**-**	**-**	**(443,502)**	**(443,502)**
At 31 December 2015	**15,358**	**4,742,827**	**(63,711)**	**258,653**	**4,953,127**	**5,699,785**	**10,652,912**

26. RESERVES (CONTINUED)

(i) Statutory reserve

The statutory reserve is maintained in compliance with Development Financial Institutions Act 2002 (Act 618) and is not distributable as dividend.

(ii) Capital reserve

This is a reserve required to be maintained under Co-operative Societies Act 1993 and consists of capital gain from disposal of land or building, or both, under non-current assets.

(iii) Fair value reserve

This reserve relates to unrealised fair value gains and losses on financial assets available-for-sale.

(iv) Regulatory reserve

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

(v) Retained profits

Included in retained profits is an amount of RM925,000,000 (2014: RM400,000,000) earmarked to improve the Rate of Return Risk (ROR) exposure as part of asset and liability management strategies.

27. INCOME

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Income derived from investment of depositors' fund (i)	**4,436,480**	4,308,216	**4,436,480**	4,308,216
Income derived from investment of shareholders' fund (ii)	**1,182,138**	1,101,427	**1,182,138**	1,101,427
Income generated by subsidiary companies (iii)	**67,669**	76,656	**-**	-
	5,686,287	5,486,299	**5,618,618**	5,409,643

(i) Income derived from investment of depositors' fund

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Income from financing and advances *	**3,667,767**	3,611,173	**3,667,767**	3,611,173
Income from deposits and placements with banks and financial institutions	**65,657**	49,226	**65,657**	49,226
Income from financial assets	**703,056**	647,817	**703,056**	647,817
	4,436,480	4,308,216	**4,436,480**	4,308,216

(ii) Income derived from investment of shareholders' fund

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Income from financing and advances *	**977,308**	923,223	**977,308**	923,223
Income from deposits and placements with banks and other financial institutions	**17,495**	12,585	**17,495**	12,585
Income from financial assets	**187,335**	165,619	**187,335**	165,619
	1,182,138	1,101,427	**1,182,138**	1,101,427

* Included in income from financing and advances for the current year is profit accrued on impaired financing of RM66,427,853 (2014: RM67,307,561)

27. INCOME (CONTINUED)

(iii) Income generated by subsidiary companies

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Agency income	**15,722**	14,812	**-**	-
Pawning income	**36,999**	45,474	**-**	-
Rental income	**2,046**	6,377	**-**	-
Management fee	**12,072**	9,993	**-**	-
Sale of goods	**393**	-	**-**	-
Other charges	**437**	-	**-**	-
	67,669	76,656	**-**	-

28. EXPENDITURE

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Income attributable to depositors (i)	**2,694,941**	2,342,563	**2,702,164**	2,348,330
Profit expense on financing sold with recourse to Cagamas	**65,736**	62,526	**65,736**	62,526
Transfer from profit equalisation reserve (Note 24)	**(48,641)**	(357,998)	**(48,641)**	(357,998)
Profit expense on debt securities issued	**127,701**	98,663	**127,701**	98,663
Cost of sales	**78,303**	77,157	**-**	-
	2,918,040	2,222,911	**2,846,960**	2,151,521

28. EXPENDITURE (CONTINUED)

(i) Income attributable to depositors

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Deposits from customers				
Mudarabah	**26,752**	372,238	**33,975**	378,005
Non-Mudarabah	**2,596,043**	1,920,119	**2,596,043**	1,920,119
Deposits and placements from banks and other financial institutions				
Mudarabah	**36,981**	50,022	**36,981**	50,022
Non-Mudarabah	**35,165**	184	**35,165**	184
	2,694,941	2,342,563	**2,702,164**	2,348,330

29. ALLOWANCES FOR IMPAIRMENT

	Group and Bank	
	2015	2014
	RM'000	RM'000
Allowance for impairment on financing and advances (i)	**463,366**	698,875
Allowance for impairment on financial assets (ii)	**10,070**	10,032
	473,436	708,907

(i) Allowance for impairment on financing and advances

	Group and Bank	
	2015	2014
	RM'000	RM'000
Individual impairment (Note 9(x))	**105,391**	286,802
Individual impairment on rescheduled financing *	**8,413**	15,508
Collective impairment (Note 9(xi))	**349,562**	396,565
	463,366	698,875

***** This refers to individual impairment on rescheduled accounts during the year that was adjusted against balance of financing and advances.

29. ALLOWANCES FOR IMPAIRMENT (CONTINUED)

(ii) Allowance for impairment on financial assets

	Group and Bank	
	2015	2014
	RM'000	RM'000
Financial assets available-for-sale	**10,070**	10,032
	10,070	10,032

30. OTHER OPERATING INCOME

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Fees and commission (i)	**63,600**	63,036	**63,600**	63,036
Other income (ii)	**681,438**	514,116	**643,762**	508,526
	745,038	577,152	**707,362**	571,562

(i) Fees and commission

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Takaful commission	**17,199**	14,789	**17,199**	14,789
ATM service fees	**12,454**	11,474	**12,454**	11,474
Wasiat commission	**2,626**	5,366	**2,626**	5,366
Other commission	**18,106**	12,634	**18,106**	12,634
Processing fees	**492**	937	**492**	937
MEPS fees	**8,831**	8,439	**8,831**	8,439
Guarantee fees	**1,083**	5,753	**1,083**	5,753
Other fees	**2,809**	3,644	**2,809**	3,644
	63,600	63,036	**63,600**	63,036

30. OTHER OPERATING INCOME (CONTINUED)

(ii) Other income

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Other income from financial instruments				
Dividend from financial assets available-for-sale	**9,057**	8,481	**9,057**	8,481
Net gain on disposal of financial assets held-for-trading	**83**	139	**83**	139
Net gain on disposal of financial assets available-for-sale	**22,599**	20,210	**22,599**	20,210
Others				
Rental income	**13,978**	7,007	**15,483**	6,994
Compensation for late payment	**3,332**	6,810	**3,332**	6,810
Charges from credit card services	**15,532**	18,035	**15,532**	18,035
Other service charges	**9,042**	10,789	**9,042**	10,789
Recoveries on financing written off	**415,354**	205,916	**415,354**	205,916
Allowance for doubtful debts no longer required				
Trade receivables (Note 10)	**318**	-	**-**	-
Amount due from subsidiaries (Note 11(i))	**-**	-	**18,476**	-
Other receivables (Note 11(ii))	**4**	106	**4**	106
Allowance for impairment loss on financial assets held-to-maturity no longer required (Note 8)	**745**	4,388	**745**	4,388
Gain on disposal of property and equipment	**5**	39	**5**	1
Gain on disposal of asset classified as held-for-sale (Note 13)	**-**	4,568	**-**	-
Other income	**67,406**	40,887	**65,978**	39,580
Gain on revaluation of investment properties (Note 16)	**73,983**	186,741	**66,236**	187,077
Dividend from subsidiary	**-**	-	**1,836**	-
Compensation from legal case	**50,000**	-	**-**	-
	681,438	514,116	**643,762**	508,526

31. OPERATING EXPENSES

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Personnel expenses (i)	**466,602**	483,681	**451,441**	474,980
Other overheads and expenditure (ii)	**561,524**	462,919	**594,570**	485,612
	1,028,126	946,600	**1,046,011**	960,592

(i) Personnel expenses

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Salaries and wages	**277,118**	235,504	**267,949**	229,813
Allowances, compensation and bonuses	**104,752**	107,281	**100,570**	105,558
Defined benefit plan (Note 11(iii))	**(21,134)**	24,270	**(21,134)**	24,270
Defined contribution plan - EPF	**71,121**	65,429	**69,981**	64,711
Social security contributions - SOCSO	**2,992**	2,725	**2,873**	2,666
Other staff related costs	**31,753**	48,472	**31,202**	47,962
	466,602	483,681	**451,441**	474,980

Total number of staffs (excluding the Board of Directors) for the Group is 5,459 persons (2014: 4,790) and for the Bank is 5,135 persons (2014: 4,640).

(ii) Other overheads and expenditure

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Establishment				
Rental	**23,240**	20,458	**28,781**	24,346
Depreciation of property and equipment	**98,831**	84,064	**96,400**	82,516
Amortisation of prepaid lease payments	**1,532**	1,994	**1,532**	1,662
Repair and maintenance	**97,935**	85,293	**97,601**	85,098
Takaful	**9,041**	8,149	**8,930**	7,981
	230,579	199,958	**233,244**	201,603

31. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Promotion				
Advertisement and publicity	**68,580**	40,098	**67,698**	38,537
	68,580	40,098	**67,698**	38,537
General expenses				
Legal and professional fees	**15,719**	6,506	**12,640**	6,341
Auditors' remuneration	**1,120**	606	**1,000**	421
Communication expenses	**18,299**	26,116	**18,027**	25,884
Utilities expenses	**7,972**	24,962	**7,731**	24,788
Printing and stationery	**20,247**	15,207	**19,955**	15,001
Postage and courier	**15,305**	14,383	**15,274**	14,348
Security expenses	**26,650**	20,258	**26,590**	20,158
Service charges	**25,486**	38,746	**56,335**	50,195
Loss on financing written off	**26,541**	9,212	**26,541**	9,212
Property and equipment written off	**3,750**	525	**3,439**	525
Commission expenses	**60,696**	40,681	**60,696**	40,681
Travelling and transportation	**2,082**	4,460	**8,954**	14,340
Others	**38,498**	21,201	**36,446**	23,578
	262,365	222,863	**293,628**	245,472
	561,524	462,919	**594,570**	485,612

31. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

The above expenditure includes the following statutory disclosures:

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Impairment losses on:				
Trade receivables (Note 10)	**990**	1,378	**-**	-
Amount due from subsidiaries (Note 11(i))	**-**	-	**-**	1,387
Other receivables, deposits and prepayments (Note 11(ii))	**94**	3,841	**94**	3,841
Auditors' remuneration:				
Current year:				
Statutory audit fees	**888**	820	**720**	660
Other services	**295**	366	**280**	341
Overprovision in prior year	**(63)**	(580)	**-**	(580)
Amortisation of prepaid lease payment (Note 17)	**1,532**	1,994	**1,532**	1,662
Depreciation of property and equipment (Note 15)	**98,831**	84,064	**96,400**	82,516
Property and equipment written off	**3,750**	525	**3,439**	525
Finance cost on financing from other financial institutions	**-**	839	**-**	-
Rental of premises	**23,198**	20,432	**28,781**	24,346
Rental of equipment	**42**	26	**-**	-

31. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Included in general expenses are the following Directors' remuneration:

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Executive Director				
Salary and other remuneration	**966**	926	**966**	926
Bonuses	**879**	682	**879**	682
EPF contributions	**314**	274	**314**	274
Other emoluments	**47**	7	**47**	7
	2,206	1,889	**2,206**	1,889
Non-Executive Directors				
Fees	**2,431**	1,060	**1,822**	808
Other emoluments	**874**	217	**874**	217
	3,305	1,277	**2,696**	1,025
	5,511	3,166	**4,902**	2,914

31. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Directors is as follows:

2015	Remuneration received from Bank				Remuneration received from Subsidiary Companies			Group
	Salary and Bonus RM'000	Fees RM'000	Other Emolu-ments RM'000	Total RM'000	Fees RM'000	Other Emolu-ments RM'000	Total RM'000	Total RM'000
Executive Director								
Dato' Mustafha Hj. Abd Razak	2,159	-	47	2,206	85	-	85	2,291
	2,159	-	47	2,206	85	-	85	2,291
Non-Executive Directors								
General Tan Sri Dato' Sri (Dr.) Abdul Aziz Hj. Zainal (R)	-	152	13	165	71	-	71	236
Dato' Sri Alias Hj. Ahmad	-	169	2	171	37	-	37	208
Dato' Abdul Mutalib Alias	-	163	4	167	-	-	-	167
Dato' Dr. Roselan Baki	-	175	16	191	44	-	44	235
Datuk Hj. Abdul Rahman Kasim	-	188	12	200	48	-	48	248
Tan Sri Datuk Seri Dr. Alies Anor Abdul	-	178	1	179	77	-	77	256
Datuk Hj. Mohd Idris Hj. Mohd Isa	-	203	4	207	41	-	41	248
Dato' Hj. Abdullah Hj. Abas	-	177	9	186	72	-	72	258
Dato' Siti Zauyah Md. Desa	-	79	2	81	8	-	8	89
Dato' Hj. Ismail Nordin	-	83	2	85	21	-	21	106
Razalee Amin	-	83	2	85	22	-	22	107
	-	1,650	67	1,717	441	-	441	2,158
Former Non-Executive Directors								
Datuk Mat Noor Nawi	-	172	131	303	83	-	83	386
Tan Sri Sabbaruddin Chik	-	-	106	106	-	-	-	106
Dato' Mangsor Saad	-	-	124	124	-	-	-	124
Datuk Seri Hj. Saripuddin Kasim	-	-	118	118	-	-	-	118
Dato' Zuraidah Atan	-	-	116	116	-	-	-	116
Dato' Hj. Amirul Rahman Abdul Rahim	-	-	106	106	-	-	-	106
Dato' Dr. Syed Hussain Syed Husman	-	-	106	106	-	-	-	106
	-	172	807	979	83	-	83	1,062
	2,159	1,822	921	4,902	609	-	609	5,511

31. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

	Remuneration received from Bank				Remuneration received from Subsidiary Companies			Group
2014	**Salary and Bonus RM'000**	**Fees RM'000**	**Other Emolu-ments RM'000**	**Total RM'000**	**Fees RM'000**	**Other Emolu-ments RM'000**	**Total RM'000**	**Total RM'000**
Executive Director								
Dato' Mustafha Hj. Abd Razak	1,882	-	7	1,889	47	-	-	1,936
	1,882	-	7	1,889	47	-	-	1,936
Non-Executive Directors								
Datuk Mat Noor Nawi	-	154	9	163	41	-	-	204
Dato' Abdul Mutalib Alias	-	71	9	80	-	-	-	80
Dato' Mangsor Saad	-	124	52	176	42	-	-	218
Datuk Seri Hj. Saripuddin Kasim	-	108	27	135	-	-	-	135
Dato' Dr. Roselan Baki	-	70	9	79	10	-	-	89
Datuk Hj. Abdul Rahman Kasim	-	75	10	85	21	-	-	106
Tan Sri Datuk Seri Dr. Alies Anor Abdul	-	41	2	43	-	-	-	43
Datuk Hj. Mohd Idris Hj. Mohd Isa	-	22	2	24	-	-	-	24
Dato' Hj. Abdullah Hj. Abas	-	16	11	27	3	-	-	30
	-	681	131	812	117	-	-	929
Former Non-Executive Directors								
Tan Sri Sabbaruddin Chik	-	45	15	60	68	-	-	128
Dato' Zuraidah Atan	-	82	21	103	20	-	-	123
Dato' Hj. Amirul Rahman Abdul Rahim	-	-	50	50	-	-	-	50
	-	127	86	213	88	-	-	301
	1,882	808	224	2,914	252	-	-	3,166

32. TAXATION

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Malaysian income tax				
Current year	**84,607**	63,782	**78,762**	57,468
Overprovision in prior years	**(20,938)**	(20,115)	**(20,537)**	(19,988)
	63,669	43,667	**58,225**	37,480
Deferred tax (Note 18)				
Current year	**84,723**	115,841	**85,000**	116,000
(Over)/Underprovision in prior years	**(100)**	9,970	**-**	10,000
	84,623	125,811	**85,000**	126,000
Total	**148,292**	169,478	**143,225**	163,480

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	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Profit before taxation and zakat	**2,011,723**	2,185,033	**1,959,573**	2,160,185
Tax expense at statutory tax rate of 24% (2014: 25%)	**482,814**	546,258	**470,298**	540,046
Effect of different tax rates of subsidiaries	**731**	-	**-**	-
Non-taxable income	**(66,119)**	(57,127)	**(55,018)**	(55,747)
Non-deductible expenses	**103,324**	30,948	**99,873**	29,625
Tax exempt under Section 65(A)	**(351,391)**	(340,456)	**(351,391)**	(340,456)
Effect of deferred tax due to reduction in tax rate	**(29)**	-	**-**	-
(Over)/Underprovision in prior years:				
Current tax	**(20,938)**	(20,115)	**(20,537)**	(19,988)
Deferred tax	**(100)**	9,970	**-**	10,000
	148,292	169,478	**143,225**	163,480

33. ZAKAT

In computing for zakat, the Group and the Bank have been applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and subjected to allowable adjustments.

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Provision for current year	**39,315**	41,626	**37,343**	41,000
Overprovision in prior years	**(5)**	(1,916)	**-**	(2,000)
	39,310	39,710	**37,343**	39,000

34. STATUTORY APPROPRIATIONS

Maintenance of statutory reserve fund is required under Development Financial Institutions Act 2002 (Act 618), whereas contributions to Co-operative Education Trust Fund and Co-operative Development Provident Funds are made in compliance with Co-operative Societies Act 1993 (Act 502).

Contribution to Bank Rakyat Foundation is made under paragraph 65(ii) of Undang-Undang Kecil Bank Kerjasama Rakyat Malaysia Berhad, which states that net profit for the year can be utilised towards a fund meant for welfare and benefits of members.

35. EARNINGS PER SHARE

Basic earnings per ordinary share have been calculated based on the Group's profit after taxation and zakat of RM1,824,121,000 (2014: RM1,975,845,000) divided by the weighted average number of ordinary shares of 2,978,814,000 (2014: 2,974,681,000) of RM1 each in issue during the financial year.

36. DIVIDENDS

	Group and Bank	
	2015	2014
	RM'000	RM'000
Cash dividend of 15% for the year ended 31 December 2014 (2013: 15%)	**443,502**	441,053
	443,502	441,053

During the financial year, the Bank paid a final cash dividend of 15% amounting to RM443 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 13% amounting to RM390 million. The proposed dividend are subject to the approval by the relevant authorities and have not been included as liabilities in the financial statements.

37. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	Group and Bank	
	2015	2014
	RM'000	RM'000
Contingent liabilities		
Bank guarantee given in respect of banking facilities granted to customers	**236,015**	509,375
Claims for damages from litigation taken against the Bank	**28,586**	7,594
Commitments		
Undrawn financing	**2,336,334**	2,116,835
	2,600,935	2,633,804

38. CAPITAL COMMITMENTS

Capital expenditure approved but not provided for in the financial statements are as follows:

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Capital expenditure				
- approved and contracted for	**16,988**	13,337	**4,360**	467
- approved but not contracted for	**315,709**	30,372	**301,475**	-
	332,697	43,709	**305,835**	467

39. OPERATING LEASES

The Bank leases a number of premises under operating leases. None of the leases include contingent rentals. Total future minimum lease payments under these non-cancellable operating leases are as follows:

	Bank	
	2015	2014
	RM'000	RM'000
Within one year	**930**	684
Between one and two years	**159**	153
Between two to three years	**86**	-
	1,175	837

40. 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:

40.1 Subsidiary Companies

Details of the subsidiary companies are shown in Note 14.

40.2 Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel of the Group and of the Bank includes Executive Director and Non-Executive Directors of the Bank and certain members of senior management of the Bank and heads of major subsidiary companies of the Group.

Remuneration of Directors and other members of key management are as follows:

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Short-term employee benefits				
Fees	**2,431**	1,153	**1,822**	808
Salary	**3,760**	3,393	**3,247**	2,935
Allowances	**398**	300	**398**	300
EPF contribution	**1,081**	943	**947**	868
Bonuses	**2,362**	2,211	**2,032**	1,860
Other emoluments	**4,325**	289	**4,229**	224
	14,358	8,289	**12,675**	6,995

Included in the total compensation for key management personnel are the following items:

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Directors' remuneration				
Bank's directors	**4,903**	2,914	**4,903**	2,914
Subsidiary companies' directors	**609**	252	**-**	-
	5,512	3,166	**4,903**	2,914

40. RELATED PARTY TRANSACTIONS (CONTINUED)

40.3 Transactions with subsidiaries

All related party transactions within the Bank Rakyat group are conducted on normal commercial terms which are not more favourable than those generally available to the public.

	Bank	
	2015	2014
	RM'000	RM'000
Income earned		
Rental income	**(1,538)**	-
Expenditure incurred		
Profit expenses	**7,223**	5,767
Management fee expenses	**29,428**	9,467
Rental expenses	**4,894**	4,293
Purchase of goods and services	**6,183**	8,261
Travelling and transportation	**7,154**	9,287
	53,344	37,075

41. FINANCIAL RISK MANAGEMENT

41.1 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

41.2 Risk management framework

Risk Management Framework articulates the objectives, guiding principles and governance structure for risk management processes in the Bank. This enables the identification, assessment and measurement control and continuous monitoring of all material risks on a group-and bank-wide basis, supported by robust management information system that facilitates timely and reliable reporting of risks and the integration of information across the bank.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Risk management framework (continued)

Risk Management within the Bank is guided by the following principles:

- Alignment of risk taking activities with the Bank's risk appetite;
- Risk aware decision making with clear understanding of risks and their impacts on profitability and sustainability;
- Accountability through ownership of risks, controls, and profitability inherent in the Bank's business and support functions
- Integration of risk management, compliance and ethical business practices into the culture of the Bank.

The Bank Risk Appetite Statement is as follows:

"The Bank's business strategy and risk-taking activities should always be within the capacity of the Bank. This is achieved by strengthening the following six dimensions - Risk Governance; Capital Adequacy and Shareholders' Value; Reputation as Islamic Bank; Asset Quality; Liquidity; and Operational Resilience."

41.2.1 Risk governance

The Bank manages its risks in accordance with the "Three Lines of Defence Model", which places accountability and ownership to the source of risk, whilst ensuring sufficient level of independent oversight.

The "Three Lines of Defence" consists of the following components:

(i) First Line of Defence - Informed Decision Making by Business Units

The Business Units are responsible to identify, manage and report their own risks. At this stage risk awareness is instilled starting at risk taking units so that Risk Management is incorporated into every aspect of work conducted.

(ii) Second Line of Defence - Oversight by Risk Management and Compliance

Risk Management and Compliance supports business units, as well as review and report key risks to the Management and Board of Directors. In doing so, Risk Management and Compliance provides support to Management and Board of Directors in fulfilling their oversight functions.

(iii) Third Line of Defence - Independent Assurance by Internal Audit

Internal Audit conducts quality assurance review, to ensure that the risk-taking activities are in line with established standards. Internal Audit provides recommendations for improvement where necessary. Its functions complement the support extended to the Management and Board Audit Committee in the risk oversight functions.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Risk management framework (continued)

41.2.1 Risk governance (continued)

Roles and responsibilities oversight Committee:

Roles and responsibilities of the Board Risk Committee (BRC):

a) The BRC shall be responsible to review and recommend risk management strategies, policies, appetite and tolerance for Board's approval.
b) The BRC with the recommendation of Management Risk Committee periodically reviews the Risk Management Framework.
c) The BRC shall be responsible to assess the adequacy of risk management policies, processes and infrastructure to manage various types of risks is comprehensive and recommend to the Board for approval.
d) Review management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Roles and responsibilities of Management Risk Committee:

a) Assess whether the Bank's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities.
b) Establish, review and implement Board approved risk management framework and policies.
c) Communicate approved policies to employees and monitor as well as enforce compliance with these policies.
d) Periodically review Risk Management Framework and recommend to Management Risk Committee for escalation to BRC and Board.

Roles and responsibilities of Operational Risk Management Committee:

a) Review and recommend operational risk management strategies, policies, guidelines and procedures.
b) Review and assess adequacy of operational risk management framework, policies, guidelines and procedures in identifying, assessing, controlling and monitoring of operational risk and the extent to which these are operating effectively.
c) Ensure that infrastructure, resources and systems are in place to effectively manage operational risks.
d) Review operational risk profiles and periodic reports, including progress and follow-up actions.
e) Monitor the identified operational risks, key risk indicators and loss incidents in the business and functional units' operations.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Risk management framework (continued)

41.2.1 Risk governance (continued)

Roles and responsibilities of Financing Review Committee:

a) Direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Bank's financing book.
b) Conduct post-mortem on impaired financing and to learn weaknesses in existing credit policies and processes.
c) Ensure the procedures and resources are effective to identify and manage irregular and problem credits, minimize credit loss and maximize recoveries.
d) Review and recommend any enhancement of credit related policies, process and procedures.

41.3 Credit risk

Credit risk is the risk of suffering financial or non-financial loss should any of the customers, clients or market counterparties fail to fulfil their contractual obligations through the Bank's financing, hedging, trading and investing activities.

The Bank's retail and corporate credit exposures are governed by credit policies and stringent underwriting criteria. The Bank credit processes are in line with industry best practices which emphasizes on individual accountability with clear lines of responsibility where credit administration, early monitoring and recovery is independent from Business Unit.

41.3.1 Management of credit risk

The Bank's credit risk management includes establishment of comprehensive credit risk policies, guidelines and procedures that document financing standards, credit risk rating, acceptable collateral and valuation, and compliance with regulatory and statutory requirements. The policies are periodically reviewed to ensure their continuous relevance.

Risk Management is responsible to formulate and review the credit risk policies, guidelines and procedures as well as credit portfolio monitoring. Risk Management also conducts independent credit assessment to evaluate quality of credit proposal by Business Units for corporate customer.

Risk Management also prepares reports to be presented to Board and Senior Management. The reports contain information on identified credit risk factors. With this information, Board and Senior Management are able to effectively identify adverse credit risk trends, take corrective actions and formulate business strategies accordingly.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Credit risk (continued)

41.3.2 Financing to retail customers

Financing granted to retail customers is individually underwritten by assessing historical payment track record and payment capacity of the customer. This process is governed by Retail Credit Risk Policy, Product Policies and assessed using credit scorecard. Both Retail Credit Risk Policy and credit scorecard are developed by Risk Management while Product Policies are developed by Product Division within Retail Banking and are independently reviewed by Risk Management.

The credit approving authority and credit approving officers have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the financing application.

Risk Management is also responsible to assess new/variation of financing product or program to ensure that the product/program offered to customers is beneficial to both customers and Bank whilst mitigating the inherent risks.

41.3.3 Financing to corporate customers

Granting of credit to corporate customers is individually underwritten as guided by the Bank's risk appetite and policies. In its oversight role, Risk Management conducts independent assessment on all credit proposals to corporate customers prior to approval.

41.3.4 Purchase of investment securities

Credit qualities of financial instruments are assessed based on ratings from external credit ratings agencies.

Portfolio review and monitoring is frequently conducted in ensuring the exposures are effectively managed and concentration risk is observed at all times.

41.3.5 Impaired financing and investment debt securities

Individually impaired financing and investment securities are financing and advances and investment securities (other than those carried at fair value through profit or loss) for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and profits due according to the contractual terms of the financing/investment security agreement(s).

41.3.6 Neither past due nor impaired financing and investment securities

These are financing and investment securities from which contractual payment of profit or principal have not defaulted and therefore are not impaired since there is no objective evidence of impairment.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Credit risk (continued)

41.3.7 Past due but not impaired financing and investment securities

Past due but not impaired financing and investment securities, other than those carried at fair value through profit or loss, are those for which contractual profits or principal payments are past due, but it is believed that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

41.3.8 Financing with renegotiated terms

Financing with renegotiated terms are financing that have been restructured due to deterioration in the borrower's financial position. Once the financing is restructured it remains in this category independent of satisfactory performance after restructuring.

41.3.9 Allowances for impairment

The Bank establishes an allowance for impairment losses on assets carried at amortised cost that represents estimate of incurred losses in its financing and investment security portfolio.

The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective financing loss allowance established for the group of homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

41.3.10 Write-off policy

The Bank writes-off a financing or an investment security, and any related allowances for impairment losses, when the Bank determines that the financing or investment security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Credit risk (continued)

41.3.11 Collateral on financing and advances

In mitigating credit risk on financing and advances granted to customers, collaterals are obtained as follows:

i) House financing - charges over residential properties.

ii) Commercial property financing - charges over the properties being financed.

iii) Vehicle financing - ownership claims over the vehicles being financed.

iv) Other financing and advances - charges over business assets such as premises, trade receivables or deposits.

41.3.12 Credit grading for investment securities

Credit qualities of financial instruments are assessed based on ratings from external credit ratings agencies.

At the end of the reporting period, instruments rated with "Grade D" are those that have defaulted beyond their maturity period.

41.3.13 Maximum exposure to credit risk

The following table presents the Bank's credit exposure of on-balance sheet and off-balance sheet financial instruments.

For on-balance sheet assets, the exposure to credit risk equals the carrying amount.

For credit commitments, maximum exposure to credit risk is the full amount of the undrawn credit facilities granter to customers.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Credit risk (continued)

41.3.13 Maximum exposure to credit risk (continued)

	Group		Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Assets				
Cash and short-term funds	**1,899,146**	3,080,554	**1,897,976**	3,078,779
Deposits and placements with financial institutions	**933,286**	185,838	**908,750**	160,099
Financial assets available-for-sale	**13,296,973**	11,962,018	**13,295,819**	11,958,602
Financial assets held-to-maturity	**10,718,843**	11,131,717	**10,718,843**	11,131,717
Financing and advances	**63,137,184**	60,482,549	**63,137,184**	60,482,549
Trade receivables	**8,416**	6,484	**-**	-
Other receivables	**147,562**	190,842	**144,998**	187,579
	90,141,410	87,040,002	**90,103,570**	86,999,325
Commitments				
Undrawn financing	**2,336,334**	2,116,835	**2,336,334**	2,116,835
Total maximum exposure to credit risk	**92,477,744**	89,156,837	**92,439,904**	89,116,160

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Credit risk (continued)

41.3.14 Credit risk exposure on financing and advances

	Group and Bank	
	2015	2014
	RM'000	RM'000
At amortised cost		
Neither past due nor impaired		
0 month	**60,401,701**	57,646,752
	60,401,701	57,646,752
Past due but not impaired		
1 month	**1,878,677**	2,086,642
2 months	**656,124**	667,764
3 months	**308,751**	430,193
More than 3 months	**513**	963
	2,844,065	3,185,562
Past due and impaired		
Less than 4 months	**306,852**	190,414
4 months to 6 months	**334,810**	324,076
7 months to 9 months	**132,675**	300,995
More than 9 months	**443,548**	451,822
	1,217,885	1,267,307
Gross financing and advances	**64,463,651**	62,099,621

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Credit risk (continued)

41.3.15 Credit risk exposure on investment securities

Group 2015	Financial assets available-for-sale RM'000	Financial assets held-to-maturity RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AA	-	-	-
Grade AA+	9,932	85,897	95,829
Grade AAA	2,356,475	298,364	2,654,839
Grade AA1	289,808	35,753	325,561
Grade AA2	55,645	-	55,645
Grade AA3	24,399	69,131	93,530
	2,736,259	489,145	3,225,404
Cagamas bonds			
Grade AAA	310,530	177,946	488,476
Negotiable Islamic debt certificates			
Grade AA1	-	198,440	198,440
	3,046,789	865,531	3,912,320
Unrated securities			
Government investment issues	7,384,890	8,289,353	15,674,243
Government bonds	2,521,156	1,096,603	3,617,759
Khazanah bonds	100,117	467,356	567,473
	10,006,163	9,853,312	19,859,475
Shares			
Quoted and unit trust shares	236,034	-	236,034
Unquoted shares	7,987	-	7,987
	244,021	-	244,021
	13,296,973	10,718,843	24,015,816

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Credit risk (continued)

41.3.15 Credit risk exposure on investment securities (continued)

Bank 2015	Financial assets available-for-sale RM'000	Financial assets held-to-maturity RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AA	-	-	-
Grade AA+	9,932	85,897	95,829
Grade AAA	2,356,475	298,364	2,654,839
Grade AA1	289,808	35,753	325,561
Grade AA2	55,645	-	55,645
Grade AA3	24,399	69,131	93,530
	2,736,259	489,145	3,225,404
Cagamas bonds			
Grade AAA	310,530	177,946	488,476
Negotiable Islamic debt certificates			
Grade AA1	-	198,440	198,440
	3,046,789	865,531	3,912,320
Unrated securities			
Government investment issues	7,384,890	8,289,353	15,674,243
Government bonds	2,521,156	1,096,603	3,617,759
Khazanah bonds	100,117	467,356	567,473
	10,006,163	9,853,312	19,859,475
Shares			
Quoted and unit trust shares	236,034	-	236,034
Unquoted shares	6,833	-	6,833
	242,867	-	242,867
	13,295,819	10,718,843	24,014,662

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Credit risk (continued)

41.3.15 Credit risk exposure on investment securities (continued)

Group 2014	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	2,292,341	456,444	2,748,785
Grade AA1	299,387	30,743	330,130
Grade AA2	35,424	-	35,424
Grade AA3	25,025	71,376	96,401
	2,652,177	558,563	3,210,740
Cagamas bonds			
Grade AAA	53,627	122,835	176,462
Negotiable Islamic debt certificates			
Grade AA1	-	248,719	248,719
	2,705,804	930,117	3,635,921
Unrated securities			
Government investment issues	6,793,223	8,673,072	15,466,295
Government bonds	2,162,419	1,078,786	3,241,205
Khazanah bonds	85,259	449,742	535,001
	9,040,901	10,201,600	19,242,501
Shares			
Quoted and unit trust shares	205,064	-	205,064
Unquoted shares	10,249	-	10,249
	215,313	-	215,313
	11,962,018	11,131,717	23,093,735

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Credit risk (continued)

41.3.15 Credit risk exposure on investment securities (continued)

Bank 2014	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	2,292,341	456,444	2,748,785
Grade AA1	299,387	30,743	330,130
Grade AA2	35,424	-	35,424
Grade AA3	25,025	71,376	96,401
	2,652,177	558,563	3,210,740
Cagamas bonds			
Grade AAA	53,627	122,835	176,462
Negotiable Islamic debt certificates			
Grade AA1	-	248,719	248,719
	2,705,804	930,117	3,635,921
Unrated securities			
Government investment issues	6,793,223	8,673,072	15,466,295
Government bonds	2,162,419	1,078,786	3,241,205
Khazanah bonds	85,259	449,742	535,001
	9,040,901	10,201,600	19,242,501
Shares			
Quoted and unit trust shares	205,064	-	205,064
Unquoted shares	6,833	-	6,833
	211,897	-	211,897
	11,958,602	11,131,717	23,090,319

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Liquidity risk

Liquidity risk arises from mismatches in the timing of cash flows due to the inability to meet maturing or regulatory obligations and customers' demands for funds when required, which may adversely affect daily operations, Bank's reputation and incur unacceptable losses.

41.4.1 Management of liquidity risk

The management of liquidity risk is subject to Bank Negara Malaysia's Liquidity Framework and Liquidity Coverage Ratio requirements as well as the Bank's liquidity risk management framework.

The Bank adopts various liquidity risk measurement tools in managing the cash flows for daily movement as well as medium and long-term positions to ensure sufficient funding sources to meet obligations.

It is important for the Bank to maintain diversification strategy of funding sources and providers to ensure stability of funding structure and adequate standby facilities while managing excessive concentration towards key depositors. The Bank maintains sufficient high-quality liquid assets to withstand against any unforeseen liquidity stress.

In addition, a liquidity stress testing is conducted based on sensitivity analysis for various stress scenarios covering the Bank's specific and market-wide crisis scenario. The stress scenarios would provide valuable assessment on the impact from adverse liquidity environment and the Bank's vulnerable portfolios.

The Bank has established liquidity contingency funding plan which entails the early warning indicators as well as strategies and actions to be taken by the liquidity crisis management team arising from different liquidity crisis scenarios.

The Bank's liquidity risk management framework, policies and procedures are reviewed periodically which are endorsed by Asset and Liability Committee (ALCO) and approved by the Board. ALCO meets on a monthly basis and is responsible to monitor the liquidity risk position against the Bank's risk appetite and approved limits.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Liquidity risk (continued)

41.4.2 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	
	2015	2014
At 31 December	**32.78%**	33.33%
Average for the year	**33.56%**	32.21%
Maximum for the year	**35.75%**	33.89%
Minimum for the year	**32.56%**	30.63%

41.4.3 Liquidity risk of assets and liabilities

The main thrust of liquidity management is the projection of up to one year of the maturity profile of the Bank’s assets, liabilities and off-balance sheet commitments from a given position.

The focus is on the ability of the Bank to match its short-term liquidity requirement arising from maturing obligations with maturing assets, followed by a medium-term assessment of liquidity up to one year.

The primary basis for determining the appropriate time bands is the contractual maturity, which is when the cash flows crystallise.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Liquidity risk (continued)

41.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities

Bank 2015	Up to 1 week RM'000	More than 1 week - 1 month RM'000	More than 1 month - 3 months RM'000	More than 3 months -6 months RM'000	More than 6 months -1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	**1,545,403**	**352,574**	**908,749**	**-**	**-**	**-**	**-**	**2,806,726**
Investment securities	**242,867**	**71,936**	**868,680**	**281,915**	**1,355,720**	**21,193,544**	**-**	**24,014,662**
Financing and advances	**1,354,768**	**43,439**	**504,036**	**845,664**	**622,305**	**59,766,972**	**-**	**63,137,184**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**2,327,356**	**2,327,356**
	3,143,038	**467,949**	**2,281,465**	**1,127,579**	**1,978,025**	**80,960,516**	**2,327,356**	**92,285,928**
Liabilities								
Deposits from customers	**11,114,998**	**16,457,420**	**19,463,484**	**11,066,735**	**9,675,259**	**3,203,876**	**-**	**70,981,772**
Deposits and placements from banks and financial institutions	**805,000**	**700,000**	**435,000**	**-**	**-**	**-**	**-**	**1,940,000**
Recourse obligations on financing sold to Cagamas	**-**	**-**	**-**	**429,371**	**287,059**	**762,229**	**-**	**1,478,659**
Debt securities issued	**-**	**-**	**-**	**-**	**200,190**	**2,518,681**	**-**	**2,718,871**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**1,476,120**	**1,476,120**
	11,919,998	**17,157,420**	**19,898,484**	**11,496,106**	**10,162,508**	**6,484,786**	**1,476,120**	**78,595,422**
Shareholders' fund	**-**	**-**	**-**	**-**	**-**	**13,690,506**	**-**	**13,690,506**
	-	**-**	**-**	**-**	**-**	**13,690,506**	**-**	**13,690,506**
Net maturity mismatch	**(8,776,960)**	**(16,689,471)**	**(17,617,019)**	**(10,368,527)**	**(8,184,483)**	**60,785,224**	**851,236**	**-**

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Liquidity risk (continued)

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

Bank 2015	Up to 1 week RM'000	More than 1 week - 1 month RM'000	More than 1 month - 3 months RM'000	More than 3 months -6 months RM'000	More than 6 months -1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	-	-	14,477	7,792	15,177	198,569	-	236,015
Claims for damages from litigation taken against the Bank	-	-	-	-	-	28,586	-	28,586
Undrawn financing	-	-	-	-	-	2,336,334	-	2,336,334
	-	-	14,477	7,792	15,177	2,563,489	-	2,600,935

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Liquidity risk (continued)

41.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2014	Up to 1 week RM'000	More than 1 week - 1 month RM'000	More than 1 month - 3 months RM'000	More than 3 months -6 months RM'000	More than 6 months -1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	1,807,326	1,271,453	160,099	-	-	-	-	3,238,878
Investment securities	211,897	5,084	263,920	318,078	977,085	21,314,255	-	23,090,319
Financing and advances	1,523,048	181,744	681,470	1,023,253	208,211	56,864,823	-	60,482,549
Other assets	-	-	-	-	-	-	2,364,908	2,364,908
	3,542,271	1,458,281	1,105,489	1,341,331	1,185,296	78,179,078	2,364,908	89,176,654
Liabilities								
Deposits from customers	9,246,607	17,214,757	18,280,967	11,646,593	9,123,276	3,010,773		68,522,973
Deposits and placements from banks and financial institutions	1,400,000	400,000	-	-	-	-		1,800,000
Recourse obligations on financing sold to Cagamas	-	-	-	-	599,565	1,178,053		1,777,618
Debt securities issued	-	-	-	-	301,896	2,718,675		3,020,571
Other liabilities	-	-	-	-	-	-	1,611,373	1,611,373
	10,646,607	17,614,757	18,280,967	11,646,593	10,024,737	6,907,501	1,611,373	76,732,535
Shareholders' fund	-	-	-	-	-	12,444,119	-	12,444,119
	-	-	-	-	-	12,444,119	-	12,444,119
Net maturity mismatch	(7,104,336)	(16,156,476)	(17,175,478)	(10,305,262)	(8,839,441)	58,827,458	753,535	-

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Liquidity risk (continued)

41.4.4 Liquidity risk of contingent liabilities and commitment by remaining contractual maturities (continued)

Bank 2014	Up to 1 week RM'000	More than 1 week - 1 month RM'000	More than 1 month - 3 months RM'000	More than 3 months -6 months RM'000	More than 6 months -1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	-	2,730	-	41,317	240,502	224,826	-	509,375
Claims for damages from litigation taken against the Bank	-	-	-	-	-	7,594	-	7,594
Undrawn financing	-	-	-	-	-	2,116,835	-	2,116,835
	-	2,730	-	41,317	240,502	2,349,255	-	2,633,804

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.5 Market risk

Market risk is defined as the risk of financial loss due to changes in equity prices, benchmark rates, credit spreads, foreign-exchange rates, commodity prices, and other indicators whose values are set in a public market. Changes in market rates can affect the Bank’s net earnings and also the economic value of Bank’s equity.

The function of Market Risk and Asset Liability Management (ALM) is to manage and control market risk exposure in order to optimize return on risk while maintaining a market profile consistent with the Bank’s strategic plan.

The Bank has established the market risk policy, strategy and processes which are periodically reviewed and updated to take into account changes in activities and market structure to ensure effective implementation of risk management policies.

41.5.1 Management of market risk

The Bank manages market risk by segregating exposure to market risk between trading and non-trading portfolios. Trading portfolios are held by treasury department which consist of financial assets that are managed on fair value basis.

The risk measurement techniques employed by the Bank to measure and quantify the market value changes and the level of market risk comprise of Value-at-Risk (VaR), Modified Duration and Present Value of One Basis Point (PV01).

Exposure of the Bank to the foreign exchange rates is minimal since operation of foreign currency unit is limited to remittance services only.

41.5.2 Profit rate risk

Investment in debt securities and financing are exposed to risk of change in profit rates that would result in changes in cash flows. On the other hand, investment in equity securities and other short-term receivables and payables are not significantly exposed to profit rate risk.

Among other efforts in mitigating this risk is by diversifying investment mainly in fixed-income securities with different duration. The Bank has not engaged in hedging through derivative instruments during the year.

The sensitivity of the Bank's financial assets and liabilities to the profit rate risk is measured and monitored proactively using multiple measurement techniques such as Gap Analysis, Duration and Simulation Model.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.5 Market risk (continued)

41.5.2 Profit rate risk (continued)

The following shows the Bank's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and constant financial position.

Bank

Sensitivity of projected net profit income	Increase by 100 bp RM'000	Decrease by 100 bp RM'000	Increase by 50 bp RM'000	Decrease by 50 bp RM'000
2015				
Year ended 31 December	**(327,092)**	**325,234**	**(163,562)**	**163,593**
Average for the year	**(297,078)**	**271,351**	**(148,544)**	**136,067**
Maximum for the year	**(344,208)**	**342,279**	**(172,119)**	**172,148**
Minimum for the year	**(251,146)**	**193,024**	**(125,576)**	**96,508**
2014				
Year ended 31 December	(274,546)	274,578	(137,277)	137,285
Average for the year	(312,270)	299,190	(156,141)	149,589
Maximum for the year	(354,741)	326,484	(177,377)	163,238
Minimum for the year	(270,619)	269,053	(135,317)	134,519

41.5.3 Exposure to profit rate

Among other controls to ensure that market risk exposures remain within tolerable levels include stress testing, new product approval procedures and listing of permissible instruments that can be traded.

Periodic stress testing and control assessment are conducted to address the plausible market events relating to the threat of market failure that could disrupt the Bank's profitability and capital adequacy in ensuring its resiliency.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.5 Market risk (continued)

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

Bank 2015	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
Assets								
Cash, deposits and placements with financial institutions	1,492,576	908,750	-	-	-	405,400	-	2,806,726
Financial assets available-for-sale	51,216	415,900	1,058,369	6,385,518	3,215,535	-	2,169,281	13,295,819
Financial assets held-to-maturity	20,720	452,780	579,266	7,380,637	2,285,440	-	-	10,718,843
Financing and advances								
- Non-impaired	18,381,717	7,125	90,495	2,687,567	40,063,405	2,015,457	-	63,245,766
- Impaired, net of allowances	-	-	-	-	-	(108,582)	-	(108,582)
Other non-profit sensitive balances	-	-	-	-	-	2,327,356	-	2,327,356
	19,946,229	1,784,555	1,728,130	16,453,722	45,564,380	4,639,631	2,169,281	92,285,928

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.5 Market risk (continued)

41.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank 2015	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	**27,572,417**	**19,463,485**	**20,741,994**	**2,867,571**	**336,305**	**-**	**-**	**70,981,772**
Deposits and placements from banks and financial institutions	**1,505,000**	**435,000**	**-**	**-**	**-**	**-**	**-**	**1,940,000**
Recourse obligations on financing sold to Cagamas	**-**	**-**	**716,430**	**327,515**	**434,714**	**-**	**-**	**1,478,659**
Debt securities issued	**-**	**-**	**200,190**	**2,167,427**	**351,254**	**-**	**-**	**2,718,871**
Other non-profit sensitive balances	**-**	**-**	**-**	**-**	**-**	**1,476,120**	**-**	**1,476,120**
	29,077,417	**19,898,485**	**21,658,614**	**5,362,513**	**1,122,273**	**1,476,120**	**-**	**78,595,422**
Shareholders' fund	**-**	**-**	**-**	**-**	**-**	**13,690,506**	**-**	**13,690,506**
On-balance sheet profit sensitivity gap	**(9,131,188)**	**(18,113,930)**	**(19,930,484)**	**11,091,209**	**44,442,107**	**(10,526,995)**	**2,169,281**	**-**
Off-balance sheet profit sensitivity gap	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total profit sensitivity gap	**(9,131,188)**	**(18,113,930)**	**(19,930,484)**	**11,091,209**	**44,442,107**	**(10,526,995)**	**2,169,281**	**-**

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.5 Market risk (continued)

41.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank 2014	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
Assets								
Cash, deposits and placements with financial institutions	2,711,041	160,099	-	-	-	367,738	-	3,238,878
Financial assets available-for-sale	5,084	10,153	800,703	5,463,611	5,467,154	-	211,897	11,958,602
Financial assets held-to-maturity	-	253,768	494,460	6,837,678	3,545,811	-	-	11,131,717
Financing and advances								
- Non-impaired	16,320,011	9,433	148,978	3,558,733	39,155,023	1,640,136	-	60,832,314
- Impaired, net of allowances	-	-	-	-	-	(349,765)	-	(349,765)
Other non-profit sensitive balances	-	-	-	-	-	2,364,908	-	2,364,908
	19,403,874	433,453	1,444,141	15,860,022	48,167,988	3,655,279	211,897	89,176,654

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.5 Market risk (continued)

41.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank 2014	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	23,977,397	18,278,718	20,713,232	5,434,588	119,038	-	-	68,522,973
Deposits and placements from banks and financial institutions	1,800,000	-	-	-	-	-	-	1,800,000
Recourse obligations on financing sold to Cagamas	-	-	599,565	1,178,053	-	-	-	1,777,618
Debt securities issued	-	-	301,896	2,367,494	351,181	-	-	3,020,571
Other non-profit sensitive balances	-	-	-	-	-	1,611,373	-	1,611,373
	25,777,397	18,278,718	21,614,693	8,980,135	470,219	1,611,373	-	76,732,535
Shareholders' fund	-	-	-	-	-	12,444,119	-	12,444,119
On-balance sheet profit sensitivity gap	(6,741,261)	(17,845,265)	(20,170,552)	6,879,887	47,697,769	(10,032,475)	211,897	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(6,741,261)	(17,845,265)	(20,170,552)	6,879,887	47,697,769	(10,032,475)	211,897	-

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.6 Operational risk

The Bank defines operational risk as the risk of loss or non-achievement of business objectives due to inadequate or failed internal processes, people and system, or from external events.

The Bank's Operational Risk Management (ORM) Framework sets out the governance and oversight structure, roles and relationships of the three lines of defense mechanism as well as the high level principles and methodologies for operational risk identification, assessment, control and monitoring.

The framework recognises the relationships between operational risk and other risk types such as strategic, credit, market and reputation risks; and is cascaded to also govern the management of operational risk sub-types i.e. legal and compliance risk, Shariah non-compliance risk, Information Technology risk and outsourcing risk.

The Bank has no appetite for losses arising from inadequate internal controls, systems, and processes; which can be elaborated as zero appetite for:

- Failure to maintain a sound and proportionate system of internal controls to manage the expected operational risk losses and avoid the unexpected operational risk losses;
- Regulatory censures, fines or prosecution relating to the laws and regulations applicable to the Bank; and
- Failure to comply with Shariah rules and parameters as set out by the Shariah Committee (SC) and/or the Shariah Advisory Council of Bank Negara Malaysia.

The Bank continuously monitors its operational risk exposure to ensure the level of exposure is within the acceptable tolerance. This is conducted by means of the established governance and oversight structure as well as through the day-to-day operational risk management processes.

ORM processes are undertaken through the implementation of tools such as Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI) and Loss Event Data (LED) collection. RCSA is a tool used to identify and assess the risks in key business processes, evaluate the effectiveness of internal controls and provide the basis for determining risk responses/strategies in pursuing business objectives. KRI provides early warning signal of any increase in risk exposure and/or occurrence of control failures. To support operational risk analytics, the Bank collects LED based on BNM's Operational Risk Integrated Online Network (ORION) requirements.

To improve its operational resilience, the Bank has revamped its Business Continuity Management (BCM) framework and processes by streamlining the governance structure and response matrix based on severity of disruption; namely code Amber, Red and Black. Code Amber incidents are isolated disruption affecting only a particular business/activity which shall be managed by the respective business involved. The entire crisis management hierarchy headed by Managing Director/President shall be activated under Code Black, which is a full-on crisis that could potentially affect the going concern of the Bank. To ensure effectiveness of the business continuity plans and to be in line with regulatory requirements, regular exercises, disaster simulations and recovery drills are conducted throughout the year.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.7 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

i) To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;

ii) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines under the New Liquidity Framework developed by Bank Negara Malaysia. The required information is filed with Bank Negara Malaysia on a monthly basis.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with Bank Negara Malaysia which takes into account the risk profile of the Bank. The regulatory capital requirements are strictly observed when managing economic capital.

The Bank's regulatory capital comprises two tiers:

i) Tier 1 capital: share capital, statutory reserve, capital reserve and retained profits; and

ii) Tier 2 capital: collective impairment allowances on non-impaired financing and regulatory reserve.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statement of financial position.

The Bank's policy is to maintain a strong capital base so as to ensure investors', creditors' and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.7 Capital management (continued)

41.7.1 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	
	2015	2014 Restated
Before proposed dividend		
Core capital ratio	**19.48%**	18.26%
Risk-weighted capital adequacy ratio	**20.70%**	19.66%
After proposed dividend		
Core capital ratio	**18.92%**	17.60%
Risk-weighted capital adequacy ratio	**20.13%**	19.00%

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	
	2015 RM'000	2014 RM'000
Tier I capital		
Paid-up share capital	**2,983,923**	2,973,677
Retained profits	**5,699,785**	4,915,527
Other reserves	**4,758,185**	4,304,098
Total Tier I capital (core)	**13,441,893**	12,193,302
Tier II capital		
Collective impairment *	**642,077**	731,757
Regulatory reserve	**258,653**	245,566
Total Tier II capital	**900,730**	977,323
Total capital	**14,342,623**	13,170,625
Less: Investment in subsidiaries	**(61,976)**	(43,500)
	(61,976)	(43,500)
Total capital base	**14,280,647**	13,127,125

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.7 Capital management (continued)

41.7.1 Capital adequacy ratio (continued)

* This is a surplus amount allowable after taking into account the collective impairment allowance on impaired financing of the Bank.

Assets in various categories are risk-weighted as follows:

	Bank	
	2015	2014
	RM'000	RM'000
Total assets assigned 20% risk-weighted	**482,475**	541,768
Total assets assigned 50% risk-weighted	**1,520,233**	1,352,334
Total assets assigned 100% risk-weighted	**65,830,370**	63,521,927
Off-Balance Sheet claims assigned 100% risk-weighted	**1,158,093**	1,356,114
	68,991,171	66,772,143

42. 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.

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.1 Valuation of financial instruments

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

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

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Group and the Bank determine fair values using valuation techniques.

There were no financial liabilities of the Group and the Bank at the end of the reporting period that were measured at fair value.

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.2 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					
2015					
Financial assets available-for-sale					
Islamic debt securities	**2,736,259**	**2,736,259**	**-**	**2,736,259**	**-**
Government investment issues	**7,384,890**	**7,384,890**	**-**	**7,384,890**	**-**
Government bonds	**2,521,156**	**2,521,156**	**-**	**2,521,156**	**-**
Khazanah bonds	**100,117**	**100,117**	**-**	**100,117**	**-**
Cagamas bonds	**310,530**	**310,530**	**-**	**310,530**	**-**
Quoted shares	**234,304**	**234,304**	**234,304**	**-**	**-**
Unit trust shares	**1,730**	**1,730**	**-**	**1,730**	**-**
Unquoted shares	**7,987**	**7,987**	**-**	**-**	**7,987**
	13,296,973	**13,296,973**	**234,304**	**13,054,682**	**7,987**
Group					
2014					
Financial assets available-for-sale					
Islamic debt securities	2,652,177	2,652,177	-	2,652,177	-
Government investment issues	6,793,223	6,793,223	-	6,793,223	-
Government bonds	2,162,419	2,162,419	-	2,162,419	-
Khazanah bonds	85,259	85,259	-	85,259	-
Cagamas bonds	53,627	53,627	-	53,627	-
Quoted shares	203,347	203,347	203,347	-	-
Unit trust shares	1,717	1,717	-	1,717	-
Unquoted shares	10,249	10,249	-	-	10,249
	11,962,018	11,962,018	203,347	11,748,422	10,249

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.2 Valuation of financial instruments at fair value (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2015					
Financial assets available-for-sale					
Islamic debt securities	**2,736,259**	**2,736,259**	**-**	**2,736,259**	**-**
Government investment issues	**7,384,890**	**7,384,890**	**-**	**7,384,890**	**-**
Government bonds	**2,521,156**	**2,521,156**	**-**	**2,521,156**	**-**
Khazanah bonds	**100,117**	**100,117**	**-**	**100,117**	**-**
Cagamas bonds	**310,530**	**310,530**	**-**	**310,530**	**-**
Quoted shares	**234,304**	**234,304**	**234,304**	**-**	**-**
Unit trust shares	**1,730**	**1,730**	**-**	**1,730**	**-**
Unquoted shares	**6,833**	**6,833**	**-**	**-**	**6,833**
	13,295,819	**13,295,819**	**234,304**	**13,054,682**	**6,833**
Bank					
2014					
Financial assets available-for-sale					
Islamic debt securities	2,652,177	2,652,177	-	2,652,177	-
Government investment issues	6,793,223	6,793,223	-	6,793,223	-
Government bonds	2,162,419	2,162,419	-	2,162,419	-
Khazanah bonds	85,259	85,259	-	85,259	-
Cagamas bonds	53,627	53,627	-	53,627	-
Quoted shares	203,347	203,347	203,347	-	-
Unit trust shares	1,717	1,717	-	1,717	-
Unquoted shares	6,833	6,833	-	-	6,833
	11,958,602	11,958,602	203,347	11,748,422	6,833

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.3 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 2015 RM'000	**Fair value 2015 RM'000**	Carrying amount 2014 RM'000	Fair value 2014 RM'000
Group				
Financial assets				
Cash and short-term funds	**1,899,146**	**1,899,146**	3,080,554	3,080,554
Deposits and placements with financial institutions	**933,286**	**933,286**	185,838	185,838
Financial assets held-to-maturity	**10,718,843**	**10,554,180**	11,131,717	10,889,343
Financing and advances	**63,137,184**	**70,273,216**	60,482,549	68,993,458
Trade receivables	**8,416**	**8,416**	6,484	6,484
Other receivables and deposits	**390,204**	**390,204**	450,231	450,231
Financial liabilities				
Deposits from customers	**70,981,772**	**70,981,772**	68,522,973	68,522,973
Deposits and placements from banks and financial institutions	**1,940,000**	**1,940,000**	1,800,000	1,800,000
Recourse obligations on financing sold to Cagamas	**1,478,659**	**1,300,284**	1,777,618	1,654,215
Debt securities issued	**2,718,871**	**2,396,634**	3,020,571	2,588,032
Trade payables	**3,582**	**3,582**	3,348	3,348
Other liabilities	**1,251,329**	**1,251,329**	1,431,012	1,431,012

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount 2015 RM'000	Fair value 2015 RM'000	Carrying amount 2014 RM'000	Fair value 2014 RM'000
Bank				
Financial assets				
Cash and short-term funds	**1,897,976**	**1,897,976**	3,078,779	3,078,779
Deposits and placements with financial institutions	**908,750**	**908,750**	160,099	160,099
Financial assets held-to-maturity	**10,718,843**	**10,554,180**	11,131,717	10,889,343
Financing and advances	**63,137,184**	**70,273,216**	60,482,549	68,993,458
Other receivables and deposits	**350,606**	**350,606**	395,598	395,598
Financial liabilities				
Deposits from customers	**70,981,772**	**70,981,772**	68,522,973	68,522,973
Deposits and placements from banks and financial institutions	**1,940,000**	**1,940,000**	1,800,000	1,800,000
Recourse obligations on financing sold to Cagamas	**1,478,659**	**1,300,284**	1,777,618	1,654,215
Debt securities issued	**2,718,871**	**2,396,634**	3,020,571	2,588,032
Other liabilities	**1,476,120**	**1,476,120**	1,592,597	1,592,597

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
2015					
Financial assets					
Cash and short-term funds	1,899,146	1,899,146	-	-	1,899,146
Deposits and placements with financial institutions	933,286	933,286	-	-	933,286
Financial assets held-to-maturity					
Government bonds	1,096,603	1,077,494	-	-	1,077,494
Government investment issues	8,289,353	8,152,622	-	-	8,152,622
Islamic debt securities	489,145	481,458	-	-	481,458
Khazanah bonds	467,356	468,180	-	-	468,180
Cagamas Bonds	177,946	176,006	-	-	176,006
Negotiable Islamic debt certificates	198,440	198,420	-	-	198,420
Financing and advances	63,137,184	70,273,216	-	-	70,273,216
Trade receivables	8,416	8,416	-	-	8,416
Other receivables and deposits	390,204	390,204	-	-	390,204
	77,087,079	84,058,448	-	-	84,058,448
Financial liabilities					
Deposits from customers	70,981,772	70,981,772	-	-	70,981,772
Deposits and placements from banks and financial Institutions	1,940,000	1,940,000	-	-	1,940,000
Recourse obligations on financing sold to Cagamas	1,478,659	1,300,284	-	-	1,300,284
Debt securities issued	2,718,871	2,396,634	-	-	2,396,634
Trade payables	3,582	3,582	-	-	3,582
Other liabilities	1,251,329	1,251,329	-	-	1,251,329
	78,374,213	77,873,601	-	-	77,873,601

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
2014					
Financial assets					
Cash and short-term funds	3,080,554	3,080,554	-	-	3,080,554
Deposits and placements with financial institutions	185,838	185,838	-	-	185,838
Financial assets held-to-maturity					
Government bonds	1,078,786	1,055,176	-	-	1,055,176
Government investment issues	8,673,072	8,465,937	-	-	8,465,937
Islamic debt securities	558,563	549,705	-	-	549,705
Khazanah bonds	449,742	448,453	-	-	448,453
Cagamas Bonds	122,835	121,340	-	-	121,340
Negotiable Islamic debt certificates	248,719	248,732	-	-	248,732
Financing and advances	60,482,549	68,993,458	-	-	68,993,458
Trade receivables	6,484	6,484	-	-	6,484
Other receivables and deposits	450,231	450,231	-	-	450,231
	75,337,373	83,605,908	-	-	83,605,908
Financial liabilities					
Deposits from customers	68,522,973	68,522,973	-	-	68,522,973
Deposits and placements from banks and financial institutions	1,800,000	1,800,000	-	-	1,800,000
Recourse obligations on financing sold to Cagamas	1,777,618	1,654,215	-	-	1,654,215
Debt securities issued	3,020,571	2,588,032	-	-	2,588,032
Trade payables	3,348	3,348	-	-	3,348
Other liabilities	1,431,012	1,431,012	-	-	1,431,012
	76,555,522	75,999,580	-	-	75,999,580

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2015					
Financial assets					
Cash and short-term funds	1,897,976	1,897,976	-	-	1,897,976
Deposits and placements with financial institutions	908,750	908,750	-	-	908,750
Financial assets held-to-maturity					
Government bonds	1,096,603	1,077,494	-	-	1,077,494
Government investment issues	8,289,353	8,152,622	-	-	8,152,622
Islamic debt securities	489,145	481,458	-	-	481,458
Khazanah bonds	467,356	468,180	-	-	468,180
Cagamas Bonds	177,946	176,006	-	-	176,006
Negotiable Islamic debt certificates	198,440	198,420	-	-	198,420
Financing and advances	63,137,184	70,273,216	-	-	70,273,216
Other receivables and deposits	350,606	350,606	-	-	350,606
	77,013,359	83,984,728	-	-	83,984,728
Financial liabilities					
Deposits from customers	70,981,772	70,981,772	-	-	70,981,772
Deposits and placements from banks and financial institutions	1,940,000	1,940,000	-	-	1,940,000
Recourse obligations on financing sold to Cagamas	1,478,659	1,300,284	-	-	1,300,284
Debt securities issued	2,718,871	2,396,634	-	-	2,396,634
Other liabilities	1,476,120	1,476,120	-	-	1,476,120
	78,595,422	78,094,810	-	-	78,094,810

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2014					
Financial assets					
Cash and short-term funds	3,078,779	3,078,779	-	-	3,078,779
Deposits and placements with financial institutions	160,099	160,099	-	-	160,099
Financial assets held-to-maturity					
Government bonds	1,078,786	1,055,176	-	-	1,055,176
Government investment issues	8,673,072	8,465,937	-	-	8,465,937
Islamic debt securities	558,563	549,705	-	-	549,705
Khazanah bonds	449,742	448,453	-	-	448,453
Cagamas Bonds	122,835	121,340	-	-	121,340
Negotiable Islamic debt certificates	248,719	248,732	-	-	248,732
Financing and advances	60,482,549	68,993,458	-	-	68,993,458
Other receivables and deposits	395,598	395,598	-	-	395,598
	75,248,742	83,517,277	-	-	83,517,277
Financial liabilities					
Deposits from customers	68,522,973	68,522,973	-	-	68,522,973
Deposits and placements from banks and financial institutions	1,800,000	1,800,000	-	-	1,800,000
Recourse obligations on financing sold to Cagamas	1,777,618	1,654,215	-	-	1,654,215
Debt securities issued	3,020,571	2,588,032	-	-	2,588,032
Other liabilities	1,592,597	1,592,597	-	-	1,592,597
	76,713,759	76,157,817	-	-	76,157,817

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.3 Valuation of financial instruments not carried at fair value (continued)

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

42.3.1 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.

42.3.2 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.

42.3.3 Financial assets held-to-maturity

Financial assets held-to-maturity are carried at amortised cost at the end of the reporting period. Fair values for these financial instruments are estimated based on broker quotes from Bond Pricing Agency.

42.3.4 Financing and advances

Financing and advances are carried at amortised cost at the end of the reporting period. Fair valuation of these financial instruments are estimated based on discounted repayment to be received in the future using effective profit rate for each financing type.

42.3.5 Trade and other receivables

The carrying amounts of trade and other receivables reported in the statement of financial position approximate their fair values due to the relatively short-term maturity of these instruments.

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.3 Valuation of financial instruments not carried at fair value (continued)

42.3.6 Deposits from customers

The fair values of deposits payable on demand (demand and savings deposits), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts.

The fair values of deposits with remaining maturities of more than one year are estimated using discounted cash flows based on effective profit rates for similar deposits from customers.

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.

42.3.7 Deposits and placements from banks and financial institutions

The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.

42.3.8 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.

42.3.9 Debt securities issued

Debt securities issued are measured at amortised cost at the end of the reporting period. The fair value of the securities are derived by referring to the present value of the expected amount due in the future by applying the effective profit rate for the debt securities.

42.3.10 Trade and other liabilities

The carrying amounts of trade and other liabilities reported in the statement of financial position approximate their fair values due to the relatively short-term maturity of these instruments.