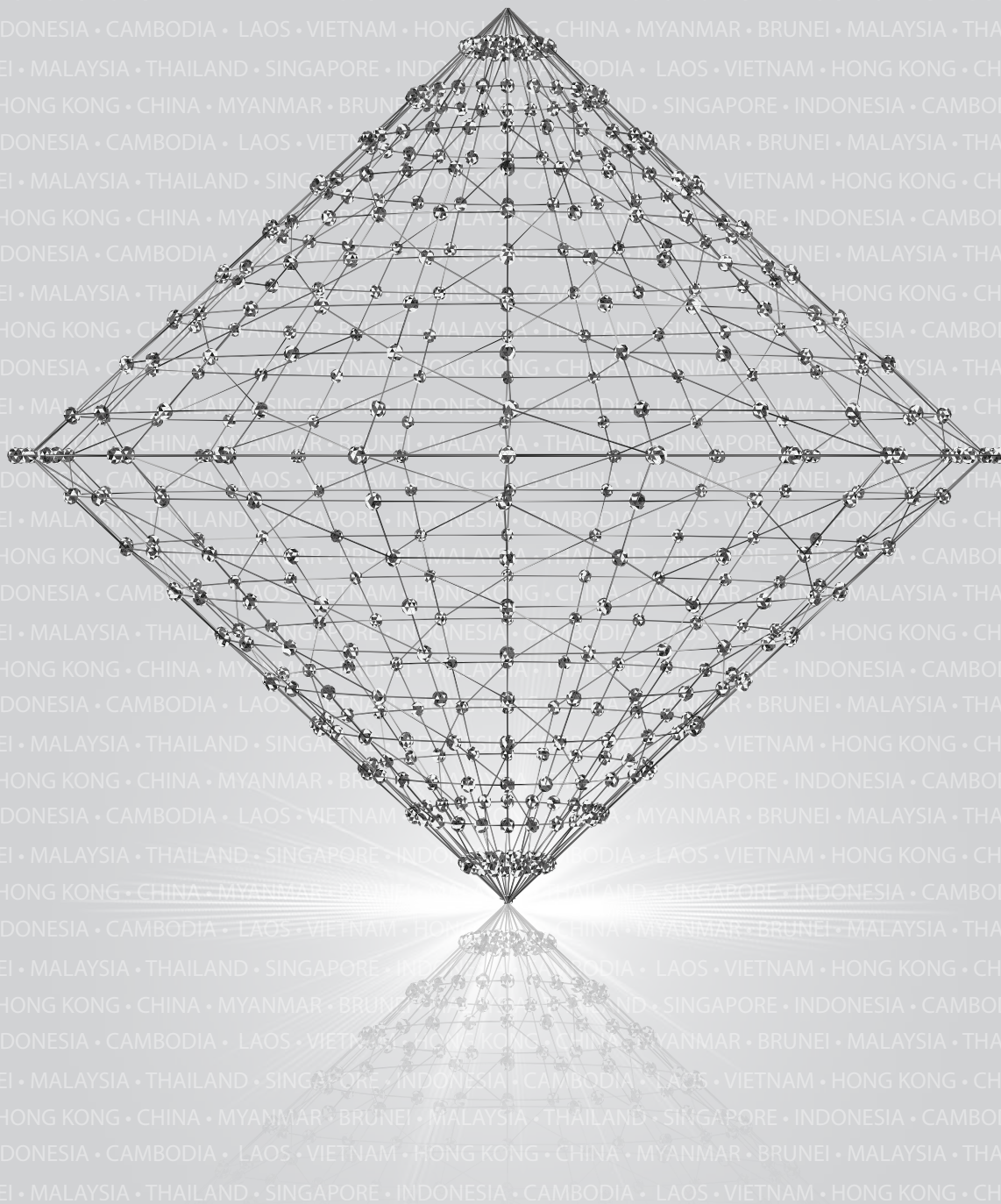


TOGETHER WE PROGRESS



RHB Bank Berhad

ANNUAL REPORT 2015



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Profiles of the Board of Directors

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The cover for our 2015 Annual Report depicts a diamond shape formed with interlocking wire mesh. The diamond represents RHB's clarity of focus towards achieving its vision of being a leading multinational financial services group. The wire links further symbolise our commitment to fostering greater ties with our customers and key stakeholders by placing them at the centre of what we do, as described by our revitalised Brand Promise, **"Together We Progress"**.

Our Brand Promise is anchored on being a trusted partner to our customers and stakeholders; delivering simple, fast and seamless experiences; providing solutions that help achieve their goals; and nurturing future generations. These principles will be translated through our daily operations, and drive us in pushing boundaries to create a positive impact for society as a whole, embodying our **"Together We Progress"** Brand Promise.

Feedback

We need your feedback to make sure we are covering the things that matter to you. Email us at marketing.communications@rhbgroup.com

www.rhbgroup.com

RHB'S ASPIRATIONS

BY 2020...
**TO BE A
 LEADING
 MULTINATIONAL
 FINANCIAL
 SERVICES
 GROUP**



**TOP 3
 IN MALAYSIA/TOP 8 IN
 ASEAN**
 by performance



**STRONG MARKET
 LEADERSHIP IN MALAYSIA**
 across targeted products and
 segments



**REGIONAL POWERHOUSE
 IN ASEAN+**
 20% profit contribution from
 international operations



**NEXT GENERATION
 CUSTOMER CENTRIC BANK**
 delivering innovative and
 personalised
 customer offerings



**PROMINENT EMPLOYER
 OF CHOICE**
 within the region



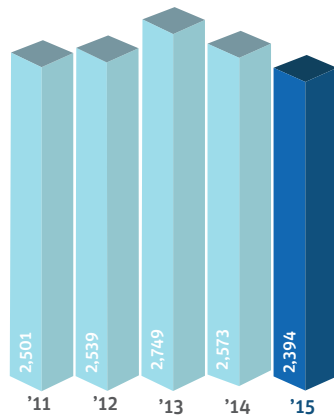
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2015	2014	2013	2012*	2011
RESULTS (RM'million)					
Operating profit	2,394	2,573	2,749	2,539	2,501
Profit before taxation	2,066	2,455	2,339	2,399	2,310
STATEMENTS OF FINANCIAL POSITION (RM'million)					
Total assets	218,919	204,637	174,158	170,336	143,216
Gross loans, advances and financing	151,003	141,328	120,082	110,003	97,697
Total deposits	178,697	172,813	148,094	143,547	121,635
Paid-up capital	3,461	3,365	3,318	3,318	3,318
Total equity	17,208	15,435	13,412	12,037	10,731
ORDINARY DIVIDENDS (Paid)					
Gross dividend rate (%)	17.3	5.3	12.9	20.9	9.6
Net dividend (Paid) (RM'million)	583.3	175.0	408.0	520.0	237.9
The Directors do not propose any final dividend in respect of the financial year ended 31 December 2015 at the forthcoming Annual General Meeting.					
FINANCIAL RATIOS					
Net tangible assets backing per 50 sen ordinary share (sen)	232.4	212.7	185.2	164.5	144.9
Return on average shareholder's equity (%)	9.4	12.9	13.9	15.9	17.6
Earnings per 50 sen ordinary share (sen)	22.4	28.1	26.6	27.2	26.3

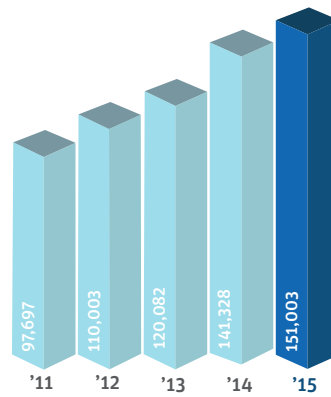
* Restated as a result of acquisition of RHBIBL and OSKL.

SUMMARY FIVE-YEAR GROUP GROWTH

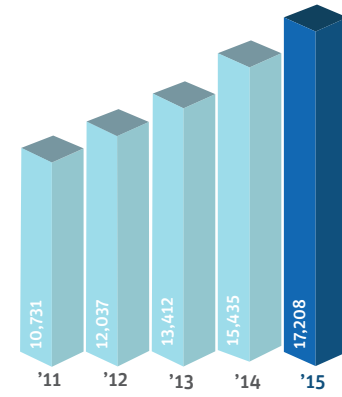
OPERATING PROFIT
(RM'million)



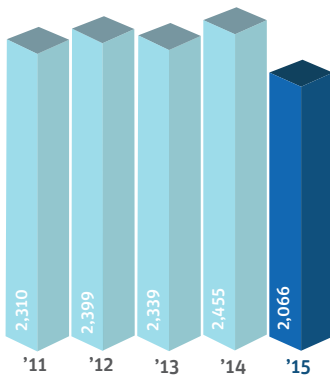
**GROSS LOANS, ADVANCES
AND FINANCING**
(RM'million)



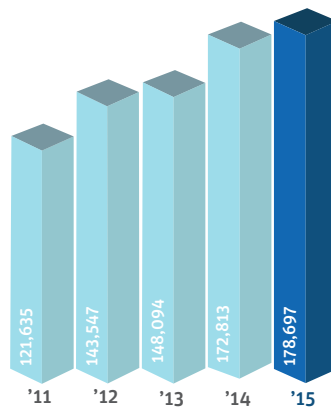
TOTAL EQUITY
(RM'million)



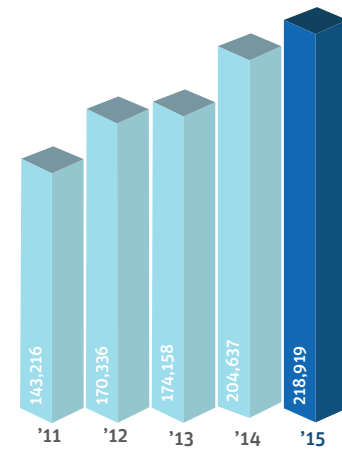
PROFIT BEFORE TAXATION
(RM'million)



TOTAL DEPOSITS
(RM'million)



TOTAL ASSETS
(RM'million)



CORPORATE INFORMATION

As at 25 February 2016

BOARD OF DIRECTORS

- ♦ **Tan Sri Azlan Zainol**
Non-Independent Non-Executive Chairman
- ♦ **Tuan Haji Khairuddin Ahmad**
Senior Independent Non-Executive Director
- ♦ **Ong Seng Pheow**
Independent Non-Executive Director
- ♦ **Abdul Aziz Peru Mohamed**
Independent Non-Executive Director
- ♦ **Dato' Mohamed Khadar Merican**
Non-Independent Non-Executive Director
- ♦ **Tan Sri Ong Leong Huat @ Wong Joo Hwa**
Non-Independent Non-Executive Director
- ♦ **Mohamed Ali Ismaeil Ali AlFahim**
Non-Independent Non-Executive Director
- ♦ **Chin Yoong Kheong**
Independent Non-Executive Director
- ♦ **Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir**
Independent Non-Executive Director
- ♦ **Dato' Khairussaleh Ramli**
Group Managing Director/Group Chief Executive Officer, RHB Banking Group; Managing Director, RHB Bank Berhad

BOARD AUDIT COMMITTEE#

- ♦ **Ong Seng Pheow**
Independent Non-Executive Director/
Chairman
- ♦ **Dato' Othman Jusoh**
Independent Non-Executive Director
- ♦ **Datuk Seri Saw Choo Boon**
Independent Non-Executive Director
- ♦ **Datuk Haji Faisal Siraj**
Independent Non-Executive Director

BOARD CREDIT COMMITTEE#

- ♦ **Dato' Mohamed Khadar Merican**
Non-Independent Non-Executive Director/
Chairman
- ♦ **Tuan Haji Khairuddin Ahmad**
Independent Non-Executive Director
- ♦ **Abdul Aziz Peru Mohamed**
Independent Non-Executive Director
- ♦ **Patrick Chin Yoke Chung**
Independent Non-Executive Director
- ♦ **Tuan Haji Md Ja'far Abdul Carrim**
Non-Independent Non-Executive Director
- ♦ **Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir**
Independent Non-Executive Director

BOARD TECHNOLOGY COMMITTEE#

- ♦ **Chin Yoong Kheong**
Independent Non-Executive Director/
Chairman
- ♦ **Ong Seng Pheow**
Independent Non-Executive Director
- ♦ **Charles Lew Foon Keong**
Independent Non-Executive Director

BOARD RISK COMMITTEE#

- ♦ **Tuan Haji Khairuddin Ahmad**
Independent Non-Executive Director/
Chairman
- ♦ **Patrick Chin Yoke Chung**
Independent Non-Executive Director
- ♦ **Tuan Haji Md Ja'far Abdul Carrim**
Non-Independent Non-Executive Director
- ♦ **Datuk Seri Saw Choo Boon**
Independent Non-Executive Director
- ♦ **Chin Yoong Kheong**
Independent Non-Executive Director
- ♦ **Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir**
Independent Non-Executive Director

BOARD NOMINATING & REMUNERATION COMMITTEE#

- ♦ **Datuk Haji Faisal Siraj**
Independent Non-Executive Director/
Chairman
- ♦ **Tan Sri Azlan Zainol**
Non-Independent Non-Executive Director
- ♦ **Datuk Seri Saw Choo Boon**
Independent Non-Executive Director
- ♦ **Tan Sri Dato' Teo Chiang Liang**
Independent Non-Executive Director
- ♦ **Tuan Haji Md Ja'far Abdul Carrim**
Non-Independent Non-Executive Director

COMPANY SECRETARIES

- ♦ **Azman Shah Md Yaman**
(LS0006901)
- ♦ **Ivy Chin So Ching**
(MAICSA No. 7028292)

GROUP SENIOR MANAGEMENT

- ◆ **Dato' Khairussaleh Ramli**
Group Managing Director/
Group Chief Executive Officer,
RHB Banking Group;
Managing Director, RHB Bank Berhad
- ◆ **Mike Chan Cheong Yuen**
Managing Director, RHB Investment Bank
Berhad
- ◆ **Ibrahim Hassan**
Managing Director, RHB Islamic Bank
Berhad
- ◆ **U Chen Hock**
Head, Group Retail Banking
- ◆ **Kong Shu Yin**
Managing Director, RHB Insurance Berhad
- ◆ **Yap Choi Foong**
Group Chief Financial Officer
- ◆ **Datin Amy Ooi Swee Lian**
Head, Group Business & Transaction
Banking
- ◆ **Mohd Rashid Mohamad**
Group Treasurer
- ◆ **Rohan Krishnalingam**
Group Chief Operations Officer
- ◆ **Christopher Loh Meng Heng**
Group Chief Strategy Officer
- ◆ **Patrick Ho Kwong Hoong**
Group Chief Risk Officer
- ◆ **Norazzah Sulaiman**
Group Chief Marketing & Communications
Officer
- ◆ **Jamaluddin Bakri**
Group Chief Human Resource Officer

MANAGEMENT OF SUBSIDIARIES

- ◆ **RHB ISLAMIC BANK BERHAD**
Ibrahim Hassan
Managing Director
- ◆ **RHB INDOCHINA BANK LIMITED**
Lim Loong Seng
Country Head
- ◆ **RHB BANK LAO LIMITED**
Danny Ling Chii Hian
Country Head
- ◆ **RHB BANK (L) LTD**
Fong Choong Poon
Head

OVERSEAS LOCATIONS

- ◆ **SINGAPORE**
Jason Wong Hon Lurn
Country Head
- ◆ **THAILAND**
Wong Kee Poh
Country Head
- ◆ **BRUNEI**
Ishak Othman
Country Head
- ◆ **VIETNAM**
Wilson Cheah Hui Pin
Chief Representative
- ◆ **MYANMAR**
Wilson Cheah Hui Pin
Chief Representative
- ◆ **CAMBODIA**
Lim Loong Seng
Country Head
- ◆ **LAOS**
Danny Ling Chii Hian
Country Head

REGISTERED OFFICE

Level 9, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

Tel : 603 9287 8888
Fax : 603 9281 9314
Website: www.rhbgroup.com

BUSINESS ADDRESS

Head Office

Towers Two & Three RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur Malaysia

Tel : 603 9287 8888
Fax : 603 9287 9000 (General)
Swift : RHBBMYKL
Call Centre : 1-300-888-742
603 9206 8118
(Peninsular Malaysia – 24 hours)
082 276 118
(Sabah & Sarawak – 7 a.m. to 7 p.m.)

AUDITORS

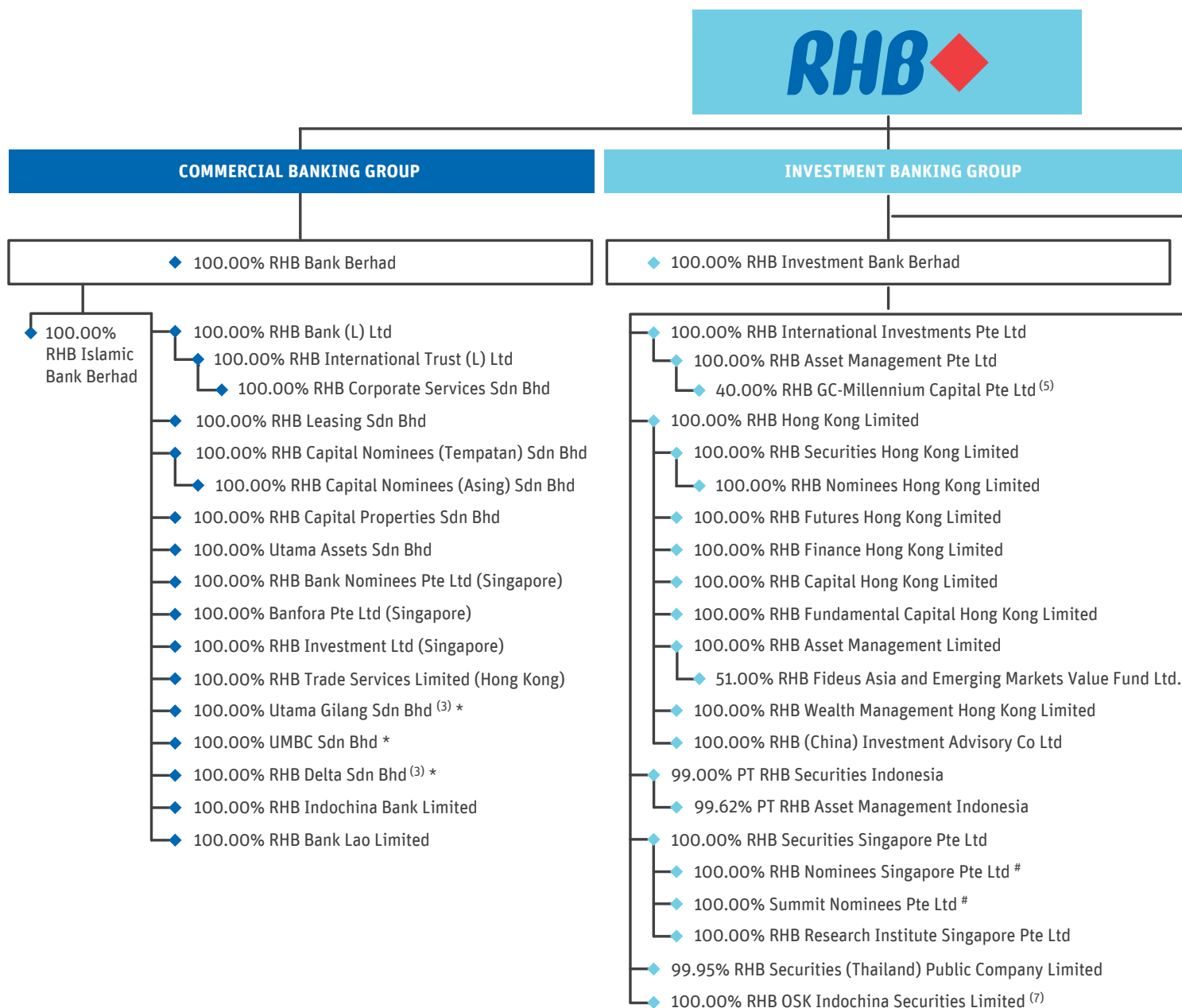
PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
50470 Kuala Lumpur
P.O. Box 10192
50706 Kuala Lumpur

Tel : 603 2173 1188
Fax : 603 2173 1288

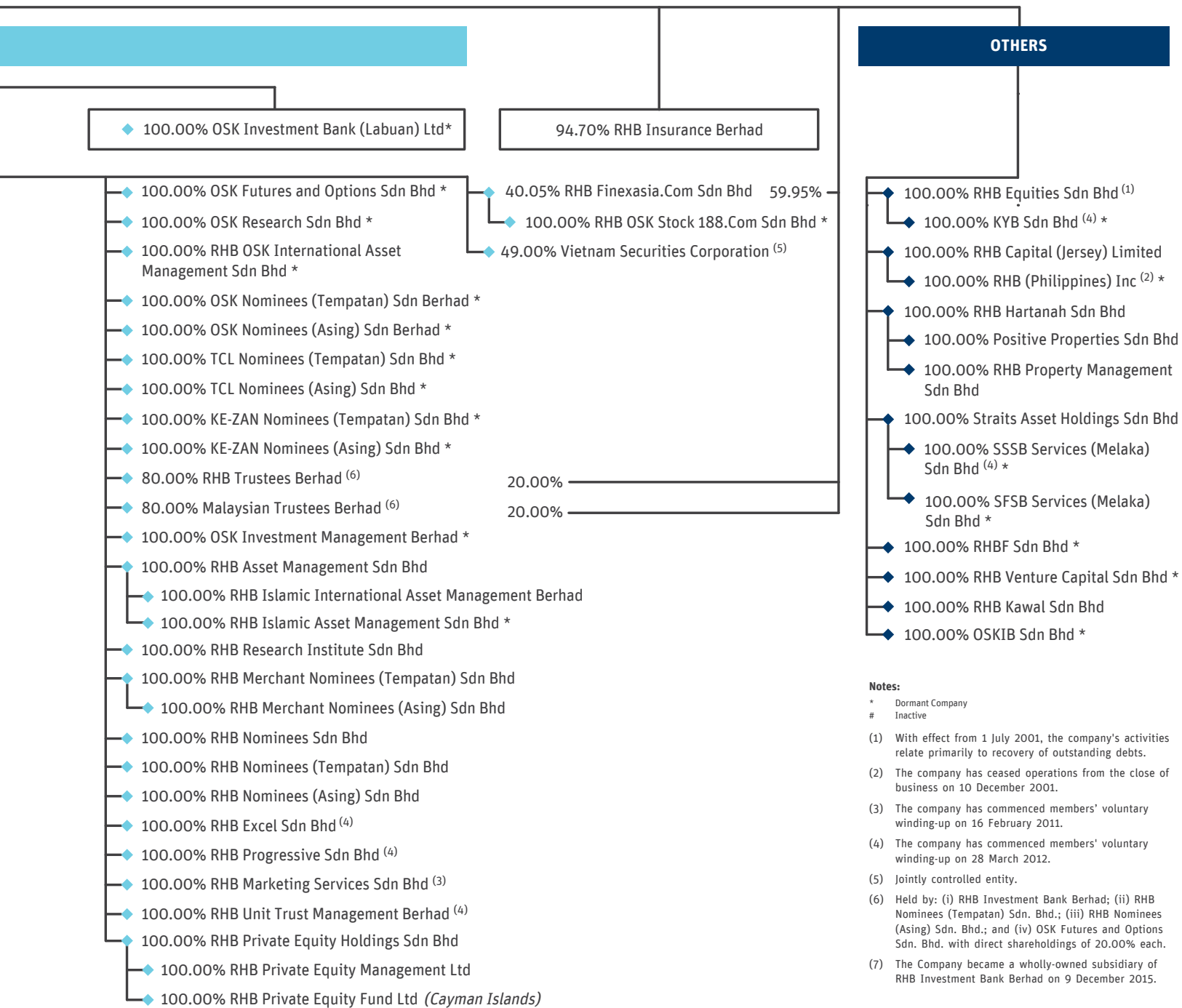
Notes:

The Committee is shared with the relevant subsidiaries of the Group.

GROUP CORPORATE STRUCTURE



* As at 25 February 2016



PROFILES OF THE BOARD OF DIRECTORS



TAN SRI AZLAN ZAINOL

Aged 65, Malaysian
Non-Independent Non-Executive Chairman

Appointment to the Board

Appointed as a Non-Independent Non-Executive Director on 27 July 2005 and formalised as Chairman on 29 July 2005.

Board Committee Memberships

- Board Nominating & Remuneration Committee (Member)

Qualification

- Fellow of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants
- Fellow, Chartered Banker of Asian Institute of Chartered Bankers

Skills and Experience

Tan Sri Azlan Zainol was previously the Chief Executive Officer of the Employees Provident Fund Board until his retirement in April 2013. He has more than 29 years of experience in the financial sector, having served as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad. He is also a Council member of The Asian Institute of Chartered Bankers.

Directorships in Other Public Companies

- RHB Capital Berhad
- RHB Hong Kong Limited
- Malaysian Resources Corporation Berhad (Chairman)
- Kuala Lumpur Kepong Berhad
- Eco World International Berhad (Chairman)
- Jardine Cycle & Carriage Limited (Singapore)
- Yayasan Astro Kasih (Chairman/Trustee)
- OSK Foundation (Trustee)
- Rashid Hussain Berhad (In Members' Voluntary Liquidation)

No. of Board Meetings Attended in the Financial Year: 14/14



TUAN HAJI KHAIRUDDIN AHMAD

Aged 73, Malaysian
Senior Independent Non-Executive Director

Appointment to the Board

Appointed as a Non-Independent Non-Executive Director on 6 September 2001. He was re-designated as Independent Non-Executive Director on 18 March 2008.

Board Committee Memberships

- Board Risk Committee (Chairman)
- Board Credit Committee (Member)

Qualification

- Advance Management Course at Columbia Business School in New York, USA

Skills and Experience

Tuan Haji Khairuddin Ahmad began his career in the banking industry and was previously with Citibank N.A., Southern Bank Berhad, Bank of Commerce Berhad and Arab Malaysian Finance Berhad.

Directorships in Other Public Companies

- RHB Indochina Bank Limited (Chairman)
- RHB OSK Indochina Securities Limited (Chairman)
- RHB Islamic International Asset Management Berhad
- RHB Bank Lao Limited (Chairman)

No. of Board Meetings Attended in the Financial Year: 12/14



ONG SENG PHEOW

Aged 67, Malaysian
Independent Non-Executive Director

Appointment to the Board

Appointed as an Independent Non-Executive Director on 20 November 2006.

Board Committee Memberships

- Board Audit Committee (Chairman)
- Board Technology Committee (Member)

Qualification

- Member of the Malaysian Institute of Certified Public Accountants (MICPA)
- Member of the Malaysian Institute of Accountants

Skills and Experience

Ong Seng Pheow has over 34 years of audit and accounting experience. He was a partner of Ernst & Young from 1984 to 2003. His last held position in Ernst & Young was as the National Director of Assurance and Advisory Business Services. He also served on committees and working groups of MICPA.

Directorships in Other Public Companies

- RHB Insurance Berhad (Chairman)
- RHB Trustees Berhad
- Malaysian Trustees Berhad
- RHB Hong Kong Limited
- Daiman Development Berhad
- LCTH Corporation Berhad
- George Kent (Malaysia) Berhad
- HELP International Corporation Berhad

No. of Board Meetings Attended in the Financial Year: 14/14



ABDUL AZIZ PERU MOHAMED

Aged 67, Malaysian
Independent Non-Executive Director

Appointment to the Board

Appointed as an Independent Non-Executive Director on 7 February 2011.

Board Committee Memberships

- Board Credit Committee (Member)

Qualification

- Attended various training programmes at the Harvard Business School and Pacific Bankers Rim programmes in the United States of America

Skills and Experience

Abdul Aziz Peru Mohamed is currently the Chief Executive Officer/Director of As-Salihin Trustee Berhad, a trust company specialising in Islamic estate planning. He held various Senior Management positions in the banking industry with almost 30 years in an accomplished career track spanning management of branch network and retail banking. He spent most of his working years at Malayan Banking Berhad, where his last position was General Manager, Consumer Banking Division. He was also formerly the Senior General Manager of AmBank Berhad from 2002 to 2005. During the years in the banking industry, he was appointed as Chairman of the Rules Committee of the Association of Banks of Malaysia and has held several other key positions including as a Board Member of Mayban Property Trust and Mayban Trustees Bhd.

Directorships in Other Public Companies

- RHB Insurance Berhad
- RHB Islamic International Asset Management Berhad
- As-Salihin Trustee Berhad

No. of Board Meetings Attended in the Financial Year: 13/14

PROFILES OF THE BOARD OF DIRECTORS (continued)



DATO' MOHAMED KHADAR MERICAN

Aged 59, Malaysian
Non-Independent Non-Executive Director

Appointment to the Board

Appointed as an Independent Non-Executive Director on 1 November 2011. He was re-designated as Non-Independent Non-Executive Director on 30 April 2015.

Board Committee Memberships

- Board Credit Committee (Chairman)

Qualification

- Member of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Accountants

Skills and Experience

Dato' Mohamed Khadar Merican has more than 40 years of experience in financial and general management. He served as an auditor and a consultant in an international accounting firm, before joining a financial services group in 1986. Dato' Mohamed Khadar Merican has held various senior management positions in Pernas International Holdings Berhad (now known as Tradewinds Corporation Berhad) between 1988 and April 2003, including those of President and Chief Operating Officer. In 2013, Dato' Mohamed Khadar Merican, in his capacity as the Chairman of RHB Capital Berhad, was named as the 'Chairman of The Year' by the Minority Shareholders Watchdog Group at its Malaysian-Asean Corporate Governance Index Awards 2013.

Directorships in Other Public Companies

- RHB Capital Berhad (Chairman)
- RHB Investment Bank Berhad
- RHB Securities (Thailand) Public Company Limited (Chairman)
- AirAsia Berhad
- Astro Malaysia Holdings Berhad
- Sona Petroleum Berhad
- Rashid Hussain Berhad (In Members' Voluntary Liquidation)

No. of Board Meetings Attended in the Financial Year: 14/14



TAN SRI ONG LEONG HUAT @ WONG JOO HWA

Aged 71, Malaysian
Non-Independent Non-Executive Director

Appointment to the Board

Appointed as a Non-Independent Non-Executive Director on 20 November 2012.

Board Committee Memberships

Nil

Qualification

- Senior Cambridge, Federation of Malaysia Certificate awarded by Methodist English School
- Capital Markets and Services Representative's licence issued by the Securities Commission of Malaysia under the Capital Markets and Services Act, 2007 for dealing in securities

Skills and Experience

For over 17 years since 1969, Tan Sri Ong Leong Huat was attached to a leading financial institution where he last held the position of Senior General Manager. He was the Managing Director/Chief Executive Officer ("CEO") of OSK Investment Bank Berhad (now known as OSKIB Sdn Bhd) ("OSKIB") from July 1985 to January 2007 and thereafter was appointed as the Group Managing Director/CEO of OSKIB. He was then re-designated as a Non-Independent Non-Executive Director of OSKIB and subsequently resigned on 30 April 2013.

Tan Sri Ong Leong Huat was also a Director of MESDAQ from July 1999 to March 2002 and a member of the Capital Market Advisory Council appointed by the Securities Commission in 2004 to advise on issues relating to the implementation of the Capital Market Master Plan. He was a director on the Board of Bursa Malaysia Berhad from 2008 to 2015 and was previously a member of the Securities Market Consultative Panel of Bursa Malaysia.

Directorships in Other Public Companies

- RHB Investment Bank Berhad (Chairman)
- RHB Hong Kong Limited (Chairman)
- OSK Holdings Berhad
- PJ Development Holdings Berhad (Chairman)
- OSK Property Holdings Berhad
- OSK Ventures International Berhad
- KE-ZAN Holdings Berhad
- OSK Foundation (Trustee)

No. of Board Meetings Attended in the Financial Year: 14/14



MOHAMED ALI ISMAEIL ALI ALFAHIM

Aged 39, United Arab Emirates
Non-Independent Non-Executive Director

Appointment to the Board

Appointed as a Non-Independent Non-Executive Director on 9 May 2014.

Board Committee Memberships

Nil

Qualification

- Bachelor of Science in Business Administration from the University of Suffolk, Boston

Skills and Experience

Mr Mohamed Ali Ismaeil Ali Alfahim commenced his professional career at Abu Dhabi National Oil Company from 2000 to 2008. His role as Head of Group Financing Department focused on the identification and pursuit of investment strategies reflecting a balanced investment portfolio. During that time, Mr Mohamed Ali Ismaeil Ali Alfahim also worked as a corporate finance consultant for KPMG-Dubai from 2001 to 2002 and for HSBC Bank at Project and Export Finance Division-London in 2006.

Since September 2008, Mr Mohamed Ali Ismaeil Ali Alfahim has been Head of Finance at the Finance & Accounts Department of International Petroleum Investment Company PJSC ("IPIC"). He represents IPIC as a board member on various boards of investee companies.

Directorships in Other Public Companies

- RHB Capital Berhad
- RHB Investment Bank Berhad
- EDP Energia de Portugal
- Aabar Investments PJS
- Arabtec Holdings PJSC
- Al Izz Islamic Bank
- Depa Interiors

No. of Board Meetings Attended in the Financial Year: 13/14



CHIN YOONG KHEONG

Aged 57, Malaysian
Independent Non-Executive Director

Appointment to the Board

Appointed as an Independent Non-Executive Director on 1 August 2014.

Board Committee Memberships

- Board Technology Committee (Chairman)
- Board Risk Committee (Member)

Qualification

- Bachelor of Arts Honours in Economics from the University of Leeds
- Fellow of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Certified Public Accountants
- Member of Malaysian Institute of Accountants

Skills and Experience

Mr Chin Yoong Kheong has retired as a partner of KPMG, one of the leading accounting firms on 31 December 2013, after having served the firm for more than 34 years in the United Kingdom, Vietnam and Malaysia. Mr Chin Yoong Kheong's vast experience covers business solutions in areas such as strategy, human resources, performance improvement to the public and infrastructure sector, consumer and industrial markets, and financial services industry. Throughout his long career with KPMG, Mr Chin Yoong Kheong had his experience in the audit function before specialising in taxation for 14 years. He was responsible for setting up the KPMG practice in Vietnam and subsequently headed KPMG's consulting practice for more than seven years.

Directorships in Other Public Companies

- TAHPS Group Berhad
- Otto Marine Ltd

No. of Board Meetings Attended in the Financial Year: 14/14

PROFILES OF THE BOARD OF DIRECTORS (continued)



DATO' SRI HAJI SYED ZAINAL ABIDIN SYED MOHAMED TAHIR

Aged 53, Malaysian
Independent Non-Executive Director

Appointment to the Board

Appointed as an Independent Non-Executive Director on 6 October 2015.

Board Committee Memberships

- Board Risk Committee (Member)
- Board Credit Committee (Member)

Qualification

- Bachelor of Science in Civil Engineering from University of Maryland, USA

Skills and Experience

Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir began his career as a Project Engineer with Petronas Gas Sdn Bhd in 1987, prior to joining Petroliaam Nasional Berhad in 1992 as the Senior Executive of the Company's Corporate Planning & International Business Development Unit. He then left to join HICOM Holdings Berhad in 1995, where he assumed various senior positions in the Company. Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir lent his expertise to PERODUA when he was appointed as Senior General Manager in 1999. Subsequently, he was appointed Executive Director of PERODUA Auto Corporation Sdn Bhd in 2002, and later promoted to Deputy Managing Director of PERODUA in October 2005. On 1 January 2006, he was appointed as the Group Managing Director of PROTON Holdings Berhad. He also sits on the Boards of various subsidiaries within the PROTON Group before he left the Company in May 2012. Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir received various awards during his stint in the automotive industries.

Directorships in Other Public Companies

- RHB Islamic Bank Berhad
- Bioalpha Holdings Berhad

No. of Board Meetings Attended in the Financial Year: 2/3



DATO' KHAIRUSSALEH RAMLI

Aged 48, Malaysian
Group Managing Director/Group Chief Executive Officer Of RHB Banking Group
Managing Director Of RHB Bank Berhad

Appointment to the Board

Appointed as Managing Director of RHB Bank Berhad and Deputy Group Managing Director of RHB Banking Group on 13 December 2013.

He was further appointed as Group Managing Director/Group Chief Executive Officer of RHB Banking Group and Managing Director/Chief Executive Officer of RHB Capital Berhad on 5 May 2015. He continues to hold the position of Managing Director of RHB Bank Berhad.

Board Committee Memberships

Nil

Qualification

- Bachelor of Science in Business Administration from Washington University
- Graduate of the Advanced Management Programme, Harvard Business School
- Chartered Banker, Asian Institute of Chartered Bankers

Skills and Experience

Dato' Khairussaleh Ramli has more than 20 years of experience in the financial services and capital markets industry, where he has held senior positions in well-established regional financial institutions. He is also a Council member of The Association of Banks in Malaysia and Asian Institute of Chartered Bankers.

His knowledge and experience earned him the "Best CFO in Malaysia Award" in 2010 and 2011 from Finance Asia and the "Best CFO in Malaysia Award" in 2012 from Alpha Southeast Asia.

Directorships in Other Public Companies

- RHB Capital Berhad

No. of Board Meetings Attended in the Financial Year: 14/14

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

“THE SUCCESS OR FAILURE OF ANY ORGANISATION IS OFTEN ATTRIBUTED TO THE QUALITY OF ITS CORPORATE GOVERNANCE. IN HEAVILY REGULATED SECTORS LIKE BANKING AND INSURANCE, THE COLLAPSE OF FINANCIAL INSTITUTIONS ESPECIALLY MAJOR GLOBAL PLAYERS INVARIABLY INVITES GREATER PUBLIC SCRUTINY AND THE TIGHTENING OF RULES AND REGULATIONS... WHILE IT IS IMPORTANT THAT THE RELEVANT CORPORATE GOVERNANCE STANDARDS ARE FURTHER STRENGTHENED, THIS MUST BE REINFORCED BY AN HONEST REFLECTION ON GAPS THAT EXIST IN PRACTICE AND A STRONG RESPONSE BY THOSE AT THE VERY TOP OF THE ORGANISATION TO ELEVATE AN INSTITUTION’S GOVERNANCE PRACTICES AND ARRANGEMENTS. IT IS IN OUR COLLECTIVE INTERESTS TO ENSURE THAT CORPORATE GOVERNANCE PRACTICES IN THE FINANCIAL SECTOR REMAIN SOUND OVER TIME. REGULATION ALONE WILL NOT ACHIEVE THIS. AS KEY PUBLIC INTEREST ENTITIES, FINANCIAL INSTITUTIONS ARE EXPECTED TO LEAD BY EXAMPLE AND REMAIN AT THE FOREFRONT IN REGARD TO CORPORATE GOVERNANCE PRACTICES.”

Datuk Nor Shamsiah Mohd Yunus, Deputy Governor, Bank Negara Malaysia
Opening Speech, Launch of the FIDE Forum’s Directors’ Remuneration Report 2015, Lanai Kijang, Kuala Lumpur
7 December 2015

COMMITMENT TO GOVERNANCE

RHB Bank Berhad (“RHB Bank” or “The Company”) is fully committed to protect the interests of all its stakeholders by applying good corporate governance, including greater transparency and sustainable disclosure.

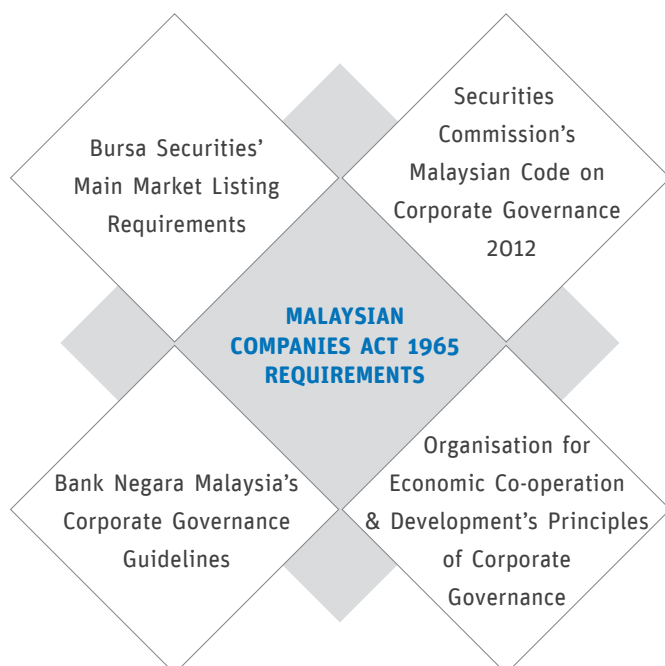
Excellence in corporate governance is an important element in promoting the Company’s financial services among the ASEAN and Greater China economic communities. RHB Banking Group’s current transition from the “A New Dawn” era to the next chapter of sustainable operation is rapidly progressing, thus echoing its commitment to its “Together We Progress” tagline hand in hand with its stakeholders, as the Company operates and manages its business in an orderly fashion.



STATEMENT ON CORPORATE GOVERNANCE

CONFORMANCE CULTURE

RHB Bank recognises that good corporate governance is key to ensuring long-term sustainability for the Group. As such, the Company fully subscribes and adopts the broad principles set out in the following requirements and guidelines where applicable:



In leading the organisation and ensuring that all the Group's strategic objectives and business scorecards are met, the Board is bound by its Charter, the Terms of Reference ("TOR") for its various Board Committees, and also by the Group Code of Ethics and Business Conduct for Directors.

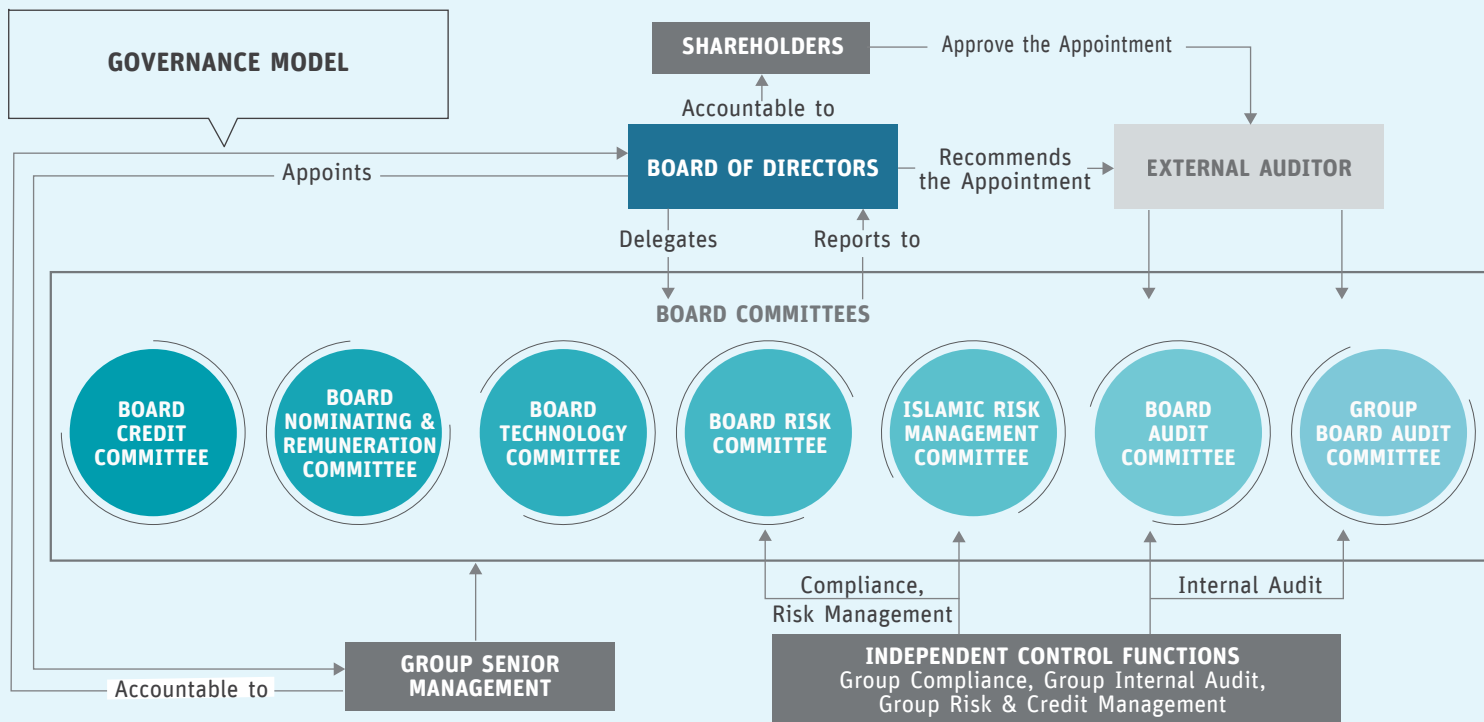
For Senior Management, key performance indicators ("KPIs") and the TOR for various management committees reiterate the strategic objectives and risk appetite that the Board has set to achieve common organisational goals and value creation.

Complementing this are the Group Manual of Authority, Power of Attorney, Delegated Lending and Financing Authority (Discretionary Powers), Group Code of Ethics and Conduct for Employees, and Group Whistleblowing Policy, all of which were approved by the Board to ensure that good governance practices and fiduciary duties are implemented by the Senior Management and other key personnel.

This compliance culture encourages the Group's Directors, Senior Management and the rest of its employees to embrace professional business ethics and practise self-compliance with internal and external requirements.

This process is embedded top-down, where the Company's shared values encourage its Directors and employees in having **P.R.I.D.E.** in upholding the spirit and the letter of legal and regulatory requirements. All employees are guided by and committed to the following core shared values of the Group:

- **Professional**
We are committed to maintain a high level of proficiency, competency and reliability in all that we do.
- **Respect**
We are courteous, humble and we show empathy to everyone through our actions and interactions.
- **Integrity**
We are honest, ethical and we uphold a high standard of governance.
- **Dynamic**
We are proactive, responsive and forward thinking.
- **Excellence**
We will continuously achieve high standards of performance and service deliverables.



GOVERNANCE MODEL & FRAMEWORK

The **Governance Model** outlines a clear organisational structure with robust internal control and risk management mechanisms which promote high standards of governance and of integrity, transparency and well-defined accountabilities and responsibilities of the shareholders, Board and Board Committees, Senior Management, external and internal auditors and other Independent Control Functions.

As the Board further commits to working under a solid governance structure with greater transparency, a framework on governance has been established. It is within this ambit that the Board approved the **Group Governance Framework** as the basis of effective governance and oversight to support RHB Banking Group's overall strategies.

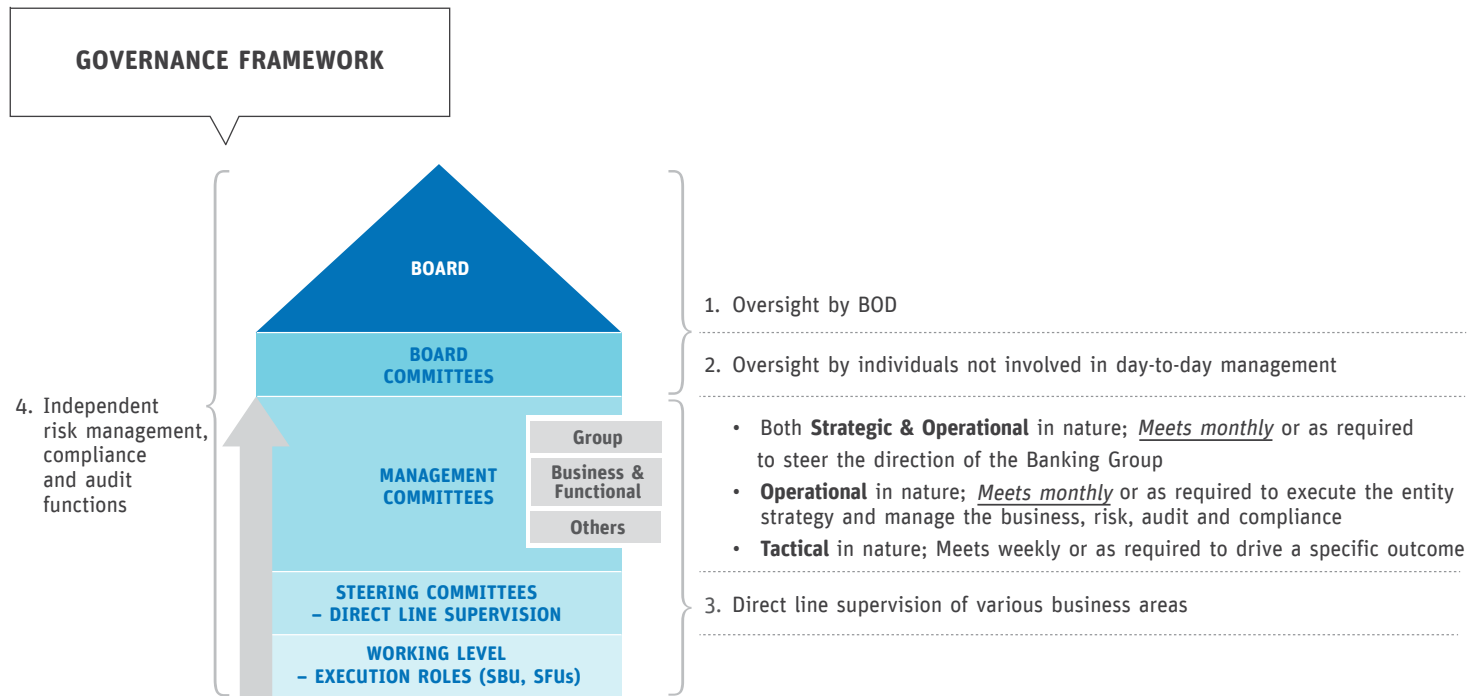
A clear and transparent governance structure for various central and sub-committees set by the Board members and the Senior Management has institutionalised the Company as a risk-focused organisation with proper control functions and good corporate governance practices. Under this framework, there are various

levels of oversight functioning across the Group's business and functional activities. These include, among others, direct supervision, Senior Management, independent parties comprising risk management, compliance and internal audit, Group Managing Director ("GMD"), Managing Directors ("MDs"), Board Committees and the Board.

As the framework is based on conformance with regulatory requirements of the Guidelines on Corporate Governance for Licensed Institutions issued by Bank Negara Malaysia ("BNM"), this solid foundation is thus important to create value in the Group whether in the short, medium or long-term.

The Board continuously explores enhancements to the Group's governance processes to ensure it remains robust even as it continues to expand. The Governance Model and framework is currently being used as guidance and reference to build a strong governance structure and conformance culture within the Company and other RHB entities in the Banking Group.

STATEMENT ON CORPORATE GOVERNANCE (continued)



* Based on BNM Guidelines on Corporate Governance for licensed institutions

Business Governance

The Board acknowledges that conformance to internal and external requirements must be balanced with the Company's financial and business performance to give an overall picture of the Company's sustainability in the long-run. The Annual Business Scorecard which sets out quantitative and qualitative key performance indicators for the key Senior Management is reviewed periodically by the Board against the Group Balanced Scorecard and the Group Risk Appetite.

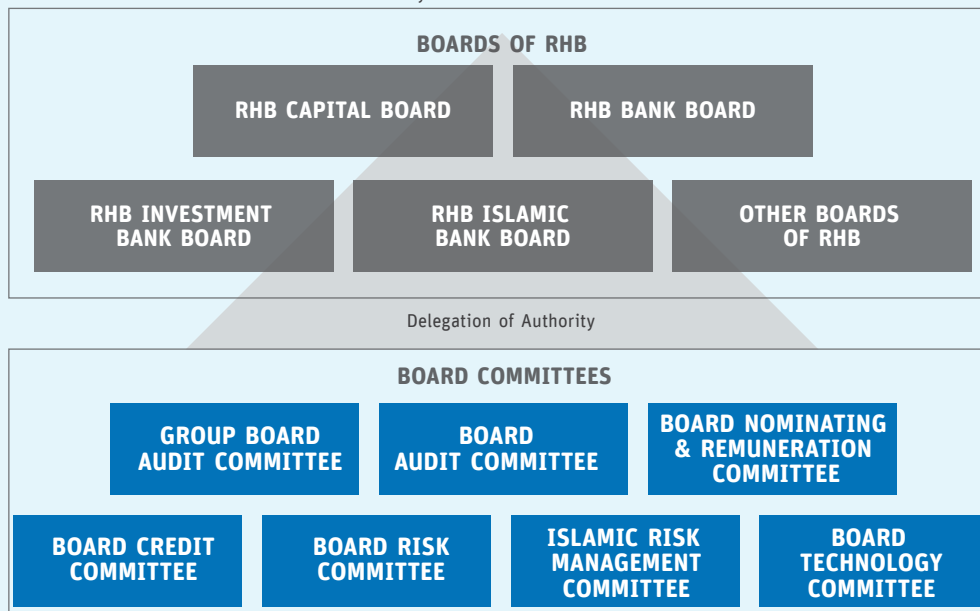
The progress made by the Board Committees is also scrutinised by the main Board. Each Committee's performance and progress will be deliberated on and the Board will decide on matters of strategic importance to the Group or respective entity.

In terms of monitoring financial and business performance, the main Board will discuss and make final decisions on strategic matters recommended by its respective Board Committees. An overview and analysis of RHB Bank's financial performance are available on pages 50 to 211 of this Annual Report and also on the corporate website www.rhbgroup.com.

All final achievements by the MD/Chief Executive Officer ("CEO"), Senior Management and employees will be reflected on at financial year-end in terms of performance rewards and in line with the retention policy.

RESPONSIBILITY AND ACCOUNTABILITY

Maintains overall responsibility for oversight of the Group and its entities, and for decisions taken by Board Committees



Assists Boards in discharging duties of oversight across the Group through the exercising of authority delegated by the Boards, as spelled out in its terms of reference

Strategic Matters

In each meeting, Joint and Individual Boards to deliberate and decide on matters of strategic importance to the Group/each Entity, including:

1. Business & operating strategies
2. New or changes to existing Business Plans
3. New investments/divestments
4. Mergers & acquisitions
5. Expansion/entry into new markets/geographies/regions
6. Corporate restructuring or reorganisation
7. Setup of new subsidiaries
8. Joint Ventures
9. Partnership or strategic alliances
10. Acquisition/disposal of significant assets
11. IGNITE 2017 (Quarterly Updates during Joint Board)

THE BOARD OF DIRECTORS

Board Charter

The Board Charter, which sets out the key corporate governance principles adopted by the various Boards of the Group, was developed for each of the Group's major entities. It clearly defines the roles and responsibilities of the Boards, Chairperson, Senior Independent Director and the GMD/MD/CEO in the areas of strategy setting, management of company, succession planning, risk management, integrity of internal control and communication plan.

Within these boundaries, the respective Boards discuss, set and agree with Management on the Annual Balanced Scorecard, KPIs and the risk appetite that are to be duly executed and achieved by Management. The performance and progress of Management is then reviewed by the respective Boards at specified intervals.

Roles and Responsibilities of the Board

The Board is charged with leading and governing the Company in an effective, efficient and responsible manner. The Directors, collectively and individually, are aware of their responsibilities to shareholders/stakeholders and the manner in which the affairs of the Company are managed. They discharge their roles and duties with integrity, honesty and professionalism within the ambit of the law to serve the interest of the Company's shareholders and stakeholders, and ensure the Company adheres to the highest standards of corporate governance.

The Board assumes an active role and takes full responsibility for key strategy setting, business plans, financial objectives and major capital and operating budgets. While the Board scrutinises the frameworks and policies proposed by the Management, the Board also monitors the Management's performance in implementing the adopted strategies as well as provides direction and advice to ensure the achievement of the objectives.

STATEMENT ON CORPORATE GOVERNANCE (continued)

(a) Governing the Company's business conduct and operations

The Board governs the business conduct, performance and operations of the Company. To ensure high performance, the Board reviews the Company's business strategies and approves the Group Balanced Scorecard. Management's performance is monitored against the Balanced Scorecard on a regular basis. Interventions and regular reviews may be held to ensure that the execution of plans is aligned with the set objectives and goals.

The Board also governs the Company's risk management, internal controls, human resource ("HR") management and information technology through the delegation of certain decision-making and/or oversight responsibilities to various Board Committees, namely the Board Risk Committee, Board Nominating & Remuneration Committee, Board Audit Committee, Board Credit Committee and Board Technology Committee. At the highest executive level, the MD assumes the overall responsibilities of executing the Company's strategies and plans in line with the Board's direction, oversees the Company's operations and drives the Company's businesses and performance towards achieving the Company's vision and goals.

In carrying out his tasks, the MD is supported by the key Senior Management of the Company.

The Board is updated on the Company's performance during monthly Board meetings. The reports include a comprehensive summary of the Company's business drivers and financial performance of each reporting period vis a vis the Company's approved Balanced Scorecard and industry benchmarks, risk management report, compliance report and transformation updates. The Board is also kept abreast of the key strategic initiatives, significant operational issues and latest developments in the financial services industry.

In addition, the Group Compliance Officer, on a monthly basis, provides the Board with a report on the Company's compliance with its statutory obligations as well as rules and regulations governing the Company's business and operations, actions taken to address shortcomings as well as self-regulating initiatives taken by the Company, especially initiatives that are critical to the Company's business and operations under

local and foreign jurisdictions. Areas for improvement, non-compliance and action plans are highlighted and recommended to the Board for information and approval where required.

The Board also reviews management reports. Special meetings are held between scheduled meetings when any direction or decision is required expeditiously from the Board.

As part of the Company's initiative to continuously improve employee engagement and employee value propositions, an employee engagement survey, namely the "Internal Customer Effectiveness Survey", was conducted in November 2015 to assess the level of employee engagement and quality of service rendered by the respective Strategic Business Groups and Strategic Functional Groups within the Group. Themed "Voice Out Now - Igniting Engagement 2015", the Group sought to acquire valuable information from the employees in order to craft sustainable improvements in primary aspects of operations.

(b) Risk Management

The Board is responsible for identifying the principal risks and implementation of appropriate systems to manage and control these risks. In ensuring effective risk assessment and control, the Board Risk Committee ("BRC") has been entrusted with providing oversight and governance of risks for the Group. The BRC comprises five Independent Non-Executive Directors ("INEDs") and one Non-Independent Non-Executive Director ("NINED") representing the Group's respective entities. Matters deliberated at BRC meetings are presented to the Board on a monthly basis.

The Board is satisfied that the BRC has effectively and efficiently discharged its functions to support the Board in ensuring, among others, that the Company is adequately capitalised to support risks undertaken and to meet regulatory requirements.

A Group Risk Management Report (including the Company's risk metrics and tolerance dashboard) is also presented to the Board on a monthly basis.

The Company maintains and reviews its internal control procedures to ensure, as far as possible, the protection of its assets and liabilities as well as its shareholders' investments. The Board considers that the Company's risk management framework and system of internal control, which are in place throughout the financial year, up to and as of the date of this report, are operating adequately and effectively. An overview of the Company's systems of risk management is contained in the Risk Management Statement set out on pages 38 to 42 of this Annual Report.

(c) Talent Development and Succession Planning

Talent development and succession planning are key priorities to the Board in ensuring a high-performing workforce which contributes to the Company's sustainability and competitiveness. The Board has entrusted the Board Nominating & Remuneration Committee ("BNRC") with the responsibility of providing high-level oversight and direction on human resource matters, and with recommending remuneration and human resource strategies such as employee value propositions, retention strategies, performance management and succession planning.

The BNRC also approves changes to Group HR policies in line with the HR strategy and direction set by the Board. Additionally, the BNRC supports the Board and that of the subsidiaries in reviewing and assessing the appointment of Directors, Board Committee members, Shariah Committee and key Senior Management officers. It also advises on the optimal size and mix of skills for the Group's Boards.

In line with IGNITE 2017, the Group has made a concerted effort to enhance and realign its HR and talent management to attract and retain regional talent and build a high-performing regional workforce. During the year, this saw the BNRC considering the renewal of service contracts and new appointments for key management positions based on their profiles, professional achievements and personal assessments.

This included successfully identifying and attracting suitable candidates for all senior positions. The BNRC also considered their remuneration package(s) in finalising the terms and conditions of their service contracts. In addition, the BNRC reviewed the current organisation structure in enhancing greater alignment and accountability to deliver business value and outcomes.

The BNRC also continuously monitors succession planning updates presented by Group HR to ensure the smooth transition of key personnel into critical positions, and ensures that the development plans for identified successors are put in place based on their readiness to assume the positions. Other major issues deliberated on by the BNRC are salary and grading structure, retention plans and incentive schemes for key Senior Management as well as employee value propositions.

(d) Internal Control

The Board is responsible for ensuring the adequacy and integrity of the Company's internal control system. With the support of the Board Audit Committee and Group Internal Audit, the Board ensures that there is a process for reviewing the adequacy and effectiveness of the Company's internal control system. Details pertaining to the Company's internal control system and review of its adequacy and effectiveness are set out in the Statement on Risk Management and Internal Control in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (continued)

Board Composition and Balance

The Board of RHB Bank is currently represented by **ten** Members, comprising a Non-Independent Non-Executive Chairman, three NINEDs, five INEDs and the MD, as follows:

BOARD COMPOSITION

- **1 NINE Chairman**
 - YBhg Tan Sri Azlan Zainol
- **4 INEDs**
 - Mr Ong Seng Pheow
 - Encik Abdul Aziz Peru Mohamed
 - Mr Chin Yoong Kheong
 - YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir
- **1 Senior INED**
 - Tuan Haji Khairuddin Ahmad
- **3 NINEDs**
 - YBhg Dato' Mohamed Khadar Merican
 - YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa
 - Mr Mohamed Ali Ismaeil Ali AlFahim
- **1 GMD of RHB Banking Group/MD of RHB Bank**
 - YBhg Dato' Khairussaleh Ramli

The above structure and composition of the Board comply with the BNM's Guidelines on Corporate Governance for Licensed Institutions. Tuan Haji Khairuddin Ahmad has been appointed as the Senior INED ("SINED"), to whom concerns pertaining to RHB Bank may be conveyed by shareholder. Current Independent Directors of the Company account for 50% of the Board, **exceeding** BNM's requirement that one-third (33.3%) of Board members must be independent and fulfil the criteria of independence as defined in the BNM's CG Guidelines.

Their presence ensures an effective check and balance on the functioning of the Board. Independent directors of the Company are not involved in the day-to-day management of the Company, nor do they participate in any of its business dealings. This ensures they remain free of any conflict of interest and can undertake their roles and responsibilities as INEDs effectively.

Boardroom Diversity Policy

Recognising the increasing importance of boardroom diversity in pursuing business and governance performance, the Group established a boardroom diversity policy in 2013. The policy is also in line with the Securities Commission's goal for women directors to make up 30% of boards. Diversity, which includes but is not limited to gender, age, ethnicity and cultural background, is therefore a key consideration in assessing and reviewing the Board's composition as it strives to achieve the targeted level of women's participation.

In view that organisations are best served by having a constantly evolving board of directors with staggered terms and a healthy combination of fresh perspectives and experience, **age limits** at 70 and 73 are set for the Group's Non-Executive Directors ("NED"), with the exception of major shareholders' representatives. At the first checkpoint, Directors who are **over** the age limit of 70 shall retire at the next Annual General Meeting ("AGM") but are eligible for appointment or re-appointment on the Boards of RHB Banking Group, subject to shareholder's approval. At the second checkpoint, Directors who exceed the age limit of 73 cannot continue their service tenure further and shall retire at the next AGM of the company concerned. Only one NED in the Company, namely Tuan Haji Khairuddin Ahmad, reached the age of 73 during the current financial year and according to the Internal Guidelines on Tenure of Appointment/Re-Appointment of Non-Executive Directors for RHB Banking Group, Tuan Haji Khairuddin Ahmad shall retire having completed his consecutive or cumulative term of 12 years.

Assessment of Independence

The independence of the Directors is reviewed annually and benchmarked against best practices and regulatory provisions. Independent Directors are required to attest to their compliance with the criteria and definition of "Independent Director" as stipulated under Clause 2.26 of BNM's CG Guidelines for Licensed Institutions.

All Independent Directors are independent from the Company's substantial shareholders, are not substantial shareholders themselves or directly associated with any substantial shareholders. Based on individual Director's self-disclosure, the Board is generally satisfied with the level of independence demonstrated by all the INEDs and their ability to act in the best interest of the Company.

At every Board Meeting, all Directors are required to disclose their interest or any possible conflicts on any matter put forth in the meeting. When required, the interested Director shall excuse himself/herself and abstain from deliberation and voting to allow unbiased and free discussion and decision making. In the event a corporate proposal requires shareholder approval, interested Directors will abstain from voting in respect of their shareholdings in the Company and will further ensure that persons connected to them similarly abstain from voting on the resolution.

Tenure of Independent Directors

In an effort to preserve the independence of INEDs, the Group has put in place its Internal Guidelines on Tenure of Appointment/Re-Appointment of Non-Executive Directors (“NEDs”) for RHB Banking Group (“Internal Guidelines”). The Board believes the tenure of INEDs should balance experience and learning with the need for renewal and fresh perspectives.

YBhg Dato’ Mohamed Khadar Merican (“YBhg Dato’ Mohamed Khadar”) was first appointed as an INED in the Group and Company in December 2003 and November 2011 respectively. The Board acknowledges that YBhg Dato’ Mohamed Khadar has detailed knowledge of the business and possesses the industry exposure and competency to effectively advise and oversee the management of the Company.

On 30 April 2015, YBhg Dato’ Mohamed Khadar was re-designated as NINED of the Company upon conclusion of the 49th AGM. His re-designation was in compliance with the Internal Guidelines and recommendations of the Malaysian Code on Corporate Governance 2012 that the service tenure of an INED should not exceed a consecutive or cumulative term of nine years.

Notwithstanding the above, YBhg Dato’ Mohamed Khadar, as a NED, shall retire at the next AGM of the Company upon completion of his consecutive or cumulative term of 12 years, pursuant to the Internal Guidelines.

According to the Internal Guidelines, Mr Ong Seng Pheow is also subject to retirement at the forthcoming AGM in 2016 as Mr Ong Seng Pheow has served in the Company for more than a consecutive or cumulative term of 9 years i.e. he was appointed as an INED of the Company on 20 November 2006.

The Board acknowledges that Mr Ong Seng Pheow consistently demonstrates the values and principles associated with independence during Board and Board Committees’ discussions. He is able to effectively delineate his roles for providing oversight as INED whilst continuously enhancing his knowledge of the operations and issues of the Company. He brings independent and objective judgement which mitigates risks arising from conflict of interest or undue influence from interested parties.

With the above justifications, the Board had recommended to the shareholder for approval, to retain Mr Ong Seng Pheow as an INED of the Company until the conclusion of the next AGM pursuant to the Internal Guidelines.

Roles of the Chairman and Group Managing Director

The distinct and separate roles and responsibilities of the Chairman and MD ensure balance of power and authority such that no one individual has unfettered powers of decision making.

The Non-Independent Non-Executive Chairman, YBhg Tan Sri Azlan Zainol, manages the affairs of the Board with a view of ensuring that it functions effectively and meets its obligations and responsibilities. He also leads the Board in executing its responsibilities to shareholders and ensures that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary in the Board’s decision-making.

Additionally, the Chairman must ensure that general meetings are conducted efficiently and in accordance with the requirements of the Companies Act 1965.

The MD, YBhg Dato’ Khairussaleh Ramli (“YBhg Dato’ Khairussaleh”), who has extensive financial experience and knowledge, was appointed effective 13 December 2013 to assume the overall responsibilities of executing the Company’s strategies in line with the Board’s direction and driving the Company’s businesses and performance towards achieving the Company’s vision and goals.

YBhg Dato’ Khairussaleh leads the Senior Management in the execution of the Company’s strategic initiatives.

STATEMENT ON CORPORATE GOVERNANCE (continued)

Nomination Framework

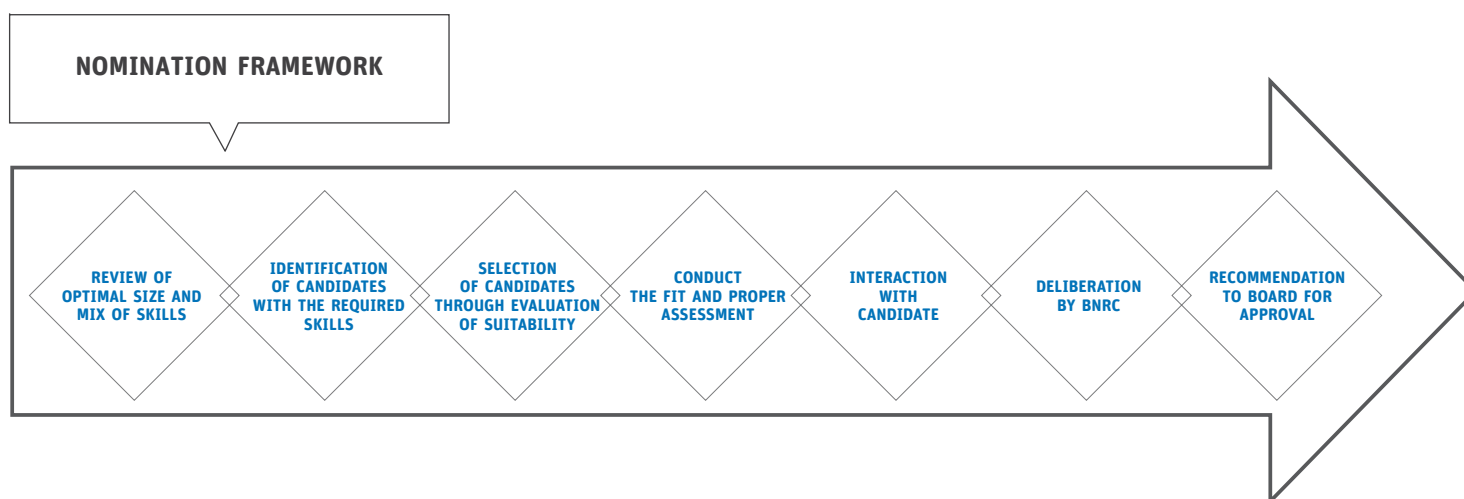
New Director nominees are assessed by the BNRC in accordance with RHB Banking Group's Policy and Guidelines on Fit and Proper for Key Responsible Persons ("Fit and Proper Policy").

The assessment takes into account the nominees' background, skills, knowledge and experience, and is part of a transparent nomination process before a recommendation is made for the Board's approval.

These assessments are carried out against a benchmark of documented competencies which have been prepared for each role, the completion of declarations by each individual, the obtaining of evidence of material qualification and the carrying out of checks on matters such as criminal record, bankruptcy and regulatory disqualification.

These assessments are reviewed on an annual basis. The Fit and Proper Policy outlines the following criteria in assessing the suitability of the candidate:

- Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind, fairness and ethical behaviour.
- Competence and capability, where the candidate must have the skills, experience, ability and commitment to carry out the role.
- Financial integrity, where the candidate must have financial soundness and be able to manage his/her debts or financial affairs prudently.



The Chairman of the BNRC conducts an interaction session with the proposed candidates and assesses the candidates based on their relevant skills and experience, independence (where relevant) and objectivity, track record of success, sound judgement and broad perspective. The Board's expectations on the time commitment and contribution from the Directors will also be clearly communicated to the proposed candidates.

Directors' Appointment and Assessment

(a) Appointment of Directors

The Group sources for new candidates for Board appointments from the industry talent pool and the Group's Independent Directors' network, as overseen by the BNRC.

The BNRC follows a Board-approved nomination framework, which ensures that individuals appointed to relevant senior positions and the Boards within the Group possess the appropriate fitness and propriety to discharge their prudential responsibilities on and during the course of their appointment.

As part of its review of the suitability of candidates and criteria for the appointment process, the BNRC also evaluates the skill sets required, size, structure and composition of the Board. This is to ensure the Board is well-balanced and is supportive of good governance and efficient management, while complying with regulatory requirements and remaining responsive to shifts in the business environment and the entity's business needs.

For the re-appointment of existing Directors, the BNRC refers to the results of the individual assessments conducted via the Board Effectiveness Evaluation exercise in addition to their formal/informal interactions with the Directors. The BNRC also assesses the Directors based on how well they performed their roles and contributed to the Board and Board Committees, their independence of view in respect of decision making (whichever is applicable), adequacy of training and time commitment. Once approved by the Board, the application for the appointment/re-appointment of Directors is submitted to BNM for its consideration.

(b) Board Effectiveness Evaluation

The Group has undertaken the Board Effectiveness Evaluation ("BEE") exercise on the Boards and Board Committees to assess their effectiveness and that of individual Directors. Implemented in 2006, the BEE is designed to detect strengths and weaknesses to improve the Board's overall effectiveness and forms part of the BNRC's evaluation for the re-appointment of Directors.

The BEE is made up of self and peer assessment conducted through a customised questionnaire. Messrs PricewaterhouseCoopers Consulting Services Sdn Bhd ("PwCCS") was engaged to collate and tabulate the results of the evaluation, ensuring integrity and independence of the appraisal process. The BEE also includes in-depth interviews between PwCCS and Directors and Senior Management to evaluate areas which may not be covered by the written assessment. The detailed BEE results are then discussed with the Chairmen of the BNRC and Boards.

The following are the performance indicators on which the Board's effectiveness is evaluated:

Part A: Board Evaluation

1. Board responsibilities
2. Board composition
3. Board administration and process
4. Board conduct
5. Board interaction and communication with Management and stakeholders
6. Overall Board performance
7. Chairman's evaluation
8. Managing Director's evaluation

Part B: Board Committees' Evaluation

1. Structure and processes
2. Accountability and responsibilities

Part C: Directors' Self and Peer Evaluation

1. Board dynamics and participation
2. Integrity and objectivity
3. Technical competencies
4. Recognition
5. Independent Directors' evaluation

Part D: Committee Members' Self and Peer Evaluation

1. Participation levels and contribution
2. Technical competencies

Each Director and Board Committee member was required to perform an online self and peer assessment for the year in review. Upon completion, individual results, together with a peer average rating on each area of assessment, were provided to each Director and Board Committee member for their information and further improvement. The latest BEE results were presented to the BNRC in July 2015 and to the Board in August 2015 to identify and address areas for improvement.

STATEMENT ON CORPORATE GOVERNANCE (continued)

MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD

Board meetings are convened monthly and additionally when required to deliberate on any arising issues. At each Board meeting, the Board is, among others, informed of decisions and salient issues by the respective Board Committees' Chairmen/representative. Minutes of the respective Board Committees' meetings are also tabled for the Board's information.

For the financial year ended 31 December 2015, the Board is satisfied with the time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of RHB Bank. All Directors have complied with the required minimum Board meetings attendance of 75% under BNM's revised guidelines and as adopted by the Company, except for YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir who only attended 2 out of 3 (67%) Board meetings during his tenure in 2015. Bank Negara Malaysia has given indulgence to waive the imposition thereof on YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir who provided a valid justification.

The Board convened 14 meetings for the financial year ended 31 December 2015. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Director	No. of Meetings Attended	Total Percentage of Attendance (%)
YBhg Tan Sri Azlan Zainol	14/14	100
Tuan Haji Khairuddin Ahmad	12/14	86
Mr Ong Seng Pheow	14/14	100
Encik Abdul Aziz Peru Mohamed	13/14	93
YBhg Dato' Mohamed Khadar Merican ^v	14/14	100
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa	14/14	100
Mr Mohamed Ali Ismaeil Ali AlFahim	13/14	93
Mr Chin Yoong Kheong	14/14	100
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir [^]	2/3	67
Mr Choong Tuck Oon [#]	6/6	100
YBhg Dato' Khairussaleh Ramli	14/14	100

Notes:

^v Re-designated as Non-Independent Non-Executive Director with effect from 30 April 2015.

[^] Newly appointed with effect from 6 October 2015.

[#] Resigned with effect from 1 June 2015.

An annual meeting schedule for Board and Board Committees' meetings and the AGM is circulated to the Directors for the convenience before the beginning of every year. Since 2014, Directors/Board Committee members have also been enabled to use their iPads to gain secure access to a meeting management solution system via an online portal.

This has significantly enhanced mobility, movement of documents, cost and time savings, as well as improved convenience and security while creating a positive impact on the environment. Directors who are unable to attend Board/Board Committee

meetings are also encouraged to participate via telephone and video-conferencing using the LYNC application system.

This latest convenience allows any Board meeting's paper to be circulated to the Board members instantly. Currently, Board papers are circulated between 5 and 7 days before each meeting.

In an effort to promote transparency in discharging their duties, Directors are required to notify the Board on changes of their other directorships and shareholdings as and when such changes arise. This information is used to monitor the number of directorships held by the

Directors of RHB Bank, including those on public listed companies, and to notify the Companies Commission of Malaysia accordingly.

The information on the Company's Directors' directorships in public companies is available on pages 8 to 12 of this Annual Report.

Information and Advice

The Board, as a group and individually as Directors, is supported by the Company Secretaries who provide advice and assistance to the Board in discharging their duties. The Board members are also encouraged to interact directly with the Management, seek its clarification and advice as well as request for information on matters pertaining to the Company's and the Group's operations or business concerns. Should the need arise, the Directors are also allowed to seek independent professional advice at the Company's expense, pursuant to the Group's Standard Procedures for Directors to Have Access to Independent Advice.

Dedicated Company Secretaries

The Board acknowledges and is satisfied with the performance and support rendered by the Company Secretaries. In addition to acting as the custodians of the Company's and the Group's statutory records, the Company Secretaries serve and advise the Board on matters relating to the affairs of the Board and good corporate governance practices, ensure that Board meetings are appropriately convened and maintain an accurate and proper record of the proceedings and minutes of the meetings.

In promoting good corporate governance practices, the Company Secretaries assist the Board and Senior Management in meeting regulatory requirements and best practices specifically pertaining to Board governance. This includes making proposals on transparency and mandatory/voluntary disclosure on governance issues which are relevant and materially important to the stakeholders.

The role of the Company Secretaries also includes assisting the Chairman and Directors in conducting meetings and discharging their governance obligations and responsibilities as Directors of the Company. Additionally, the Company Secretaries facilitate the communication of key decisions and policies between the Board, Board Committees and the Senior Management, updating the Board on the follow-up or implementation of decisions/recommendations.

In order to play an effective advisory role to the Board, the Company Secretaries are kept abreast with the latest regulatory

changes, industry developments and best practices in corporate governance through continuous training and regular interactions with regulators and industry peers.

REMUNERATION STRATEGIES

The Board is mindful that fair remuneration is critical to attract, retain and motivate Directors with the relevant experience and expertise required to lead the Company and the Group. Remuneration strategies are set by the BNRC (as outlined in its terms of reference).

In an effort to ensure that remuneration levels are commensurate with responsibilities, risks and time commitment of the Boards/ Board Committees, the Group's common reference, which incorporates the Non-Executive Directors' Remuneration Framework, sets out the general principles for the remuneration of NEDs. The remuneration also takes into consideration industry practices and is reviewed at least once every two years.

The remuneration package of the NEDs of the Group comprises the following:

(a) Directors' fees

The NEDs are entitled to annual Directors' fees. The annual Directors' fees are subject to shareholders' approval at the AGM of the Company.

The shareholder of the Company had, at the 48th AGM held on 5 May 2014, approved the new structure of Directors' fees on the basis of RM180,000.00 per annum for Non-Executive Chairman and of RM150,000.00 per annum for every NED.

(b) Board Committee allowances

NEDs who sit on Board Committees are entitled to receive Board Committee allowances which shall be paid on an annual basis at the end of each financial year.

(c) Meeting attendance allowance

NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committee meetings.

(d) Benefits-in-kind

Benefits are accorded to the Chairmen of the Group, consisting, among others, of the provision of a company car, driver and petrol allowance.

STATEMENT ON CORPORATE GOVERNANCE (continued)

Total allowances for Board Committee allowance and Meeting attendance allowance are subject to the number of Board Committee sittings and the number of meetings attended by each Company NED, as illustrated in the table below:

Name of Company's Director	No. of Meetings Attended					
	Board Meeting	BNRC Meeting	BRC Meeting	BAC Meeting	BCC Meeting	BTC Meeting
YBhg Tan Sri Azlan Zainol (NINED)	14/14 (Chairman)	7/8				
Tuan Haji Khairuddin Ahmad (SINED)	12/14		16/17 (Chairman)		33/37	
Mr Ong Seng Pheow (INED)	14/14			18/18 (Chairman)		8/8
Encik Abdul Aziz Peru Mohamed (INED)	13/14				34/37	
YBhg Dato' Mohamed Khadar Merican ^v (NINED)	14/14				34/37 (Chairman)	
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa (NINED)	14/14					
Mr Mohamed Ali Ismaeil Ali AlFahim (NINED)	13/14					
Mr Chin Yoong Kheong (INED)	14/14		8/8			3/3 (Chairman)
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir [^] (INED)	2/3		1/1		1/2	
Mr Choong Tuck Oon [#] (INED)	6/6	6/7	6/9			4/4
YBhg Dato' Khairussaleh Ramli (MD)	14/14					5/5

Notes:

^v Re-designated as Non-Independent Non-Executive Director with effect from 30 April 2015.

[^] Newly appointed with effect from 6 October 2015.

[#] Resigned with effect from 1 June 2015.

In addition to the above, the Directors are covered by Directors and Officers ("D&O") Liability Insurance in respect of any liabilities arising from acts committed in their capacity as D&O of RHB Banking Group. However, the insurance policy does not indemnify a Director or principal officer if he or she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his or her duty of trust. The Directors are required to contribute jointly towards the premium of the said policy.

The MD does not receive a Director's fee or any meeting attendance allowance for any of the Board and Board Committee meetings that he attends. His remuneration, which is approved by the Board upon recommendation by the Board Nominating & Remuneration Committee, includes among others, salary, bonus and benefits-in-kind, and is derived from the Group. In line with the Group's retention policy and incentive for long-term performance measures, the MD's remuneration package includes deferred bonus.

Key Senior Management are remunerated based on a remuneration framework consisting of a competitive integrated pay and benefit structure, which rewards corporate and individual performance in line with contributions to the organisation. Key Senior Management Officers are made up of the Heads of respective Strategic Business Sectors and Strategic Functional Sectors across the Group who report directly to the GMD and sit in the Group Management Committee.

DIRECTORS' ORIENTATION, CONTINUING EDUCATION AND TRAINING

Continuing education and training of Board of Directors are integral to their responsibilities, to ensure they remain updated with the latest developments in the areas related to their duties. Costs for Directors' training are covered by a budget allocated each year by RHB Bank, with the training needs of each Director assessed annually by the Board as part of the BEE exercise. The training and development of Directors is detailed in the Group's Standard Procedures on Directors' In-house Orientation and Continuing Education Programme for the RHB Banking Group.

In an effort to ensure the Company's and Group's NEDs discharge their duties in line with industry best practices, they are encouraged to participate in local and/or overseas training programmes organised by credible training organisations under the Board's High

Performance Programme. This programme is intended to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills that engender organisational excellence. The organisation of internal training programmes and Directors' attendance of external programmes are facilitated by the Company Secretaries, who also maintain a complete record of the training received and attended by the Directors.

Learning Process for New Director

There was one new NED on the Board of the Company for financial year ended 2015. Newly appointed NED is required to attend an induction programme organised by the Management of the Group to provide the NED with in-depth information of the industry and familiarise them with the Group's business operations. As part of this programme, the NED is briefed by relevant Management personnel on the functions and areas of responsibility of their respective divisions. In addition to allowing the NED to understand the Group's operations and organisational structure, this exercise also helps them to establish effective channels of communication and interaction with Management.

New NEDs are also provided with a comprehensive Director's induction kit to assist him/her in building a detailed understanding of the Group's operations, its longer-term direction and statutory obligations.

During the year, the Directors of RHB Bank attended the following training programmes, conferences and seminars:

Name of Director(s)	Training Programmes Attended	Training Scope & Description
• YBhg Tan Sri Azlan Zainol	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> • Understanding Goods and Services Tax in Malaysia • Opportunity and challenges in tax strategy
	2. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – “Financial Instruments” For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> • Overseas Tax • FATCA • MFRS 9
	3. Invest Malaysia 2015 Conference (23 April 2015)	<ul style="list-style-type: none"> • Facing Malaysia's Current Economic Challenges • What's Next: Asean Economic Community
	4. Board Chairman Series Part 2: Leadership Excellence From The Chair (27 July 2015)	<ul style="list-style-type: none"> • Leadership development and corporate governance • Governance responsibilities

STATEMENT ON CORPORATE GOVERNANCE (continued)

Name of Director(s)	Training Programmes Attended	Training Scope & Description
<ul style="list-style-type: none"> YBhg Tan Sri Azlan Zainol (continued) 	5. Plantation Operations in the Current Sustainability Landscape (18 August 2015)	<ul style="list-style-type: none"> Challenges facing plantation operations in this day and age
	6. Khazanah Megatrends Forum 2015 (5 October 2015 – 6 October 2015)	<ul style="list-style-type: none"> Macro and Markets Firms and Transformation Ethics in Finance Growth and Development People and Leadership
<ul style="list-style-type: none"> Tuan Haji Khairuddin Ahmad 	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. The Briefing on Charter Contracts (25 February 2015)	<ul style="list-style-type: none"> Charter and Legal Requirements Main Ingredient of Charter Contracts
<ul style="list-style-type: none"> Mr Ong Seng Pheow 	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. Briefing by Finance Department on Financial Statements (16 March 2015)	<ul style="list-style-type: none"> Latest updates on Financial Standards FRS 139
	3. PNB Investment Institute Sdn Bhd - Predicting Financial Crime Detection, Prevention & Remediation (1 April 2015)	<ul style="list-style-type: none"> Financial Crime & Financial Fraud Consequences of Financial Crime & Financial Fraud Financial Fraud Red Flags Detection, Prevention & Remediation Building A Fraud Proof Culture
	4. FIDE Forum 3rd Board Leadership Series: - Impact of the New Accounting Standard on Banks & What Directors Should Be Aware Of (5 June 2015)	<ul style="list-style-type: none"> Reclassification of assets & liabilities Revenue recognition Latest Accounting standard – adoption of IFRS 9
	5. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – “Financial Instruments” For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> Overseas Tax FATCA MFRS 9
	6. Invitation Launch of FIDE FORUM’s Directors’ Remuneration Report 2015 (7 December 2015)	<ul style="list-style-type: none"> NEDs’ Remuneration Practices Corporate Governance Developments
<ul style="list-style-type: none"> Encik Abdul Aziz Peru Mohamed 	1. The Briefing on Charter Contracts (25 February 2015)	<ul style="list-style-type: none"> Charter and Legal Requirements Main Ingredient of Charter Contracts
	2. FIDE FORUM : Invitation To Industry Consultation Session (6 May 2015)	<ul style="list-style-type: none"> Encourage development of world class directors Attract and retain highly qualified directors Promote board diversity Improve board performance

Name of Director(s)	Training Programmes Attended	Training Scope & Description
<ul style="list-style-type: none"> Encik Abdul Aziz Peru Mohamed (continued) 	3. Capital Market Director Programme <ul style="list-style-type: none"> – Module 1 (27 July 2015) – Module 2A (28 July 2015) – Module 2B (1 July 2015) – Module 3 (30 July 2015) – Module 4 (31 July 2015) 	<ul style="list-style-type: none"> Capital Market in Malaysia Good Corporate Governance Stakeholders' Management
	4. 4th Distinguished Board Leadership Series – “Board Leading Change: Organisational Transformation Strategy as Key Sustainable Growth In Challenging Times” (18 August 2015)	<ul style="list-style-type: none"> Sustainable Growth Redefined Strategy Transformation
	5. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – “Financial Instruments” For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> Overseas Tax FATCA MFRS 9
	6. Ethics Red Flags for Board of Directors (3 November 2015)	<ul style="list-style-type: none"> Ethics & Governance Conflicts of Interest
<ul style="list-style-type: none"> YBhg Dato' Mohamed Khadar Merican 	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. The Briefing on Charter Contracts (25 February 2015)	<ul style="list-style-type: none"> Charter and Legal Requirements Main Ingredient of Charter Contracts
	3. Boardroom Program – Retail Management (16 March 2015 - 19 March 2015)	<ul style="list-style-type: none"> Understanding the Changing Retail Environment Common Issues & Best Practices in Retail Management
	4. Governance, Director Duties and Listing Requirements Updates for Directors of Public Listed Companies (“PLCs”) (9 September 2015)	<ul style="list-style-type: none"> Main Market Listing Requirements Development of the capital market in Malaysia Common and current issues with regulatory authorities, private sector bodies and professional institutions Professionalism, corporate governance, value creation, quality assurance and competitiveness of PLCs.
	5. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – “Financial Instruments” For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> Overseas Tax FATCA MFRS 9

STATEMENT ON CORPORATE GOVERNANCE (continued)

Name of Director(s)	Training Programmes Attended	Training Scope & Description
<ul style="list-style-type: none"> YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa 	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. PNB Investment Institute Sdn Bhd - Predicting Financial Crime Detection, Prevention & Remediation (1 April 2015)	<ul style="list-style-type: none"> Financial Crime & Financial Fraud Consequences of Financial Crime & Financial Fraud Financial Fraud Red Flags Detection, Prevention & Remediation Building A Fraud Proof Culture
	3. Invitation Launch of FIDE FORUM's Directors' Remuneration Report 2015 (7 December 2015)	<ul style="list-style-type: none"> NEDs' Remuneration Practices Corporate governance developments
<ul style="list-style-type: none"> Mr Mohamed Ali Ismaeil Ali AlFahim 	1. Capital Market Director Programme – Module 1 (10 August 2015) – Module 2A (11 August 2015) – Module 2B (12 August 2015) – Module 3 (13 August 2015) – Module 4 (14 August 2015)	<ul style="list-style-type: none"> Good Corporate Governance Business Challenges & Regulatory Expectations Risk Oversight & Compliance Capital Market in Malaysia
	2. Mandatory Accreditation Programme (27 August 2015 – 28 August 2015)	<ul style="list-style-type: none"> Board Governance Directors' Obligations Financial Reporting Responsibility Key Obligations under Listing Requirements
	3. FIDE Core Programme – Module A (29 September 2015 – 2 October 2015)	<ul style="list-style-type: none"> Board Leadership Fiduciary Responsibilities Oversight Role in Risk Management
<ul style="list-style-type: none"> Mr Chin Yoong Kheong 	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. 2015 FIDE Core Program – Module A and Module B (Corporate Governance) – Module A (10 March 2015 – 13 March 2015) – Module B (16 March 2015 – 18 March 2015)	<ul style="list-style-type: none"> Board Leadership Fiduciary Responsibilities Oversight Role in Risk Management
	3. BNM–FIDE FORUM Dialogue with the Governor, Bank Negara Malaysia (23 March 2015)	<ul style="list-style-type: none"> Financial Stability Payment Systems Report 2014 Financial Stability
	4. FIDE FORUM's Special Invite to "Board's Strategic Leadership: Innovation & Growth in Uncertain Times" by Mr Ram Charan (21 May 2015)	<ul style="list-style-type: none"> Innovative Products High Risk, High Return Product Compliance Cost

Name of Director(s)	Training Programmes Attended	Training Scope & Description
<ul style="list-style-type: none"> Mr Chin Yoong Kheong (continued) 	5. SPECIAL INVITE: FIDE FORUM’s “Impact of the New Accounting Standard on Banks - What Directors Should Be Aware Of” and “Impact of the New Accounting Standard on Insurance Companies - What Directors Should Be Aware Of” by Mr Darrel Scott (5 June 2015)	<ul style="list-style-type: none"> Reclassification of assets & liabilities Revenue recognition Latest Accounting standard – adoption of IFRS 9
	6. Capital Market Director Programme <ul style="list-style-type: none"> – Module 1 (27 July 2015) – Module 2 (30 June 2015) – Module 2B (1 July 2015) – Module 3 (30 July 2015) – Module 4 (3 July 2015) 	<ul style="list-style-type: none"> Capital Market in Malaysia Good Corporate Governance Stakeholders’ Management
	7. FIDE Elective Programme Advanced Corporate Governance (21 September 2015 – 22 September 2015)	<ul style="list-style-type: none"> Director duties and operating practices Earnings guidance Cross-border stakeholder management
	8. Ethics Red Flags for Board of Directors (3 November 2015)	<ul style="list-style-type: none"> Ethics & Governance Conflicts of Interest
	9. COOKING THE BOOKS – The Malaysian Recipe on Financial Fraud (10 December 2015)	<ul style="list-style-type: none"> Ingredient for fraud Type of financial fraud Red flags on fraud
	10. 5th Seminar on Islamic Deposit Insurance and 14th IADI Annual Conference (22 October 2015, 23 October 2015 and 29 October 2015)	<ul style="list-style-type: none"> Current & future landscape of IFSI Shariah Governance for IDIS Sources & Management of funds for IDIS
	11. Directors Register Focus Group Sessions (30 October 2015)	<ul style="list-style-type: none"> Financial institutions Board success profile Board leadership
	12. Special Invite: 6th Distinguished Board Leadership Series “Digital Transformation and Its Impact on Financial Services – Role of the Board in Maximising Potential” by Mr Joydeep Sengupta (4 November 2015)	<ul style="list-style-type: none"> Digital transformation Role of the Board in Maximising Potential Financial institutions
	13. Invitation Launch of FIDE FORUM’s Directors’ Remuneration Report 2015 (7 December 2015)	<ul style="list-style-type: none"> NEDs’ Remuneration Practices Corporate governance developments

STATEMENT ON CORPORATE GOVERNANCE (continued)

Name of Director(s)	Training Programmes Attended	Training Scope & Description
• YBhg Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir	1. In-House Orientation Programme (6 November 2015)	<ul style="list-style-type: none"> Familiarisation with the industry and the licensed institution
• Mr Choong Tuck Oon [#]	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. FIDE Forum: Invitation to Industry Consultation Session (6 May 2015)	<ul style="list-style-type: none"> Encourage development of world class directors Attract and retain highly qualified directors Promote board diversity Improve board performance
	3. FIDE FORUM's Special Invite to "Board's Strategic Leadership: Innovation & Growth in Uncertain Times" by Mr Ram Charan (21 May 2015)	<ul style="list-style-type: none"> Innovative Products High Risk, High Return Product Compliance Cost
	4. 4th Distinguished Board Leadership Series – "Board Leading Change: Organisational Transformation Strategy as Key Sustainable Growth in Challenging Times" (18 August 2015)	<ul style="list-style-type: none"> Sustainable Growth Redefined Strategy Transformation
• YBhg Dato' Khairussaleh Ramli	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – "Financial Instruments" For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> Overseas Tax FATCA MFRS 9
	3. FIDE CORE Program Module B (Bank) (5 October 2015 – 7 October 2015)	<ul style="list-style-type: none"> Optimal Board Mix Responsibilities of the audit committee Key issues in Financial Reporting

Note:

[#] Resigned with effect from 1 June 2015.

BOARD COMMITTEES

Board Committees assist the Board in discharging its roles and responsibilities through the delegation of specific authority to the relevant Board Committees. This delegation of authority is expressly stipulated in the Terms of Reference ("TOR") of the respective Board Committees. The TOR are also reviewed periodically to ensure effective and efficient decision making in the Group. Additionally, the Board Committees act as oversight committees, evaluating and recommending matters under their purview for the Board to consider and approve.

The Board receives updates from the respective Chairmen/representatives of the Board Audit Committee, Board Risk Committee and Board Nominating & Remuneration Committee on matters that require specific mention that have been deliberated on and considered at the meetings of the Board Committees. This practice also applies to other entities within the Group.

Board Nominating & Remuneration Committee

The key objectives of the Board Nominating & Remuneration Committee (“BNRC”) are as follows:

- Review and assess the appointment/re-appointments of Directors, Board Committee members, Shariah Committee and key Senior Management officers for recommendation to the Boards.
- Advise the Boards on optimal size and mix of skills of Boards.
- Provide oversight and direction on HR matters and operations, and recommend to the Boards for approval of remuneration and human resource strategies.

The BNRC comprises five NEDs, of whom three are INEDs and two are NINEDs, representing the respective entities within the Group. The BNRC met 13 times during the financial year 2015. The composition of the BNRC and the attendance of the members at meetings held in 2015 are as follows:

BNRC Members	Attendance at Meetings
YBhg Datuk Haji Faisal Siraj (INED/Chairman)	13/13 (100%)
Mr Choong Tuck Oon (INED)*	6/7 (86%)
YBhg Tan Sri Azlan Zainol (NINED)#	7/8 (88%)
YBhg Datuk Seri Saw Choo Boon (INED)	13/13 (100%)
YBhg Tan Sri Dato’ Teo Chiang Liang (INED)	11/13 (85%)
Tuan Haji Md Ja’far Abdul Carrim (NINED)	12/13 (92%)

Notes:

- * Resigned with effect from 1 June 2015.
- # Appointed with effect from 13 April 2015.

Board Risk Committee

In ensuring that a robust system of risk management and internal control are in place to ensure good corporate governance and safeguard shareholders’ investments as well as the Company’s and the Group’s assets, the Board Risk Committee (“BRC”) provides oversight and governance of risks for the Group.

The BRC is also tasked with overseeing the Senior Management’s risk management activities, ensuring that the risk management process in each of the Group’s entities is in place and functions in accordance with a risk-return performance management framework. Furthermore, the BRC supports and leads the Senior Management in driving the Risk Culture and Risk Ownership in the Group.

The BRC’s other duties and functions, among others, include the following:

- To provide oversight to ensure that the Group’s risk management framework, processes, organisation and systems are functioning

commensurate with its nature, scale, complexity of activities and risk appetite.

- To deliberate and assess the nature and materiality of risk exposures, potential risks and impact on capital and the Group’s sustainability.
- To review and approve proposed changes to Delegated Lending (Financing) Authorities/Discretionary Powers/Powers of Attorney, limits for business and operations.
- To review and approve changes to policies and frameworks (excluding HR-related policies and framework), risk methodologies/models and other significant risk management matters, in line with the approved risk strategy.
- To review and approve new/existing products with material variations in product features.

STATEMENT ON CORPORATE GOVERNANCE (continued)

The BRC comprises six NEDs, of whom five are INEDs and one is a NINED, representing the respective entities within the Group. The BRC met 17 times during the financial year 2015. The composition of the BRC and the attendance of the members at meetings held in 2015 are as follows:

BRC Members	Attendance at Meetings
Tuan Haji Khairuddin Ahmad (INED/Chairman)	16/17 (94%)
Mr Patrick Chin Yoke Chung (INED)	15/17 (88%)
Tuan Haji Md Ja'far Abdul Carrim (NINED)	17/17 (100%)
YBhg Datuk Seri Saw Choo Boon (INED)	17/17 (100%)
Mr Choong Tuck Oon (INED)*	6/9 (67%)
Mr Chin Yoong Kheong (INED)#	8/8 (100%)
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (INED)^	1/1 (100%)

Notes:

* Resigned with effect from 1 June 2015.

Newly appointed with effect from 1 June 2015.

^ Newly appointed with effect from 1 December 2015.

Pursuant to the Group's current governance framework, RHB Islamic Bank Berhad ("RHB Islamic Bank") has adopted the BRC while maintaining a dedicated Risk Management Committee to provide oversight on risk matters which specifically relates to Islamic banking activities.

Board Committees that Reside At RHB Bank Level

In addition to the above, the following centralised Board Committees (which reside at RHB Bank level) assist the Boards and Management in governing the business activities and operations of RHB Capital's major operating subsidiaries:

Board Audit Committee

The Board Audit Committee ("BAC") comprises four INEDs who represent the Group's major operating subsidiaries. The BAC provides independent oversight of RHB Banking Group's financial reporting and internal control system, ensuring checks and balances for entities within the Group, excluding RHB Capital. The BAC continuously reinforces the independence of the external auditors and provides a line of communication between the Board and the external auditors.

The BAC also emphasises the internal audit function by increasing the objectivity and independence of the internal auditors and provides a forum for discussion that is, among others, independent

of the Management. Additionally, the BAC reviews the quality of the audits conducted by internal and external auditors as well as the Group's financial condition and performance. This enhances the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

The composition of the BAC and the attendance of the members together with the TOR and activities of the BAC during the financial year are set out in the BAC Report in this Annual Report.

Board Credit Committee

The Board Credit Committee ("BCC") comprises six NEDs, of whom four are INEDs and two are NINEDs representing the respective banking entities within the Group. The BCC supports the relevant Boards in affirming, vetoing or including additional conditions on all types of credit applications (including under stock/futures broking) and all types of underwriting applications for amounts above the defined thresholds of the Group Credit Committee and/or the Group Investment & Underwriting Committee. It also endorses and recommends write-offs as well as approves all policy loans/financing and loans/financing which are required by BNM to be approved by the respective Boards.

The BCC met 37 times during the financial year 2015. The composition of the BCC and the attendance of the members at meetings held in 2015 are as follows:

BCC Members	Attendance at Meetings
YBhg Dato' Mohamed Khadar Merican (NINED/Chairman)	34/37 (92%)
Tuan Haji Khairuddin Ahmad (INED)	33/37 (89%)
Encik Abdul Aziz Peru Mohamed (INED)	34/37 (92%)
Mr Patrick Chin Yoke Chung (INED)	33/37 (89%)
Tuan Haji Md Ja'far Abdul Carrim (NINED)	35/37 (95%)
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (INED) [#]	1/2 (50%)

Note:

[#] Newly appointed with effect from 1 December 2015.

Board Technology Committee

The Board Technology Committee ("BTC") comprises three INEDs. The BTC guides the Boards on the Group's overall technology strategies and policies. The BTC reviews and advises the Boards on strategic and major technology investments and projects above approving authority at Group Management Committee ("GMC") level.

The BTC met 8 times during the financial year 2015. The composition of the BTC and the attendance of the members at meetings held in 2015 are as follows:

BTC Members	Attendance at Meetings
Mr Chin Yoong Kheong (INED/Chairman) [#]	3/3 (100%)
Mr Ong Seng Pheow (INED)	8/8 (100%)
Mr Charles Lew Foon Keong (INED)	6/8 (75%)
Mr Choong Tuck Oon (INED) [*]	4/4 (100%)
YBhg Dato' Mohd Ali Mohd Tahir (INED) [^]	4/5 (80%)
YBhg Dato' Khairussaleh Ramli (NIED) [^]	5/5 (100%)
Mr Kellee Kam Chee Khiong (NIED) ⁺	-

Notes:

^{*} Resigned with effect from 1 June 2015.

[#] Newly appointed with effect from 29 June 2015.

[^] Resigned with effect from 29 June 2015.

⁺ Resigned with effect from 4 May 2015.

STATEMENT ON CORPORATE GOVERNANCE (continued)

Corporate Website

In February 2015, the Company launched its revamped corporate website (www.rhbgroup.com) to meet the evolving expectations of customers and other stakeholders while reinforcing the Group's brand and image. The corporate section on the Company's website, which provides all relevant information on RHB Bank is publicly accessible.

UPHOLDING INTEGRITY

Compliance with Financial Reporting Standards

The Annual Audited Financial Statements and quarterly reports affecting the Company provide shareholder with a clear, balanced and meaningful assessment of the Company's financial performance, position and future prospects.

Relationship with Internal and External Auditors

Internal audit

The Group Internal Audit ("GIA"), led by the Group Chief Internal Auditor, reports the results of its audits directly to the BAC. The GIA is guided by the Group Internal Audit Charter and regularly reviews and reports on the adequacy and effectiveness of the Group's risk management, internal control and governance processes. It also undertakes an independent assessment of the Company's internal control systems to assure that deficiencies or issues are promptly resolved by the Management. This is based on the annual audit plan approved by the BAC.

Any recommendations by the auditors are followed-up and reviewed by the Management via the various Management Audit Committees established within the Group. External auditors also assist the Group internal auditors in resolving any control issues as raised by them to ensure that all issues are duly acted on by the Management. Further details of the activities of the GIA function are set out in the Statement on Risk Management & Internal Control of this Annual Report.

The Group's current Internal Audit Charter is up-to-date and in line with the latest regulatory requirements as well as the International Standards for the Professional Practice of Internal Auditing.

Assessment of external auditors

The BAC undertakes an assessment of the suitability and independence of the external auditors, Messrs PricewaterhouseCoopers, based on qualifying criteria for the

appointment of auditors and terms of audit engagements in accordance with BNM's Guidelines – "External Auditor" – dated 29 August 2014. In addition, the performance of the external auditors is assessed through a survey sent to Management requesting feedback and comments on their dealings with Messrs PricewaterhouseCoopers throughout the financial reporting year.

The survey assesses quality of audit work, coordination during planning and execution of audit work, technical accounting and business knowledge, timeliness, relationship management and staff continuity. Having satisfied itself with their performance and fulfilment of criteria as set out in BNM's Guidelines, the BAC will recommend the re-appointment of the external auditors to the Board, upon which the shareholder's approval will be sought at the AGM.

RHB Banking Group has established the Group Policy on Non-Audit Fees Paid/Payable to External Auditors ("Policy"). The BAC reviews the non-audit services rendered by the external auditors and the related fees prior to the approval of the services. A report on non-audit fees is also presented to the BAC on a quarterly basis. This is to ensure the independence of the external auditors and their compliance with the Policy and terms of all relevant professional and regulatory requirements when rendering their audit and non-audit services. The external auditors are also required to declare/confirm their independence for all non-audit engagements undertaken.

Group Whistle Blower Policy

The Group Whistle Blower Policy, established in 2004 and revised and updated in 2014, serves to strengthen its controls and governance, enabling employees to report suspected fraud, corruption, dishonest practices or other similar circumstances. This policy encourages reporting of such matters in good faith, with the confidentiality of the person making such reports protected from reprisal in the best possible manner.

For the current year under review, three complaints pursuant to the Group Whistle Blower Policy were received, investigated and pursued. All reports or complaints are filed with the Designated Recipient as specified in the Group Whistle Blower Policy. The Group Whistle Blower Policy is available on the Group's internal portal for the reference of the Group's staff.

Code of Ethics

The Board is committed to inculcating a corporate culture which engenders ethical conduct throughout the Company and the Group. The Board has thus adopted a Code of Ethics and Business Conduct

for Directors (“Code of Ethics”) to enhance the standard of corporate governance, establish uniform ethical standards and promote ethical conduct for Directors in line with governing laws, regulations and guidelines. The Code of Ethics includes principles relating to general standard of conduct, conflict of interest, insider trading, maintaining confidentiality, use of corporate assets, etc.

The Group has also implemented a Group Code of Ethics and Conduct (“Code”) for its employees to ensure a high standard of ethical and professional conduct in performing their duties and responsibilities. The said Code establishes the standards that govern the way employees deal with each other, our shareholders, customers, suppliers, competitors and the community. Within this framework, employees are expected to exercise good judgement and be accountable for their actions. Compliance with the Code is part of the terms and conditions of employment for every employee. The Code is currently under revision to incorporate current best practices and to be in line with the industry standard.

Group Gifts & Hospitality Guidelines

The Group had, in November 2014, established Group Gifts & Hospitality Guidelines to promote integrity and transparency. The Guidelines complement the existing Group Code of Ethics and Conduct for Employees and are benchmarked against best practices for giving and receiving gifts as well as transparency and openness about gifting. This is also part of the overall anti-bribery and corruption initiative currently pursued by the Group.

Corporate Responsibility

The foundation of the Corporate Responsibility (“CR”) is premised on the four quadrants of Community, Environment, Workplace and Marketplace. The Group’s established CR strategic framework has supported and created value for the Group’s business, operations and brand, as well as contributed positively to the Group’s shareholders, customers, employees and society at large. The framework was introduced with the intention of translating its defined values into a governing policy that addresses the Group’s CR and sustainability reporting which incorporates the Economic, Environmental and Social, the Triple Bottom Line (TBL).

The framework will ensure that TBL factors are integrated into the Group’s daily business practices to promote its sustainability. Sustainability is defined as conducting business responsibly and ethically by factoring in economic, environmental and social considerations in the decision-making process for long-term business success that, in turn, will contribute to the socioeconomic

development of the communities in which the Group operates. As such, the Group embarks on activities that conserve the environment, enrich the lives of communities, and promote a culture of respect and care for its workforce and the public, all of which appropriately implement good governance.

The Board also acknowledges that a sustainable approach to investing is vital to the interests of long-term investors and positively impacts the value of investments. The Board further recognises that the Group’s ability to prosper hinges substantially on its ability to make business decisions that uphold economic, social and environmental responsibilities by which the stakeholders and society can hold the Group accountable. In this way, the Company can combine its economic success with environmental protection and social investment. Therefore, TBL factors are of the utmost importance in the Board’s decision making to maintain responsible corporate citizenship.

ADDITIONAL COMPLIANCE INFORMATION

Related Party Transactions

The Group has put in place a Policy on Related Party Transaction Review Process since 2004 (revised and updated in 2011, 2012 and 2015, respectively), which guides the review and reporting of all related party transactions. Under this policy, all related party transactions are reviewed by GIA and Group Legal before any submission is made to the BAC for deliberation.

COMPLIANCE STATEMENT

In carrying out its fiduciary duties, the Board of Directors (“Board”) of RHB Bank is pleased to disclose that the Company for the financial year ended 31 December 2015 has satisfied the following:

- The Company’s financial statements have been prepared in compliance with the approved accounting standards and disclosure requirements set out in the Companies Act 1965.
- All material aspects of the principles stipulated by Bank Negara Malaysia’s (Central Bank of Malaysia) Guidelines on Corporate Governance for Licensed Institutions (“BNM CG Guidelines”) have been complied with.

This Corporate Governance Statement and the disclosures in this report have been approved by the Board on 26 April 2016.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

BOARD'S RESPONSIBILITY

THE BOARD OF DIRECTORS (“BOARD”) ACKNOWLEDGES ITS OVERALL RESPONSIBILITY FOR ESTABLISHING RHB BANK BERHAD (“RHB BANK”)’S RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM. RHB BANK HAS PUT IN PLACE A RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM THAT ARE DESIGNED TO MANAGE RISKS ACCORDING TO THE RISK APPETITE APPROVED BY THE BOARD RATHER THAN TOTAL ELIMINATION OF RISKS TO ACHIEVE THE BANK’S GOALS AND OBJECTIVES. THE SYSTEM CAN THEREFORE ONLY PROVIDE REASONABLE AND NOT ABSOLUTE ASSURANCE AGAINST MATERIAL FINANCIAL MISSTATEMENT, LOSS OR FRAUD.

The Board’s responsibility includes reviewing the adequacy and effectiveness of the risk management and internal control system in safeguarding shareholders’ investments and RHB Bank’s assets. The Board is assisted by the Board Risk Committee and Board Audit Committee in assessing the adequacy and effectiveness of RHB Bank’s risk management and internal control system.

The Board is further assisted by the Management who is responsible for implementing RHB Bank’s policies and processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking timely corrective actions as required, and providing assurance to the Board that the processes have been carried out.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

A sound risk management and internal control system is fundamental to good corporate governance. The key elements of RHB Bank’s risk management framework and internal control system encompass the following:

Risk Management Framework

The Group’s risk management framework governs the management of risks faced by the Group, inclusive of RHB Bank by providing a holistic overview of the risk and control environment of the Bank and setting out the strategic progression of risk management towards becoming a value creation enterprise.

The Group’s risk management framework approved by the Board includes an on-going process for identifying, evaluating, managing and reporting of significant risks faced by RHB Bank that may affect the achievement of the Bank’s business objectives and strategies. The main inherent risks in the business and operations include credit risk, market risk, interest rate risk in the banking book, liquidity risk, operational risk, reputational risk and Shariah non-compliance risk.

The risk management process within RHB Bank seeks to identify, measure, monitor and manage these risks so that the risk exposures are adequately dealt with while the expected returns sufficiently compensate the risks taken. This process is regularly reviewed by the Board through its Board Risk Committee (“BRC”) which provides oversight over the risk management activities for RHB Bank to ensure that the Bank’s risk management process is in place and functional, and appropriate measures are taken to mitigate any identified weaknesses in the control environment.

The BRC assists the Board to review RHB Bank’s overall risk management philosophy, frameworks, policies and models. In discharging its overall duties and responsibilities, the BRC is supported by the Group Capital and Risk Committee (“GCRC”) and Group Risk & Credit Management function which monitor and evaluate the effectiveness of the Group’s risk management system on an ongoing basis.

The GCRC, comprising Senior Management of the Group and is chaired by the Group Managing Director, is responsible for the supervision of the management of enterprise risk and capital matters.

Group Risk & Credit Management function provides independent oversight on business activities and implements the Group Risk Management Framework in order to protect and safeguard the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Its responsibilities include implementation of the Group's risk policy and framework, daily risk measurement and monitoring, provision of timely risk analysis to Management, ensuring compliance to regulatory risk reporting requirements, overseeing group-wide credit evaluation and assessment as well as implementing a comprehensive enterprise-wide risk governance framework and a robust risk management infrastructure.

In line with regulatory requirements and industry best practices, the Group subscribes to the principle that risk management is a core responsibility of the respective businesses and operating units. This has been articulated and documented in the risk management framework of the Group.

To support and promote accountability and ownership of risk management, Risk and Control Self-Assessment ("RCSA") guideline has been implemented in business and functional units within the Group as part of the risk management process. These business and functional units are required to identify and document the controls and processes for managing the risks arising from their business activities, as well as to assess the effectiveness thereof to ensure that the risks identified are adequately managed and mitigated. On completion of the RCSA exercise, all business and functional units within the Group are required to submit their respective results to Group Operational Risk Management for review prior to tabling the RCSA results to the GCRC for deliberation and further action when necessary.

An Internal Capital Adequacy Assessment Process ("ICAAP") has also been implemented to ensure that all material risks are identified, measured and reported, and that adequate capital levels consistent with the risk profiles including capital buffers are maintained to support the Group's current and projected demand for capital under existing and stressed conditions.

Amongst the other committees set up in the Group to manage specific areas of risk are the Group Asset and Liability Committee, Group Credit Committee, Board Credit Committee and Board Technology Committee.

Control Environment and Control Activities

Organisation Structure

The Group has a clear organisational structure with well-defined accountabilities and responsibilities, and lines of reporting. The organisational structure provides the basic framework to help the Group's operations proceed smoothly and functionally as well as depicting the span of control in ensuring proper supervision, coordination and a sense of accountability among the employees.

Board Committees

The Board has delegated certain responsibilities to the Board Committees established in the Group, namely the Board Nominating & Remuneration Committee, Board Risk Committee, Board Credit Committee, Board Technology Committee and Board Audit Committee.

These committees have oversight authority to examine and/or consider all matters within their scope of responsibility as defined in their respective formalised terms of references and to report to the Board with their recommendations.

Group Management Committee

The Group Management Committee ("GMC") comprises the Group Managing Director as the Chairman, the Chief Executive Officers/ Managing Directors of the relevant key operating subsidiaries and the key Senior Management of the Group. The GMC provides a forum for the Group's Senior Management to discuss and deliberate strategic matters that impact the Group's vision, strategic direction, business synergies and brand value as well as to chart its strategic roadmap. The GMC meets regularly and the minutes of meetings are tabled to the Board of RHB Capital Berhad.

Internal Policies and Procedures

Policies, procedures and processes governing the Group's businesses and operations are documented and are made available to employees across the Group through the Group's intranet portal. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured process of review to cater to changes in laws and regulations as well as changes to the business and operational environment. Furthermore, reviews of the policies, procedures and processes are also carried out to ensure that appropriate controls are in place to manage risks inherent to the business and operations.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (continued)

Information Technology (IT) Security

The objectives of the Group's IT security encompass the protection of programs, data, information stored and facilities of the computerised data processing system from unauthorised access and use, loss or destruction as well as reliability and continuous availability of the computerised data processing systems.

IT security protects information from a wide range of threats as well as safeguards the confidentiality, integrity and availability of information. IT security in the Group is achieved through the implementation of a suitable set of controls which includes policies, standards, procedures, guidelines, organisational structures and software control functions.

It is the policy of the Group that while information assets of various forms and computer equipment should be provided to enable employees of the Group and relevant third parties to satisfactorily complete their duties, these assets should be subjected to adequate controls to protect them from accidental or intentional loss, unauthorised access, unauthorised modification, unauthorised manipulation or unauthorised disclosure. Controls implemented should be appropriate to the value of the asset and its risk exposure.

Authority Limits

The Board has approved the Group Manual of Authority ("MOA") which defines the approving authority with its approving limits delegated to the various levels of Management in the Group to ensure accountability and responsibility. The Group MOA is reviewed periodically and updated in line with changes in the organisation structure, business environment or operational needs.

Budgeting Process

A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets and business plans annually for approval by the respective Boards. RHB Bank's budget and business plans as well as strategic initiatives, taking into account the risk appetite, were deliberated at the Board where the budget was presented.

A reporting system on actual performance against the approved budgets is in place and the reasons for significant variances as well as action plans by Management are reported to the Board.

Business Continuity Management

The Group recognises and is fully committed to the need to provide continuous critical services to its customers, ensure the safety of its employees, protect its assets/data and safeguard the interest of its key stakeholders that collectively ensure the viability of the organisation. The Group's Business Continuity Management ("BCM") Programme is based on good business continuity practices and guidelines which are in line with the Bank Negara Malaysia and internationally recognised standards.

The Board has an oversight function on the Group's BCM readiness through the BRC and GCRC. The Group Business Continuity Steering Committee is the management committee established to oversee the Group's business continuity framework, policies, budget and plans, and reports to GCRC.

The Group has on-going and actively managed BCM programmes, which include effective crisis management to deal with real crisis. The BCP Programmes are subject to regular testing/exercising to ensure their efficacy, reliability and functionality. Simulation exercise and drills are conducted to familiarise and equip staff with the skills and techniques required to identify, assess, respond and cope with a serious situation.

Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT")

The AML/CFT Programme is continuously reviewed and updated to meet the regulatory requirements as well as to combat money laundering and financing of terrorism activities. All employees are expected to carry out their functions with the highest ethical and professional standards in accordance with the AML/CFT Programme and to be continuously vigilant against RHB Bank being exposed or used to launder money or finance illegal activities including terrorist financing.

Human Capital Management

The Group acknowledges that one of the key constituents of any internal control system is its people and that our system of risk management and internal control is dependent on the responsibility, integrity and judgement that people apply to their work. Hence, the Group has in place policies and procedures that govern recruitment, appointment, performance management, compensation and reward as well as policies and procedures that govern discipline, termination and dismissal.

For sustainable growth, the Group also places emphasis on human capital development, talent management and succession planning. To enhance staff competencies, structured and technical training as well as management and leadership skills are provided to staff based on their identified needs during the annual performance assessment. For talent management, initiatives such as Leadership Development Programme, Individual Development Plan and mentoring are implemented to develop identified talents in the Group to facilitate the supply for future leadership demands.

Group Code of Ethics and Conduct

The Group Code of Ethics and Conduct (“the Code”) sets out the standards of good and ethical banking practices, as well as aims to maintain confidence in the security and integrity of the Group’s business practices. It is a requirement that all employees of the Group understand and observe the Code. New recruits are briefed on the Code and are required to sign the Employee Declaration of Compliance Form upon joining the Group.

The Group has also established the Gifts and Hospitality Guidelines which set the standards of conduct that are associated with ethical business practice and are designed to help the Group and its employees understand respective parties’ obligations in upholding corporate integrity.

Information and Communication

Performance Review

Regular and comprehensive information is provided by Management to monitor its performance against the strategic business plan approved by the Board. This information covers all key financial and operational indicators as well as key strategic initiatives undertaken by RHB Bank during the year.

The Group Management Committee and the Board receive and review RHB Bank’s monthly financial performance against set targets and measures that are being put in place to meet such targets.

Group Whistle Blower Policy

There is an established process for reporting anyone found to be abusing or circumventing processes and controls of the Group. All staff are accorded the opportunity to report via the whistle-blowing mechanism with the assurance that the report will be dealt with confidentially and that the reporter’s identity will be protected.

Incident Management Reporting

To complement the Group’s system of internal control, a comprehensive incident management reporting system has been implemented to ensure proper escalation and management of incidents. The incident management reporting system also ensures that all incidences with material risk and losses are escalated promptly to Senior Management and the Board with necessary steps taken to mitigate any potential risks that may arise. This enables decision makers to undertake informed decision making and be kept up to date on situations as well as manage risks effectively.

Monitoring

Group Compliance

Compliance is the collective responsibility of the Board, Senior Management and every employee of the Group. Hence, it is expected that each individual promotes self-regulation and is accountable for his/her own activities as well as maintains ethical principles and behaviour in everything that he/she does.

To manage compliance risk, the compliance lifecycle involves identifying the scope of compliance obligations, determining the compliance risk, conducting gap analysis to determine the state of compliance and proposing recommendations to address the compliance gaps and emplacing monitoring process to ensure compliance including periodically conducting compliance testing on key compliance risk areas.

To enable business and operating units to comply with various laws and regulations, Group Compliance also conducts off-site surveillance and reviews on a regular basis. Weaknesses noted are conveyed to the respective business and operating units so that immediate corrective actions can be taken.

Group Compliance provides monthly Compliance Assurance Report to the respective Boards based on their compliance and gap reviews. In addition, the Board is apprised on a quarterly basis on the extent of the Group’s compliance with regulatory requirements and the actions taken to address any shortcomings.

To mitigate non-compliance risk, briefings as well as various awareness and learning initiatives were conducted throughout the year to heighten awareness of compliance and to embed a compliance culture within the Group.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (continued)

Shariah Compliance

In line with the Guidelines on Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia, the Management is responsible for observing and implementing the respective Shariah rulings and decisions.

The Shariah Framework has also been put in place which encompasses the concept of Shariah, Islamic financial business, governance and reporting structures, roles and responsibilities, Shariah compliance strategy and Shariah approval procedures.

In mitigating Shariah non-compliance risk, various briefings aimed at creating awareness as well as learning programmes were conducted throughout the year to ensure compliance with Shariah principles.

Internal Audit

The Group has an in-house internal audit function which reports to the Group Board Audit Committee (“Group BAC”) of RHB Capital Berhad and the BAC of the RHB Banking Group (which undertakes the functions of the Audit Committee of the major operating entities within the Group, such as RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad).

Group Internal Audit (“GIA”) performs regular reviews of the Group’s operations and systems of internal control and evaluates the adequacy and effectiveness of the controls, risk management and governance processes implemented by Management. GIA adopts a risk-based approach in determining the auditable units and frequency of audits. The annual audit plan for RHB Banking Group is reviewed and approved by the BAC.

Management Audit Committees (“MAC”) are established at the key operating subsidiaries within the Group to ensure timely rectification of any audit findings and control lapses highlighted by the internal and external auditors, and regulators. RHB Bank’s MAC comprising senior level representatives from different business/functional groups is chaired by the Group Chief Financial Officer. The minutes of meetings of the MACs together with the relevant audit reports are subsequently tabled to the BAC for information, deliberation and direction for further action where required.

The Group BAC and BAC hold scheduled meetings to deliberate on the findings and recommendations for improvement highlighted by both the internal and external auditors as well as the regulatory authorities on the state of the Group’s internal control system. The minutes of the meetings of the Group BAC/BAC are then tabled to the respective Boards with the highlights of these meetings being presented by the Chairman or representative of Group BAC/BAC.

Further details of the activities undertaken by the BAC are set out in the BAC Report.

CONCLUSION

The Board has received assurance from RHB Bank’s Managing Director and Group Chief Financial Officer as well as the Group Chief Risk Officer that the Bank’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Bank. The Board also receives monthly updates on key risk management and internal control matters through its Board Risk Committee and Board Audit Committee as well as compliance assurance from the Group Compliance function.

Based on the assurance received from Management and updates from its Board Committees, the Board is of the view that RHB Bank’s risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this statement.

BOARD AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

During the financial year ended 31 December 2015 (“year”), a total of eighteen (18) Board Audit Committee (“BAC”) meetings were held. The BAC comprises the following members and the details of attendance of each member at the BAC meetings held during the year are as follows:

Composition of the BAC	Attendance at Meetings
1. Ong Seng Pheow (Chairman/Independent Non-Executive Director)	18/18 (100%)
2. Dato’ Othman Jusoh (Member/Independent Non-Executive Director)	18/18 (100%)
3. Datuk Seri Saw Choo Boon (Member/Independent Non-Executive Director)	18/18 (100%)
4. Datuk Haji Faisal Siraj (Member/Independent Non-Executive Director)	18/18 (100%)

SUMMARY OF BAC’S TERMS OF REFERENCE

The BAC’s objectives, authority, duties and responsibilities, reporting, composition, frequency of meetings and secretariat are defined in its Terms of Reference. A summary of the BAC’s Terms of Reference is outlined below:

Authority

The BAC is authorised by the respective Boards to:

1. Investigate any matter within its terms of reference.
2. Have direct communication channels with the external and internal auditors.
3. Obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend meetings, if it considers this necessary.
4. Provide a written confirmation to Bank Negara Malaysia (“BNM”) that the banking entities comply with BNM’s requirements on financial reporting.

Composition

1. The membership of the BAC including the position of Chairman shall be approved by the respective Boards and shall comprise at least three (3) members and there should be a fair representation on the BAC from each entity within the Group. All BAC members should be non-executive directors with majority of whom are independent directors.
2. The Chairman of the BAC shall be an independent non-executive director.
3. No alternate director shall be appointed as a member of the BAC.
4. All members of the BAC shall be financially literate and at least one member shall be a member of an accounting association or body.

BOARD AUDIT COMMITTEE REPORT (continued)

Duties and Responsibilities

The key duties and responsibilities of the BAC are summarised as follows:

1. To review the adequacy of the scope, functions and resources of the internal audit function, Internal Audit Charter and that it has the necessary authority to carry out its work.
2. To review and approve the internal audit plan and the results of the internal audit programme or investigation undertaken and whether appropriate action is taken by Management on the recommendations of the internal auditors.
3. To ensure that all findings and recommendations are resolved effectively and in a timely manner.
4. To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of Management, where necessary.
5. To recommend to the Board on the appointment and the annual reappointment of the external auditors and their audit fees, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit as well as the resignation of auditors.
6. To review the quarterly results and year-end financial statements of the respective entities before recommending to the respective Boards for approval, focusing particularly on changes in or implementation of new accounting policies and practices, significant and unusual events and compliance with applicable financial reporting standards and other legal and regulatory requirements.
7. To review any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
8. To review the minutes of meetings of other audit committees within the Group to the extent permitted by the relevant regulatory authorities and be satisfied that all matters arising therefrom are being appropriately addressed by these other audit committees.
9. To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.

Meetings

1. Meetings shall be held at least once a month or when necessary with a minimum quorum of three (3) members and the majority of members present shall be independent non-executive directors.
2. The head of internal audit and the Group Chief Financial Officer shall be in attendance at the BAC meetings. The BAC may invite the external auditors, the Managing Director/Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, any other directors or members of the Management and employees of the Group to be in attendance during meetings to assist in its deliberations.
3. At least twice a year, the BAC shall meet with the external auditors without the presence of the Management or any executive board members, and upon the request of the external auditors, the Chairman of the BAC shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the respective Boards or shareholders.

SUMMARY OF BAC'S ACTIVITIES

The main activities undertaken by the BAC during the year are summarised as follows:

Financial Reporting

1. Reviewed the quarterly unaudited financial results and the annual audited financial statements of RHB Bank before recommending them for approval by the Board. The review process encompassed the following:
 - a. Reviewed on any changes in accounting policy or treatment and adoption of new accounting standards, and its impact to the financial statements.
 - b. Reviewed the highlights on the performance of various business sectors contributing to the financial performance of RHB Bank and the main factors impacting the Bank's operating expenses and costs.
 - c. Reviewed the financial statements for any material changes between the current and preceding or corresponding quarter/year as well as any items that may appear uncorrelated.

Internal Audit

2. Reviewed and approved the annual internal audit plan for 2016 in November 2015 to ensure adequacy of scope and coverage of the auditable areas identified from the audit universe based on Group Internal Audit's risk assessment methodology.
3. Reviewed the staffing needs of Group Internal Audit including the skill-sets and core competencies of the internal auditors required to support the internal audit function.
4. Reviewed the audit activities for the year covering the planned audit assignments, ad-hoc audit projects such as requests from regulators and Management, and investigations, review of policy, process and procedures, and IT project participation.
5. Reviewed and deliberated on the internal audit reports, audit recommendations and Management's responses to these recommendations as well as the timely actions taken by Management to improve the system of internal controls and its processes on the areas highlighted.
6. Reviewed the inspection and examination reports issued by the regulatory authorities and the appropriate remedial actions taken by Management in respect of any findings to satisfy itself that all matters highlighted in these reports had been adequately and promptly addressed by Management.
7. Reviewed the effectiveness of the internal audit function and assessed the performance of Group Internal Audit.

External Audit

8. Reviewed the audit plan of the external auditors, the audit strategy, risk assessment and areas of audit emphasis for the year.
9. Reviewed with the external auditors, the results of their annual audit and the Audit Committee Report together with the Management's response to their findings and recommendations.
10. Met twice with the external auditors without the presence of Management to discuss issues of concern to the auditors arising from their annual statutory audit or their limited review of RHB Bank's unaudited financial results for the half year period.
11. Reviewed on a quarterly basis, the non-audit services rendered by the external auditors and the related fees taking into consideration the fees threshold established under the Group policy to ensure that the external auditors' independence and objectivity are not compromised.
12. Evaluated the performance of the external auditors based on the results of assessment of their work by the relevant staff in the Group covering the categories of people, meeting objectives, responsiveness, knowledge of business, adding value and communications before making recommendations in relation to their appointment to the Board for consideration.

Related Party Transactions

13. Reviewed the reports of related party transactions on a quarterly basis covering the nature and amount of the transactions including any conflict of interest situation in ensuring proper reporting and disclosures in accordance with the regulatory requirements.

BOARD AUDIT COMMITTEE REPORT (continued)

TRAINING

During the year, the BAC members have attended the following training programmes, conferences and seminars to enhance their knowledge in order to efficiently discharge their duties as directors and members of the BAC:

Name of Director	Training Programme Attended	Training Scope & Description
<ul style="list-style-type: none"> • Ong Seng Pheow 	1. GST Training (5 February 2015)	<ul style="list-style-type: none"> • Understanding Goods and Services Tax in Malaysia • Opportunity and challenges in tax strategy
	2. Briefing by Finance Department on Financial Statements (16 March 2015)	<ul style="list-style-type: none"> • Latest updates on Financial Standards • FRS 139
	3. PNB Investment Institute Sdn Bhd - Predicting Financial Crime: Detection, Prevention & Remediation (1 April 2015)	<ul style="list-style-type: none"> • Financial Crime & Financial Fraud • Consequences of Financial Crime & Financial Fraud • Financial Fraud Red Flags • Detection, Prevention & Remediation • Building A Fraud Proof Culture
	4. FIDE Forum 3rd Board Leadership Series – Impact of the New Accounting Standard on Banks & What Directors Should Be Aware of (5 June 2015)	<ul style="list-style-type: none"> • Reclassification of assets & liabilities • Revenue recognition • Latest Accounting standard – adoption of IFRS 9
	5. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – “Financial Instruments” For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> • Overseas Tax • FATCA • MFRS 9
<ul style="list-style-type: none"> • Dato’ Othman Jusoh 	1. GST Training (5 February 2015)	<ul style="list-style-type: none"> • Understanding Goods and Services Tax in Malaysia • Opportunity and challenges in tax strategy
	2. Briefing on Charter Contracts (25 February 2015)	<ul style="list-style-type: none"> • Charter and Legal Requirements • Main Ingredients of Charter Contracts
	3. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – “Financial Instruments” For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> • Overseas Tax • FATCA • MFRS 9
	4. Capital Market Director Programme – Module 1 (10 August 2015) – Module 2A (11 August 2015) – Module 2B (12 August 2015) – Module 3 (13 August 2015) – Module 4 (14 August 2015)	<ul style="list-style-type: none"> • Capital Market in Malaysia • Good Corporate Governance • Stakeholders’ Management
	5. FIDE Forum 3rd Board Leadership Series: Impact of the New Accounting Standard on Banks & What Directors Should Be Aware of (5 June 2015)	<ul style="list-style-type: none"> • Reclassification of assets & liabilities • Revenue recognition • Latest Accounting standard – adoption of IFRS 9

Name of Director	Training Programme Attended	Training Scope & Description
<ul style="list-style-type: none"> • Datuk Seri Saw Choo Boon 	1. Briefing by Finance Department on Financial Statements (16 March 2015)	<ul style="list-style-type: none"> • Latest updates on Financial Standards • FRS 139
	2. Invitation from Bursa Malaysia Berhad – Risk Management & Internal Control: Workshops For Audit Committee Members (8 June 2015)	<ul style="list-style-type: none"> • Audit Committee • Relationship with Internal Audit • Good Risk Management & Internal Control
	3. CG Breakfast Series With Directors: “The Board’s Response In Light Of Rising Shareholder Engagements” (4 August 2015)	<ul style="list-style-type: none"> • Fiduciary Duty • Shareholders’ Needs • Good Corporate Governance Practices
	4. Directors CG Series: “Building Effective Finance Function – From Reporting to Analytic to Strategic Input” (10 August 2015)	<ul style="list-style-type: none"> • Financial Reporting Requirements • Opportunity and challenges in green investment strategy
	5. Cooking the Books – The Malaysian Recipe on Financial Fraud (10 September 2015)	<ul style="list-style-type: none"> • Ingredients for fraud • Types of financial fraud • Red flags on fraud
	6. Capital Market Director’s Training Programme (CMDP): Module 1 – 7 September 2015 Module 2A – 6 October 2015 Module 3 – 8 October 2015 Module 4 – 2 October 2015	<ul style="list-style-type: none"> • Capital Market in Malaysia • Good Corporate Governance
	7. Ethics Red Flags For Board of Directors (3 November 2015)	<ul style="list-style-type: none"> • Ethics & Governance • Conflicts of interest
<ul style="list-style-type: none"> • Datuk Haji Faisal Siraj 	1. GST Training (5 February 2015)	<ul style="list-style-type: none"> • Understanding Goods and Services Tax in Malaysia • Opportunity and challenges in tax strategy
	2. Briefing by Finance Department on Financial Statements (16 March 2015)	<ul style="list-style-type: none"> • Latest updates on Financial Standards • FRS 139
	3. FIDE Forum: Invitation to Industry Consultation Session (Directors’ Remuneration Study) (6 May 2015)	<ul style="list-style-type: none"> • Encourage development of world class directors • Attract and retain highly qualified directors • Promote board diversity • Improve board performance
	4. FIDE Forum’s Special Invite to “Board’s Strategic Leadership: Innovation & Growth in Uncertain Times” (21 May 2015)	<ul style="list-style-type: none"> • Innovative Products • High Risk, High Return Product • Compliance Cost
	5. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 - ‘Financial Instruments’ For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> • Overseas Tax • FATCA • MFRS 9

BOARD AUDIT COMMITTEE REPORT (continued)

INTERNAL AUDIT FUNCTION

The Group has an in-house group internal audit function (“Group Internal Audit”) which is guided by the Group Internal Audit Charter and the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. Group Internal Audit reports to the Group BAC of the RHB Capital Berhad and the BAC of RHB Banking Group, and its main function is to provide the Board with independent assurance that the Group’s risk management, internal control and governance processes are operating adequately and effectively.

The annual audit plan of RHB Banking Group is approved by the BAC for each financial year. Group Internal Audit continues to adopt a risk-based approach towards the planning and conduct of audits in ensuring that the audit resources are prioritised in line with the Group’s key risks and areas of focus which are identified based on Group Internal Audit’s risk assessment methodology.

Upon completion of the audits, all audit reports on the results of work undertaken together with the recommended action plans and their implementation status are then presented to the respective Management Audit Committees and the Board Audit Committee. Group Internal Audit closely monitors the implementation progress of its audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by Management.

Group Internal Audit also works closely with the external auditors to resolve any control issues raised by them to ensure that all reported issues are duly acted upon by Management via the respective Management Audit Committees of RHB Banking Group.

In addition to the planned audits, Group Internal Audit also performs investigations and special reviews as well as participate in system development activities to provide recommendations upfront on relevant system-built controls.

To ensure effectiveness of the internal audit function, the Group Chief Internal Auditor (“Group CIA”) has developed and maintained a quality assurance and improvement programme that covers all aspects of the internal audit activities. The quality assurance programme assesses the effectiveness of processes within the internal audit function and identifies opportunities for improvement through both internal and external assessments.

The internal assessment is performed according to the approved Quality Assurance Review (“QAR”) plan by an independent QAR team within Group Internal Audit and reports directly to the Group CIA while the external quality assessment is conducted by a qualified independent reviewer once every five years. The results of both internal and external assessment are tabled to the Board Audit Committee for deliberation and information.

FINANCIAL

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RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual financial statements of the Group and the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2015 and of the financial results and cash flows of the Group and the Bank for the financial year ended 31 December 2015.

The financial statements are prepared using a liquidation basis of accounting and the Directors have ensured that proper accounting records are kept, appropriate accounting policies are applied on a consistent basis and accounting estimates made are reasonable and fair so as to enable the preparation of the financial statements of the Group and the Bank with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group and the Bank to be properly safeguarded for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 210 of the financial statements.

DIRECTORS' REPORT

The Directors submit herewith their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic Banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

There have been no significant changes in these principal activities during the financial year.

FINANCIAL RESULTS

	Group	Bank
	RM'000	RM'000
Profit before taxation	2,065,720	1,558,642
Taxation	(528,356)	(429,362)
Net profit for the financial year	1,537,364	1,129,280

DIVIDENDS

The dividends paid by the Bank since 31 December 2014 was as follows:

	RM'000
In respect of the financial year ended 31 December 2014:	
– Single-tier 2nd interim dividend of 8.665 sen paid on 3 April 2015	583,272

The Directors have declared a single-tier interim dividend of 8.1634 sen amounting to RM565,000,000 in respect of the financial year ended 31 December 2015. The interim dividend was approved by the Board of Directors on 29 January 2016. Subject to relevant authority approval, the entire interim dividend will be recapitalised into the Bank to preserve its capital adequacy for business growth purposes.

The financial statements for the current financial year do not reflect the declared single-tier interim dividend. This dividend payment will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2016.

The Directors do not propose any final dividend in respect of the financial year ended 31 December 2015.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

DIRECTORS' REPORT (continued)

ISSUE OF SHARES

During the financial year, the Bank increased its issued and paid up share capital from RM3,365,486,335 to RM3,460,585,030 via the issuance of rights issue of 190,197,391 new ordinary shares of RM0.50 each at an issue price of RM2.30 per share, amounting to RM437,454,000 to preserve its capital adequacy for business growth purposes.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing shares of the Bank.

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that proper actions have been taken in relation to the writing off of bad debts and financing and the making of allowance for non-performing debts and financing, and satisfied themselves that all known bad debts and financing have been written off and adequate allowance had been made for non-performing debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for non-performing debts and financing in the financial statements of the Group and the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ensure that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Bank, had been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Bank misleading.

VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and the Bank which has arisen since the end of the financial year other than in the ordinary course of business.

DIRECTORS' REPORT (continued)

CONTINGENT AND OTHER LIABILITIES (CONTINUED)

No contingent or other liability of the Group and the Bank 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 the Bank to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Bank which would render any amount stated in the financial statements misleading or inappropriate.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group or the Bank for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 46 to the financial statements.

DIRECTORS

The Directors of the Bank in office since the date of the last report and at the date of this report are:

Tan Sri Azlan Zainol
 Haji Khairuddin Ahmad
 Ong Seng Pheow
 Abdul Aziz Peru Mohamed
 Dato' Mohamed Khadar Merican
 Tan Sri Ong Leong Huat @ Wong Joo Hwa
 Mohamed Ali Ismaeil Ali AlFahim
 Chin Yoong Kheong
 Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (appointed on 6 October 2015)
 Dato' Khairussaleh Ramli
 Choong Tuck Oon (resigned on 1 June 2015)

In accordance with Article 100 of the Bank's Articles of Association, Abdul Aziz Peru Mohamed and Dato' Khairussaleh Ramli retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Dato' Mohamed Khadar Merican who retires pursuant to Article 100 of the Bank's Articles of Association, has indicated his intention of not seeking re-election. He shall accordingly retire at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (continued)

DIRECTORS (CONTINUED)

In accordance with Article 104 of the Bank's Articles of Association, Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Ong Leong Huat @ Wong Joo Hwa will retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment as Director of the Bank to hold office until the next Annual General Meeting.

Haji Khairuddin Ahmad who retires pursuant to Section 129(6) of the Companies Act, 1965, has indicated his intention of not seeking re-election. He shall accordingly retire at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the Directors in office at the end of the financial year holding securities of the Bank and its related corporations are as follows:

	Number of ordinary share of RM1.00 each					As at 31.12.2015
	As at 1.1.2015	Rights Issue [^]	DRP ⁺	Bought	Sold	
Ultimate Holding Company						
RHB Capital Berhad						
Haji Khairuddin Ahmad						
– Indirect [*]	31,578	6,653	269	–	–	38,500
Dato' Mohamed Khadar Merican						
– Direct	65,312	12,202	516	–	–	78,030
Tan Sri Ong Leong Huat @ Wong Joo Hwa						
– Indirect [*]	1,100	3,970	–	19,030	–	24,100
– Indirect [#]	255,797,588	53,449,200	2,182,412	–	–	311,429,200

Notes:

* The interest is held through family member.

Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholding in OSK Holdings Berhad.

[^] Arising from acceptance of provisional allotment of rights issue pursuant to the renounceable rights issue on the basis of one (1) right share for every five (5) existing shares held.

⁺ The shares were acquired pursuant to the Dividend Reinvestment Plan ("DRP").

Other than the above, none of the other Directors holding office at the end of the financial year had any interest in the securities of the Bank or its related corporations during the financial year.

DIRECTORS' REPORT (continued)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 31 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiaries is a party, being arrangements with the object or objects of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard RHB Capital Berhad, a company incorporated in Malaysia, as the immediate and ultimate holding company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

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

TAN SRI AZLAN ZAINOL
CHAIRMAN

DATO' KHAIRUSSALEH RAMLI
MANAGING DIRECTOR

Kuala Lumpur
29 February 2016

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2015

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
ASSETS					
Cash and short-term funds	2	13,530,998	15,536,640	8,213,683	11,493,133
Securities purchased under resale agreements		175,872	376,418	165,153	320,480
Deposits and placements with banks and other financial institutions	3	1,456,536	2,045,284	9,782,274	7,737,974
Financial assets held-for-trading ('HFT')	4	626,676	2,043,302	606,428	1,691,414
Financial investments available-for-sale ('AFS')	5	21,325,551	15,783,001	18,166,278	13,313,563
Financial investments held-to-maturity ('HTM')	6	19,931,391	19,698,097	18,876,308	17,594,801
Loans, advances and financing	7	149,191,114	139,544,308	112,447,582	109,982,719
Other assets	8	2,238,362	1,071,882	2,222,829	1,157,823
Derivative assets	9	3,060,637	1,283,855	3,060,699	1,283,574
Statutory deposits	10	5,128,078	5,201,170	3,719,819	4,055,229
Tax recoverable		117,359	59,792	117,357	59,771
Deferred tax assets	11	74,117	9,956	62,139	–
Investment in subsidiaries	12	–	–	1,918,889	1,864,514
Property, plant and equipment	13	671,092	666,426	474,881	487,906
Goodwill and intangible assets	14	1,391,364	1,316,923	1,166,647	1,091,300
TOTAL ASSETS		218,919,147	204,637,054	181,000,966	172,134,201

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION (continued)

as at 31 December 2015

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	15	159,847,884	154,856,511	125,609,459	127,815,617
Deposits and placements of banks and other financial institutions	16	18,849,105	17,956,370	19,365,704	16,201,550
Obligations on securities sold under repurchase agreements	17	4,735,645	489,506	4,735,645	489,506
Bills and acceptances payable		487,604	476,322	482,056	467,486
Other liabilities	18	1,675,473	1,214,536	1,341,504	916,455
Derivative liabilities	9	2,977,154	1,193,538	2,997,719	1,214,797
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')	19	3,127,656	3,315,335	2,144,896	2,167,659
Tax liabilities		29,768	22,418	–	–
Deferred tax liabilities	11	5	40,818	–	40,814
Borrowings	20	575,718	669,892	575,718	669,892
Subordinated obligations	21	5,346,964	5,549,961	4,843,845	5,046,910
Hybrid Tier-I Capital Securities	22	606,870	606,529	606,870	606,529
Senior debt securities	23	3,451,380	2,810,655	3,451,380	2,810,655
TOTAL LIABILITIES		201,711,226	189,202,391	166,154,796	158,447,870
Share capital	24	3,460,585	3,365,486	3,460,585	3,365,486
Reserves	25	13,747,336	12,069,177	11,385,585	10,320,845
TOTAL EQUITY		17,207,921	15,434,663	14,846,170	13,686,331
TOTAL LIABILITIES AND EQUITY		218,919,147	204,637,054	181,000,966	172,134,201
COMMITMENTS AND CONTINGENCIES	39	184,409,979	131,915,311	178,724,173	127,828,020

The accompanying accounting policies and notes form an integral part of these financial statements.

INCOME STATEMENTS

for the financial year ended 31 December 2015

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Interest income	26	7,618,513	7,072,070	7,649,604	7,087,918
Interest expense	27	(4,353,059)	(3,829,750)	(4,310,068)	(3,798,343)
Net interest income		3,265,454	3,242,320	3,339,536	3,289,575
Other operating income	28	991,508	1,009,678	918,900	989,740
Net income from Islamic Banking business	29	4,256,962	4,251,998	4,258,436	4,279,315
		872,680	732,862	-	-
Other operating expenses	30	5,129,642	4,984,860	4,258,436	4,279,315
		(2,735,793)	(2,412,109)	(2,468,761)	(2,154,600)
Operating profit before allowances		2,393,849	2,572,751	1,789,675	2,124,715
Allowance for impairment on loans and financing	32	(337,764)	(243,282)	(240,668)	(233,502)
Impairment written back on other assets	33	9,635	125,603	9,635	124,805
Profit before taxation		2,065,720	2,455,072	1,558,642	2,016,018
Taxation	34	(528,356)	(588,402)	(429,362)	(499,473)
Net profit for the financial year		1,537,364	1,866,670	1,129,280	1,516,545
Earnings per share (sen):					
- Basic	35	22.37	28.06	16.43	22.80

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2015

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Net profit for the financial year		1,537,364	1,866,670	1,129,280	1,516,545
Other comprehensive income/(loss):					
Items that will be reclassified subsequently to profit or loss:					
– Foreign currency translation reserves:					
– Currency translation differences		500,346	116,002	239,123	53,809
– Net investment hedge		(43,332)	–	–	–
– Financial investments AFS:					
– Unrealised net (loss)/gain on revaluation		(37,834)	74,065	(29,068)	71,046
– Net transfer to income statements on disposal or impairment		(64,067)	(20,583)	(57,351)	(17,964)
Income tax relating to components of other comprehensive loss/(income)	36	26,599	(13,587)	23,673	(13,271)
Other comprehensive income, net of tax, for the financial year		381,712	155,897	176,377	93,620
Total comprehensive income for the financial year		1,919,076	2,022,567	1,305,657	1,610,165

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2015

Group	Note	Attributable to equity holders of the Bank							Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	Regulatory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2015		3,365,486	136,162	4,031,903	135,471	-	190,466	7,575,175	15,434,663
Net profit for the financial year		-	-	-	-	-	-	1,537,364	1,537,364
Foreign currency translation reserves:									
- Currency translation differences		-	-	-	500,346	-	-	-	500,346
- Net investment hedge		-	-	-	(43,332)	-	-	-	(43,332)
Financial investments AFS:									
- Unrealised net loss on revaluation		-	-	-	-	-	(37,834)	-	(37,834)
- Net transfer to income statements on disposal or impairment		-	-	-	-	-	(64,067)	-	(64,067)
Income tax relating to components of other comprehensive loss	36	-	-	-	-	-	26,599	-	26,599
Other comprehensive income/(loss), net of tax, for the financial year		-	-	-	457,014	-	(75,302)	-	381,712
Total comprehensive income/(loss) for the financial year		-	-	-	457,014	-	(75,302)	1,537,364	1,919,076
Disposal of a subsidiary	46(b)	-	-	-	(9,730)	-	-	9,730	-
Issuance of rights issue	24	95,099	342,355	-	-	-	-	-	437,454
Dividends paid	37	-	-	-	-	-	-	(583,272)	(583,272)
Transfer to statutory reserves		-	-	127,427	-	-	-	(127,427)	-
Transfer to regulatory reserves		-	-	-	-	549,517	-	(549,517)	-
Balance as at 31 December 2015		3,460,585	478,517	4,159,330	582,755	549,517	115,164	7,862,053	17,207,921
Balance as at 1 January 2014		3,318,085	8,563	3,919,746	19,469	-	150,571	5,995,662	13,412,096
Net profit for the financial year		-	-	-	-	-	-	1,866,670	1,866,670
Foreign currency translation reserves:									
- Currency translation differences		-	-	-	116,002	-	-	-	116,002
Financial investments AFS:									
- Unrealised net gain on revaluation		-	-	-	-	-	74,065	-	74,065
- Net transfer to income statements on disposal or impairment		-	-	-	-	-	(20,583)	-	(20,583)
Income tax relating to components of other comprehensive income	36	-	-	-	-	-	(13,587)	-	(13,587)
Other comprehensive income, net of tax, for the financial year		-	-	-	116,002	-	39,895	-	155,897
Total comprehensive income for the financial year		-	-	-	116,002	-	39,895	1,866,670	2,022,567
Issuance of rights issue	24	47,401	127,599	-	-	-	-	-	175,000
Dividends paid	37	-	-	-	-	-	-	(175,000)	(175,000)
Transfer to statutory reserves		-	-	112,157	-	-	-	(112,157)	-
Balance as at 31 December 2014		3,365,486	136,162	4,031,903	135,471	-	190,466	7,575,175	15,434,663

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (continued)

for the financial year ended 31 December 2015

Bank	Note	Non-Distributable					Distributable		Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	Regulatory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2015		3,365,486	136,162	3,478,138	109,350	-	219,930	6,377,265	13,686,331
Net profit for the financial year		-	-	-	-	-	-	1,129,280	1,129,280
Currency translation differences		-	-	-	239,123	-	-	-	239,123
Financial investments AFS:									
- Unrealised net loss on revaluation		-	-	-	-	-	(29,068)	-	(29,068)
- Net transfer to income statements on disposal or impairment		-	-	-	-	-	(57,351)	-	(57,351)
Income tax relating to components of other comprehensive loss	36	-	-	-	-	-	23,673	-	23,673
Other comprehensive income/(loss), net of tax, for the financial year		-	-	-	239,123	-	(62,746)	-	176,377
Total comprehensive income/(loss) for the financial year		-	-	-	239,123	-	(62,746)	1,129,280	1,305,657
Issuance of rights issue	24	95,099	342,355	-	-	-	-	-	437,454
Dividends paid	37	-	-	-	-	-	-	(583,272)	(583,272)
Transfer to regulatory reserves		-	-	-	-	385,494	-	(385,494)	-
Balance as at 31 December 2015		3,460,585	478,517	3,478,138	348,473	385,494	157,184	6,537,779	14,846,170
Balance as at 1 January 2014		3,318,085	8,563	3,478,138	55,541	-	180,119	5,035,720	12,076,166
Net profit for the financial year		-	-	-	-	-	-	1,516,545	1,516,545
Currency translation differences		-	-	-	53,809	-	-	-	53,809
Financial investments AFS:									
- Unrealised net gain on revaluation		-	-	-	-	-	71,046	-	71,046
- Net transfer to income statements on disposal or impairment		-	-	-	-	-	(17,964)	-	(17,964)
Income tax relating to components of other comprehensive income	36	-	-	-	-	-	(13,271)	-	(13,271)
Other comprehensive income, net of tax, for the financial year		-	-	-	53,809	-	39,811	-	93,620
Total comprehensive income for the financial year		-	-	-	53,809	-	39,811	1,516,545	1,610,165
Issuance of rights issue	24	47,401	127,599	-	-	-	-	-	175,000
Dividends paid	37	-	-	-	-	-	-	(175,000)	(175,000)
Balance as at 31 December 2014		3,365,486	136,162	3,478,138	109,350	-	219,930	6,377,265	13,686,331

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2015

	Group	
	31.12.2015 RM'000	31.12.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,065,720	2,455,072
Adjustments for:		
Property, plant and equipment:		
– depreciation	86,686	84,945
– gain on disposal	(6,666)	(17,558)
– written off	501	20
– write-back of allowance for impairment losses	–	(1,421)
Computer software license:		
– amortisation	50,907	44,862
– gain on disposal	(161)	–
– written off	121	–
– allowance for impairment losses	–	1,199
Financial investments AFS:		
– net gain on sale	(64,067)	(21,445)
– interest income	(540,947)	(429,459)
– investment income	(118,365)	(92,803)
– dividend income	(4,560)	(4,451)
– write-back of allowance for impairment losses	(42)	(119,613)
Financial investments HTM:		
– net gain on early redemption	(726)	(12,508)
– interest income	(658,183)	(713,436)
– investment income	(87,949)	(101,122)
– allowance for impairment losses	–	233
– write-back of allowance for impairment losses	(9,593)	(6,001)
Allowance for impairment on loans and financing	602,578	619,807
Amortisation of discount for Hybrid Tier-I Capital Securities	341	315
Amortisation/Accretion of discounts for borrowings and subordinated obligations	1,028	602
Unrealised loss on revaluation of derivatives	376,226	91,072
Net gain on fair value hedges	(680)	(2,374)
Unrealised foreign exchange gain	(372,140)	(41,121)
Operating profit before working capital changes	1,320,029	1,734,815

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (continued)

for the financial year ended 31 December 2015

	Group	
	31.12.2015 RM'000	31.12.2014 RM'000
Decrease/(Increase) in operating assets:		
Securities purchased under resale agreements	248,105	(188,108)
Deposits and placements with banks and other financial institutions	618,109	474,715
Financial assets HFT	1,491,163	333,674
Loans, advances and financing	(8,361,360)	(22,064,502)
Other assets	(1,172,948)	(520,283)
Statutory deposits	114,279	(1,238,147)
	(7,062,652)	(23,202,651)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	3,015,052	19,004,374
Deposits and placements of banks and other financial institutions	385,887	5,408,598
Obligations on securities sold under repurchase agreements	4,246,139	321,054
Bills and acceptances payable	7,728	(1,600,401)
Recourse obligation on loans sold to Cagamas	(187,679)	1,045,982
Other liabilities	940,326	381,166
	8,407,453	24,560,773
Cash generated from operations	2,664,830	3,092,937
Net tax paid	(637,694)	(625,932)
Net cash generated from operating activities	2,027,136	2,467,005

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (continued)

for the financial year ended 31 December 2015

	Note	Group	
		31.12.2015 RM'000	31.12.2014 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(63,348)	(85,676)
Purchase of computer software license		(123,988)	(98,913)
Proceeds from disposal of property, plant and equipment and computer software license		8,764	27,303
Financial investments AFS:			
– net purchase		(4,686,019)	(2,216,390)
– interest received		520,417	414,020
– investment income received		113,847	95,360
– dividend income		4,560	4,451
Financial investments HTM:			
– net (purchase)/redemption		(129,446)	2,152,468
– interest received		688,694	743,060
– investment income received		85,959	85,309
Net cash inflow on disposal of a subsidiary	46(b)	22,935	–
Net cash (used in)/generated from investing activities		(3,557,625)	1,120,992
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of subordinated notes and Subordinated Sukuk Murabahah		–	1,500,000
Proceeds from issuance of senior notes		–	1,048,950
Repayment of subordinated obligations		(200,000)	–
Net (repayment)/drawdown of borrowings		(533,416)	69,759
Dividends paid to shareholders		(145,818)	–
Net cash (used in)/generated from financing activities		(879,234)	2,618,709
Net (decrease)/increase in cash and cash equivalents		(2,409,723)	6,206,706
Effects of exchange rate differences		404,081	98,376
Cash and cash equivalents brought forward		15,536,640	9,231,558
Cash and cash equivalents carried forward		13,530,998	15,536,640
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	2	13,530,998	15,536,640

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (continued)

for the financial year ended 31 December 2015

	Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,558,642	2,016,018
Adjustments for:		
Property, plant and equipment:		
– depreciation	77,213	76,539
– gain on disposal	(6,616)	(4,520)
– written off	493	6
– write-back of allowance for impairment losses	–	(47)
Computer software license:		
– amortisation	47,645	39,763
– gain on disposal	(161)	–
– written off	121	–
Financial investments AFS:		
– net gain on sale	(57,351)	(17,964)
– interest income	(536,571)	(425,719)
– dividend income	(4,489)	(4,444)
– write-back of allowance for impairment losses	(42)	(118,990)
Financial investments HTM:		
– net gain on early redemption	(228)	(12,508)
– interest income	(651,213)	(706,746)
– allowance for impairment losses	–	233
– write-back of allowance for impairment losses	(9,593)	(6,001)
Allowance for impairment on loans and financing	489,141	565,997
Amortisation of discount for Hybrid Tier-I Capital Securities	341	315
Amortisation/Accretion of discounts for borrowings and subordinated obligations	1,028	602
Dividend income from a subsidiary	–	(10,646)
Unrealised loss on revaluation of derivatives	331,860	100,099
Net gain on fair value hedges	(41)	(205)
Unrealised foreign exchange gain	(328,808)	(41,121)
Operating profit before working capital changes	911,371	1,450,661

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (continued)

for the financial year ended 31 December 2015

	Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
Decrease/(Increase) in operating assets:		
Securities purchased under resale agreements	202,885	(132,170)
Deposits and placements with banks and other financial institutions	(2,037,615)	(2,679,866)
Financial assets HFT	1,159,523	(107,996)
Loans, advances and financing	(1,245,528)	(14,623,190)
Other assets	(1,079,557)	(459,529)
Statutory deposits	357,874	(940,425)
	(2,642,418)	(18,943,176)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	(4,072,232)	15,800,805
Deposits and placements of banks and other financial institutions	2,712,784	5,584,939
Obligations on securities sold under repurchase agreements	4,246,139	321,054
Bills and acceptances payable	11,015	(1,594,148)
Recourse obligation on loans sold to Cagamas	(22,763)	1,206,639
Other liabilities	907,335	281,011
	3,782,278	21,600,300
Cash generated from operations	2,051,231	4,107,785
Net tax paid	(555,072)	(543,529)
Net cash generated from operating activities	1,496,159	3,564,256

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (continued)

for the financial year ended 31 December 2015

	Note	Bank	
		31.12.2015 RM'000	31.12.2014 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(58,534)	(73,227)
Purchase of computer software license		(122,986)	(93,917)
Proceeds from disposal of property, plant and equipment and computer software license		8,673	9,788
Financial investments AFS:			
– net purchase		(3,992,165)	(2,204,719)
– interest received		516,237	410,344
– dividend income		4,489	4,444
Financial investments HTM:			
– net (purchase)/redemption		(1,180,268)	1,523,893
– interest received		681,843	736,478
Dividend income from a subsidiary		–	10,646
Additional share subscription/acquisition of a subsidiary	12	(54,375)	(124,200)
Net cash (used in)/generated from investing activities		(4,197,086)	199,530
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of senior notes		–	1,048,950
Proceeds from issuance of subordinated notes		–	1,000,000
Net (repayment)/drawdown of borrowings		(533,416)	69,759
Repayment of subordinated obligations		(200,000)	–
Dividends paid to shareholders		(145,818)	–
Net cash (used in)/generated from financing activities		(879,234)	2,118,709
Net (decrease)/increase in cash and cash equivalents		(3,580,161)	5,882,495
Effects of exchange rate differences		300,711	35,365
Cash and cash equivalents brought forward		11,493,133	5,575,273
Cash and cash equivalents carried forward		8,213,683	11,493,133
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	2	8,213,683	11,493,133

The accompanying accounting policies and notes form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These accounting policies have been consistently applied to all the financial years presented, unless otherwise stated.

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act, 1965.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments AFS, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The financial statements also incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under the Shariah principles.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement and complexity are disclosed in Section (B).

- (a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank and are effective

The relevant new accounting standards, amendments and improvements to published standards and interpretations to existing accounting standards that are effective for the Group's and the Bank's financial year beginning on or after 1 January 2015 are as follows:

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

The adoption of these annual improvements do not give rise to any material financial impact to the Group and the Bank.

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group is in the process of reviewing the requirements of MFRS 9 and MFRS 15, especially for MFRS 9, to identify critical issues and to design robust methodologies arising from the adoption of this standard. The Group expects this process to be completed prior to the effective date on 1 January 2018.

(2) BASIS OF CONSOLIDATION

- (a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

- (i) Acquisition accounting

The Group applies the acquisition method to account for business combination. The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

(i) Acquisition accounting (continued)

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Group or the Bank. Non-controlling interest is measured either at fair value or proportionate share of the acquiree's identifiable net assets at the acquisition date, determined on a case by case basis. At the end of a reporting period, non-controlling interest consists of the amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

Acquisition-related costs are expensed as incurred.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in income statements.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in income statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the gain is recognised in income statements. Refer to accounting policy Note 4 on goodwill.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attributed to non-controlling interest for prior financial years is not restated.

All material inter-company and intra-group transactions and balances are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(ii) Predecessor accounting

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to retained profits. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements reflect both entities' full year results. The corresponding amounts for the previous year are restated to reflect the combined results of both entities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gain or loss on disposal of subsidiaries included the carrying amount of goodwill relating to subsidiaries sold.

(3) INVESTMENT IN SUBSIDIARIES

In the Bank's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. At the end each reporting period, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 21 on impairment of non-financial assets.

On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amount of the investments is recognised in income statements.

(4) GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree.

Goodwill is stated at cost less accumulated impairment loss and is tested at least annually for impairment. Impairment loss on goodwill (inclusive of impairment losses recognised in a previous interim period) is not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Refer to accounting policy Note 21 on impairment of non-financial assets.

Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets – Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licences are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful lives of 3 to 10 years.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment on computer software licences. Where an indication of impairment exists, the carrying amount of the assets is written down to its recoverable amount. Refer to accounting policy Note 21 on impairment of non-financial assets.

Gain and losses arising from de-recognition of computer software licences are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss when the asset is de-recognised.

(5) FINANCIAL ASSETS

(a) Classification

The Group and the Bank classify their financial assets in the following categories: at fair value through profit or loss, loans and receivables, financial investments AFS and HTM. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term. Derivatives are also categorised in this category unless they are designated as hedges (Refer to accounting policy Note 8).

(ii) Loans and receivables

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

(iii) Financial investments AFS

Financial investments AFS are non-derivatives that are either designated in this category or not classified in any of the other categories.

(iv) Financial investments HTM

Financial investments HTM are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's and the Bank's management has the positive intention and ability to hold to maturity. If the Group and the Bank were to sell other than an insignificant amount of financial investments HTM, the whole category would be tainted and reclassified as financial investments AFS.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) FINANCIAL ASSETS (CONTINUED)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date on which the Group commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statements.

(c) Subsequent measurement – gains and losses

Financial investments AFS and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial investments HTM are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in non-interest income in income statements in the period in which the changes arise.

Changes in the fair value of financial investments AFS are recognised in other comprehensive income, except for impairment losses (refer to accounting policy Note 19) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in income statements, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on financial investments AFS are recognised separately in income statements. Interest on financial investments AFS calculated using the effective interest method is recognised in income statements. Dividend income on financial investments AFS is recognised in non-interest income in income statements when the Group and Bank's right to receive payments is established.

(d) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables that are factored out to banks and other financial institutions with recourse to the Group are not de-recognised until the recourse period has expired and the risks and rewards of the loans and receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When financial investments AFS are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to income statements.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group and the Bank have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statements of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

(7) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or 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 de-recognised. All other repair and maintenance costs are recognised as expense in income statements during the financial period in which they are incurred.

Freehold land, buildings in progress and renovations in progress are not depreciated. Other property, plant and equipment are depreciated on a straight-line basis to write down their costs to their residual values over their estimated useful lives. The principal annual depreciation rates are as follows:

Leasehold land	Amortised over the period of the lease*
Buildings	2% to 3 ¹ / ₃ %
Renovations	7 ¹ / ₂ % to 10%
Office equipment and furniture	7 ¹ / ₂ % to 20%
Computer equipment and software	14% to 33 ¹ / ₃ %
Motor vehicles	20% to 25%

* The remaining period of the lease ranges from 1 to 868 years.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. There are no material adjustments arising from the review that would require disclosure in the financial statements.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in non-interest income in income statements.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Note 21 on impairment of non-financial assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which a derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flows models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Cash collateral held in relation to derivative transactions are carried at amortised cost.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profits on day one.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designate certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or (3) net investment hedge. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group and the Bank document, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also document its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statements, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statements over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statements.

Amounts accumulated in equity are recycled to the income statements in the financial periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statements. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

(c) Net investment hedge

Net investment hedge is a hedge against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations/subsidiaries. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in the foreign currency translation reserve in equity via other comprehensive income while any gain or loss relating to the ineffective portion is recognised directly in the income statements. On disposal of the foreign operations/subsidiaries, the cumulative value of any such gains or losses recognised in equity is transferred to the income statements.

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statements.

(9) FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial liabilities are derecognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as HFT, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as HFT 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. Derivatives are also categorised as HFT unless they are designated as hedges. Refer to accounting policy Note 8 on hedge accounting.

(b) Other financial liabilities measured at amortised cost

Other financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, other financial liabilities are re-measured at amortised cost using the effective interest rate.

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements, bills and acceptances payable, recourse obligation on loans sold to Cagamas Berhad and other financial liabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(9) FINANCIAL LIABILITIES (CONTINUED)

(c) Borrowings measured at amortised cost

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in income statements over the period of the borrowings using the effective interest method.

All other borrowing costs are recognised in income statements in the period in which they are incurred.

Borrowings measured at amortised cost are long-term and short-term borrowings from financial institutions, subordinated obligations, senior debt securities and Hybrid Tier-I Capital Securities.

(10) RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

In the normal course of banking operations, the Group and the Bank sell loans to Cagamas but undertakes to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position.

(11) LEASES – WHERE THE GROUP IS LESSEE

(a) Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income statements on a straight-line basis over the period of the lease.

The up-front payments made for leasehold land represent prepaid lease rentals and are amortised on a straight-line basis over the lease term.

Where an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when termination takes place.

(b) Finance lease

Leases of assets where the Group and the Bank assume substantially all the risks and rewards of ownership of the assets are classified as finance leases. The assets are capitalised under property, plant and equipment and subject to depreciation consistent with that of depreciable assets which are owned. The assets and the corresponding lease obligations are recorded at the lower of present value of the minimum lease payments and the fair value of the leased assets at the beginning of the lease term. Each lease payment is allocated between the liability and finance charges using effective yield basis. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance charges is charged to income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) LEASES – WHERE THE GROUP IS LESSOR

(a) Operating lease

When assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(b) Finance lease

When assets are leased out under a finance lease, the present value of the lease payment is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the 'net investment' method so as to reflect a constant periodic rate of return.

(13) PROVISIONS

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

Where the Group and the Bank expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(14) FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of issuance is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised.

The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group and the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Bank do not recognise a contingent liability but disclose their existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

Subsequent to the initial recognition, the Group and the Bank measure the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provision of MFRS 137 'Provision, Contingent Liabilities and Contingent Assets' and the amount initially recognised as profit or loss, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 'Revenue'.

(16) SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity. Other shares, if issued, are classified as equity and/or liability according to the economic substance of the particular instrument.

(b) Share issue cost

Incremental costs directly attributable to the issue of new shares or options are deducted against share premium account.

(c) Dividend distribution

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the shareholders' right to receive the dividends are established or the dividends are approved.

(17) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances and short-term deposits maturing within one month.

(18) REVENUE RECOGNITION

- (a) Interest income is recognised using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

When a loan and receivable is impaired, the Group and the Bank reduce the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) REVENUE RECOGNITION (CONTINUED)

- (b) Loan arrangement fees, commissions and placement fees are recognised as income when all conditions precedent are fulfilled.
- (c) Guarantee fees are recognised as income upon issuance of guarantees.
- (d) Commitment fees are recognised as income based on time apportionment.
- (e) Income from Islamic Banking business is recognised on accrual basis and in accordance with the principles of Shariah.
- (f) Dividends from all investments are recognised when the shareholders' right to receive payment is established. This applies even if they are paid out of the pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.
- (g) Income from bancassurance/bancatakaful agreements are amortised on a straight line basis throughout the exclusive services agreement period.

(19) IMPAIRMENT OF FINANCIAL ASSETS

- (a) Assets carried at amortised cost

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

The criteria that the Group and the Bank use to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in income statements. If 'loans and receivables' or a 'held-to-maturity investment' have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent financial 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 reversal of the previously recognised impairment loss is recognised in income statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

For loans, advances and financing, the Group and the Bank first assess whether objective evidence of impairment exists individually for loans, advances and financing that are individually significant, and individually or collectively for loans, advances and financing that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for individually assessed loans, advances and financing, whether significant or not, it includes the asset in a group of loans, advances and financing with similar credit risk characteristics and collectively assess them for impairment.

The Group and the Bank addresses impairment of loans, advances and financing via either individually assessed allowance or collectively assessed allowance.

(i) Individual impairment allowance

The Group and the Bank determine the allowance appropriate for each individual significant loans, advances and financing on an individual basis. The allowances are established based primarily on estimates of the realisable value of the collateral to secure the loans, advances and financing and are measured as the difference between the carrying amount of the loans, advances and financing and the present value of the expected future cash flows discounted at the original effective interest rate of the loans, advances and financing. All other loans, advances and financing that have been individually evaluated, but not considered to be individually impaired, are assessed collectively for impairment.

(ii) Collective impairment allowance

Loans which are not individually significant and loans that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These loans are grouped within similar credit risk characteristics for collective assessment, whereby data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and concentrations of risks (such as the performance of different individual groups) are taken into consideration.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated based on the historical loss experience of the Group and the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect current conditions on which the historical loss experience is based on and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(iii) Regulatory reserve

The Group has early adopted the requirement to maintain, in aggregate, the collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances. The regulatory reserve is debited against retained earnings.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

Bank Negara Malaysia ('BNM'), had on 6 April 2015, issued the Revised Policy on Classification and Impairment Provisions for Loans/Financing. The requirements to the Revised Policy are effective for financial years beginning on or after 1 January 2015, except for the following:

- Classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured ('R&R') in BNM's Central Credit Reference Information System ('CCRIS') effective on or after 1 April 2015. The R&R loan/financing shall only be reclassified from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least six (6) months; and
- Banking institutions are required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances, effective beginning 31 December 2015.

(b) Assets classified as AFS

The Group and the Bank assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and the Bank use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statements, the impairment loss is reversed through income statements.

In the case of equity securities classified as AFS, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in income statements. The amount of cumulative loss that is reclassified to income statements is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statements. Impairment losses recognised in income statements on equity instruments classified as AFS are not reversed through income statements.

(20) EMPLOYEE BENEFITS

(a) Short-term employee benefits

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) EMPLOYEE BENEFITS (CONTINUED)

(b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions to the national pension scheme, the Employees' Provident Fund. The Group's and the Bank's contributions to defined contribution plans are charged to income statements in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further legal or constructive obligations.

(c) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

(21) IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the non-financial assets exceeds its recoverable amount.

The recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value-in-use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flows/CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

The impairment loss is charged to income statements. Impairment losses on goodwill are not reversed. In respect of other non-financial assets, any subsequent increase in recoverable amount is recognised in income statements.

(22) CURRENT AND DEFERRED INCOME TAXES

The tax expense for the period comprises current and deferred tax. Tax is recognised in income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Bank operate and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries and arising from distributions of retained profits to companies in the Group.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of statements of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(23) CURRENCY CONVERSION AND TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in income statements within other operating income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in income statements, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statements as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;
- (ii) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of other comprehensive income.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) CURRENCY CONVERSION AND TRANSLATION

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, a proportionate share of such exchange differences is recognised in income statements as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(24) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources to and assessing the performance of the operating segments of an entity. The Group has determined RHB Capital Group's Management Committee as its chief operating decision-maker.

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year are outlined below:

(a) Allowance for impairment of financial assets

In determining impairment of financial assets, management considers objective evidence of impairment and exercises judgement in estimating cash flows and collateral value.

The Group and the Bank make allowance for losses based on assessment of recoverability. Management's judgement is made in estimation of the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the Group's and the Bank's aggregate exposure to the borrower, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the impairment made.

(b) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent cash generating units and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use requires the Group and the Bank to make an estimate of the expected future cash flows from the cash-generating unit. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the operating unit also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise of significant judgement. The detailed disclosures on the assessment of impairment of goodwill is disclosed in Note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

1 GENERAL INFORMATION

RHB Bank Berhad ('the Bank'), is a limited liability bank incorporated and domiciled in Malaysia.

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic Banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

There have been no significant changes in these principal activities during the financial year.

The address of the registered office of the Bank is Level 9, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

2 CASH AND SHORT-TERM FUNDS

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Cash and balances with banks and other financial institutions	3,285,994	2,984,599	2,347,631	2,402,616
Money at call and deposit placements maturing within one month	10,245,004	12,552,041	5,866,052	9,090,517
	13,530,998	15,536,640	8,213,683	11,493,133

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Licensed banks	382,146	1,097,682	2,094,765	2,004,827
Licensed Islamic banks	100,011	340,892	7,231,191	5,678,691
Licensed investments banks	422,151	54,456	422,151	54,456
BNM	34,167	–	34,167	–
Other financial institutions	518,061	552,254	–	–
	1,456,536	2,045,284	9,782,274	7,737,974

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

4 FINANCIAL ASSETS HFT

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
At fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	289,532	557,950	289,532	557,950
Malaysian Government Investment Issues	50,583	728,286	30,335	376,398
Cagamas bonds	60,163	6,968	60,163	6,968
Singapore Government Treasury Bills	–	502,281	–	502,281
Sukuk Perumahan Kerajaan	48,819	20,116	48,819	20,116
Other foreign government securities	84,207	–	84,207	–
QUOTED SECURITIES:				
In Malaysia				
Private debt securities	3,636	3,841	3,636	3,841
UNQUOTED SECURITIES:				
In Malaysia				
Private debt securities	40,357	–	40,357	–
Commercial paper	49,379	49,870	49,379	49,870
Outside Malaysia				
Credit link notes	–	173,990	–	173,990
	626,676	2,043,302	606,428	1,691,414

In 2008, the Group and the Bank reclassified a portion of their financial assets HFT into financial investments AFS and financial investments HTM. The reclassification have been accounted for in accordance with BNM's circular on Reclassification of Securities under Specific Circumstances dated 17 October 2008, which is effective from 1 July 2008 until 31 December 2009.

The effect of the reclassification on the income statements for the period from the date of reclassification to 31 December 2015 were as follows:

	Carrying amount		Fair value	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Group				
Reclassified from financial assets HFT to financial investments HTM	–	21,140	–	21,409
			Group	
			31.12.2015 RM'000	31.12.2014 RM'000
Fair value gain that would have been recognised if the financial assets HFT had not been reclassified			–	269

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

5 FINANCIAL INVESTMENTS AFS

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
At fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	1,178,334	740,436	1,178,334	740,436
Malaysian Government Investment Issues	2,341,538	1,859,753	1,635,735	1,275,744
Cagamas bonds	308,734	101,364	248,670	41,450
Khazanah bonds	8,665	8,285	-	-
Singapore Government Treasury Bills	1,184,564	409,666	1,184,564	409,666
Singapore Government Securities	286,214	161,233	286,214	161,233
Thailand Government bonds	358,074	120,895	358,074	120,895
1 Malaysia Sukuk	-	330,256	-	330,256
Wakala Global Sukuk	102,010	84,587	87,835	72,734
Sukuk Perumahan Kerajaan	163,426	57,640	163,426	57,640
Malaysia Sovereign Sukuk	64,572	-	64,572	-
Other foreign government securities	30,806	-	30,806	-
QUOTED SECURITIES:				
In Malaysia				
Shares	5,974	15,783	5,146	13,882
Outside Malaysia				
Shares	8,657	212	8,399	-
UNQUOTED SECURITIES:				
In Malaysia				
Corporate loan stocks	3,425	3,425	3,425	3,425
Shares	573,125	511,703	572,382	510,991
Private and Islamic debt securities	14,254,866	11,217,008	12,086,496	9,614,889
Perpetual notes/sukuk	286,117	286,084	85,530	85,530
Prasarana bonds	120,286	-	120,286	-
Outside Malaysia				
Shares	107	145	-	-
Private debt securities	171,721	425	171,721	425
	21,451,215	15,908,900	18,291,615	13,439,196
Accumulated impairment losses	(125,664)	(125,899)	(125,337)	(125,633)
	21,325,551	15,783,001	18,166,278	13,313,563

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

5 FINANCIAL INVESTMENTS AFS (CONTINUED)

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Movement in allowance for impairment losses:				
Balance as at the beginning of the financial year	125,899	309,666	125,633	308,965
Written back during the financial year	(42)	(119,613)	(42)	(118,990)
Disposal/Redemption	(287)	(64,188)	(287)	(64,359)
Exchange differences	94	34	33	17
Balance as at the end of the financial year	125,664	125,899	125,337	125,633

6 FINANCIAL INVESTMENTS HTM

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
At amortised cost				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	2,218,877	2,322,570	2,218,877	2,322,570
Malaysian Government Investment Issues	5,018,548	5,254,804	4,478,120	4,629,323
Cagamas bonds	1,357,117	1,846,208	1,296,497	1,647,832
Khazanah bonds	95,677	91,554	66,033	63,107
Negotiable instruments of deposits	2,222,850	2,027,550	3,073,064	2,027,550
Singapore Government Securities	61,267	187,519	61,267	187,519
Thailand Government Securities	163,746	275,711	163,746	275,711
Sukuk (Brunei) Incorporation	45,582	39,689	45,582	39,689
Wakala Global Sukuk	297,683	242,456	297,683	242,456
Sukuk Perumahan Kerajaan	111,147	111,177	101,190	101,233
UNQUOTED SECURITIES:				
In Malaysia				
Bonds	860	860	860	860
Prasarana bonds	767,840	770,025	767,840	770,025
Private and Islamic debt securities	7,494,836	6,581,282	6,230,188	5,361,374
Corporate loan stocks	34,174	38,334	34,174	38,334
Outside Malaysia				
Private debt securities	147,479	21,140	147,479	–
	20,037,683	19,810,879	18,982,600	17,707,583
Accumulated impairment losses	(106,292)	(112,782)	(106,292)	(112,782)
	19,931,391	19,698,097	18,876,308	17,594,801

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

6 FINANCIAL INVESTMENTS HTM (CONTINUED)

Included in financial investments HTM of the Group and the Bank are government securities and unquoted private debt securities, which is pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM4,865,000,000 (2014: RM500,000,000).

	Group and Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
Movement in allowance for impairment losses:		
Balance as at the beginning of the financial year	112,782	108,224
Charge for the financial year	–	233
Written back during the financial year	(9,593)	(6,001)
Transfer from individual impairment allowance	–	9,871
Exchange differences	3,103	455
Balance as at the end of the financial year	106,292	112,782

7 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
a) By type				
At amortised cost				
Overdrafts	6,311,174	6,327,913	5,779,074	5,939,301
Term loans/financing:				
– housing loans/financing	37,023,837	31,988,629	29,307,241	25,672,576
– syndicated term loans/financing	7,306,964	5,536,833	3,360,493	3,276,960
– hire purchase receivables	11,697,202	13,348,197	5,766,195	7,464,572
– lease receivables	20,357	33,706	–	–
– other term loans/financing	69,704,568	66,085,317	53,743,100	54,313,571
Bills receivables	2,450,943	2,452,642	2,008,555	1,983,046
Trust receipts	802,714	626,381	785,100	604,938
Claims on customers under acceptance credits	3,687,879	3,662,085	3,687,879	3,662,085
Staff loans/financing	197,271	219,567	181,641	208,797
Credit card receivables	1,978,968	1,994,710	1,727,698	1,770,794
Revolving credit	9,819,969	9,051,092	7,597,251	6,600,840
Floor stocking	1,579	664	1,579	664
Gross loans, advances and financing	151,003,425	141,327,736	113,945,806	111,498,144
Fair value changes arising from fair value hedge	(11,158)	(26,870)	566	(1,678)
	150,992,267	141,300,866	113,946,372	111,496,466
Allowance for impaired loans, advances and financing:				
– individual impairment allowance	(580,846)	(409,674)	(545,521)	(382,769)
– collective impairment allowance	(1,220,307)	(1,346,884)	(953,269)	(1,130,978)
Net loans, advances and financing	149,191,114	139,544,308	112,447,582	109,982,719

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse to the Group and the Bank amounting to RM3,057,518,000 (2014: RM3,304,749,000) and RM2,080,525,000 (2014: RM2,163,306,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
b) By type of customer				
Domestic non-bank financial institutions:				
– Others	2,096,562	2,048,118	846,420	1,029,470
Domestic business enterprises:				
– Small medium enterprises	22,491,619	16,230,833	20,114,429	15,009,234
– Others	34,744,759	36,747,824	23,914,740	28,458,818
Government and statutory bodies	5,370,404	7,457,968	2,014,417	4,141,761
Individuals	67,548,357	63,721,685	52,243,895	50,386,600
Other domestic entities	144,371	124,840	37,924	13,426
Foreign entities	18,607,353	14,996,468	14,773,981	12,458,835
	151,003,425	141,327,736	113,945,806	111,498,144
c) By geographical distribution				
Malaysia	131,427,775	125,145,269	100,424,681	99,749,771
Labuan Offshore	4,467,560	3,639,900	–	–
Singapore operations	12,493,180	10,736,087	12,493,180	10,736,087
Thailand operations	881,594	897,289	881,594	897,289
Brunei operations	146,351	114,997	146,351	114,997
Cambodia operations	1,484,137	758,885	–	–
Lao operations	102,828	35,309	–	–
	151,003,425	141,327,736	113,945,806	111,498,144
d) By interest/profit rate sensitivity				
Fixed rate:				
– Housing loans/financing	1,515,718	1,522,767	929,289	851,244
– Hire purchase receivables	11,697,202	13,348,197	5,766,195	7,464,572
– Other fixed rate loans/financing	16,566,745	17,745,722	8,404,429	10,326,613
Variable rate:				
– BLR/BFR plus	70,340,127	62,930,045	54,202,540	51,816,270
– Cost-plus	37,750,331	37,358,039	35,789,522	35,715,358
– Other variable rates	13,133,302	8,422,966	8,853,831	5,324,087
	151,003,425	141,327,736	113,945,806	111,498,144

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
e) By purpose				
Purchase of securities	12,477,521	13,531,675	12,251,051	13,531,675
Purchase of transport vehicles	10,853,700	12,222,703	4,608,555	6,122,060
Purchase of landed property:				
– Residential	37,865,225	31,467,991	30,416,766	25,412,842
– Non-residential	12,795,709	10,470,961	10,937,551	9,356,160
Purchase of property, plant and equipment other than land and building	3,951,868	3,675,777	2,986,719	2,782,323
Personal use	8,331,723	7,650,256	6,431,686	6,270,575
Credit card	1,978,968	1,994,710	1,727,698	1,770,794
Purchase of consumer durables	37,787	28,926	25,174	28,920
Construction	5,791,704	4,914,115	4,780,432	4,256,028
Working capital	39,477,209	36,206,818	28,986,523	27,881,940
Merger and acquisition	3,172,991	3,227,805	1,494,108	2,772,946
Other purposes	14,269,020	15,935,999	9,299,543	11,311,881
	151,003,425	141,327,736	113,945,806	111,498,144
f) By remaining contractual maturities				
Maturity within one year	46,860,334	47,412,371	41,991,602	43,183,764
One year to three years	9,163,959	8,338,602	4,985,007	4,991,549
Three years to five years	15,322,351	11,447,995	8,400,252	7,447,491
Over five years	79,656,781	74,128,768	58,568,945	55,875,340
	151,003,425	141,327,736	113,945,806	111,498,144
g) Impaired loans, advances and financing				
i) Movement in impaired loans, advances and financing				
Balance as at the beginning of the financial year	2,729,581	3,347,712	2,393,693	2,850,589
Classified as impaired	3,999,257	3,501,847	3,344,473	3,000,886
Reclassified as non-impaired	(2,453,762)	(2,450,741)	(2,041,945)	(2,067,413)
Amount recovered	(995,149)	(655,545)	(867,658)	(536,657)
Amount written off	(579,323)	(1,019,003)	(516,278)	(853,561)
Exchange differences	22,464	5,311	21,604	(151)
Balance as at the end of the financial year	2,723,068	2,729,581	2,333,889	2,393,693

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
g) Impaired loans, advances and financing (continued)				
ii) By purpose				
Purchase of securities	90,248	129,450	90,248	129,450
Purchase of transport vehicles	135,530	180,120	83,268	119,630
Purchase of landed property:				
– Residential	788,011	783,908	655,149	651,929
– Non-residential	127,738	112,590	98,893	95,017
Purchase of property, plant and equipment other than land and building	48,212	38,835	23,014	25,690
Personal use	164,915	153,432	162,115	150,158
Credit card	37,233	36,911	31,469	31,703
Purchase of consumer durables	868	1,425	868	1,425
Construction	96,488	115,694	96,488	115,694
Working capital	1,178,141	1,139,888	1,063,770	1,062,901
Other purposes	55,684	37,328	28,607	10,096
	2,723,068	2,729,581	2,333,889	2,393,693
iii) By geographical distribution				
Malaysia	2,423,561	2,594,152	2,059,963	2,262,000
Labuan Offshore	12,728	–	–	–
Singapore operations	235,057	101,577	235,057	101,577
Thailand operations	25,792	21,871	25,792	21,871
Brunei operations	13,077	8,245	13,077	8,245
Cambodia operations	12,853	3,736	–	–
	2,723,068	2,729,581	2,333,889	2,393,693
iv) Movement in allowance for impaired loans, advances and financing				
Individual impairment allowance				
Balance as at the beginning of the financial year	409,674	891,294	382,769	723,024
Net allowance made	229,153	4,594	221,883	28,899
Reclassified (to)/from collective impairment allowance	–	(64)	–	1,677
Amount written off	(67,231)	(481,317)	(67,231)	(362,446)
Transfer to impairment of financial investments HTM	–	(9,871)	–	(9,871)
Exchange differences	9,250	5,038	8,100	1,486
Balance as at the end of the financial year	580,846	409,674	545,521	382,769

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
g) Impaired loans, advances and financing (continued)				
iv) Movement in allowance for impaired loans, advances and financing (continued)				
<u>Collective impairment allowance</u>				
Balance as at the beginning of the financial year	1,346,884	1,272,637	1,130,978	1,088,121
Net allowance made	215,631	410,921	118,634	352,069
Reclassified from/(to) individual impairment allowance	-	64	-	(1,677)
Amount written off	(354,911)	(339,179)	(301,043)	(308,587)
Exchange differences	12,703	2,441	4,700	1,052
Balance as at the end of the financial year	1,220,307	1,346,884	953,269	1,130,978

8 OTHER ASSETS

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Other receivables		395,706	355,837	274,134	234,748
Cash collateral in relation to derivative transactions		1,541,069	600,081	1,541,069	600,081
Deposits		53,280	49,169	50,887	43,670
Prepayments		59,127	40,686	44,416	33,693
Amount due from holding company	(i)	1,976	131	1,976	131
Amounts due from subsidiaries	(i)	-	-	176,533	219,543
Amounts due from related companies	(i)	187,204	25,978	133,814	25,957
		2,238,362	1,071,882	2,222,829	1,157,823

(i) Amounts due from holding company/subsidiaries/related companies are unsecured, interest free and receivable within the normal credit period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

9 DERIVATIVE ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group and the Bank for economic hedges and for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the stringent requirements of hedge accounting mentioned in the Group's and Bank's accounting policies.

The table below shows the Group's and the Bank's derivative financial instruments as at the date of statements of financial position. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at the date of statements of financial position are analysed below:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Derivative assets:				
– trading derivatives	3,050,629	1,266,834	3,050,691	1,266,553
– fair value hedging derivatives	10,008	17,021	10,008	17,021
	3,060,637	1,283,855	3,060,699	1,283,574
Derivative liabilities:				
– trading derivatives	(2,974,952)	(1,193,013)	(2,995,517)	(1,214,272)
– fair value hedging derivatives	(2,202)	(525)	(2,202)	(525)
	(2,977,154)	(1,193,538)	(2,997,719)	(1,214,797)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

9 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Group			Bank		
	Contract or underlying principal amount RM'000	Financial year-end positive fair value RM'000	Financial year-end negative fair value RM'000	Contract or underlying principal amount RM'000	Financial year-end positive fair value RM'000	Financial year-end negative fair value RM'000
31.12.2015						
Trading derivatives:						
Foreign exchange related contracts:						
– forwards/swaps	66,875,925	1,126,403	(866,047)	66,858,703	1,114,365	(867,828)
– options	741,163	5,036	(4,989)	740,292	5,036	(4,989)
– cross currency interest rate swaps	12,850,960	1,765,293	(1,977,751)	12,850,960	1,773,506	(1,983,750)
	80,468,048	2,896,732	(2,848,787)	80,449,955	2,892,907	(2,856,567)
Interest rate related contracts:						
– swaps	39,640,278	153,897	(126,165)	42,615,278	157,784	(138,950)
Fair value hedging derivatives:						
Interest rate related contracts:						
– swaps	2,350,000	10,008	(2,202)	2,350,000	10,008	(2,202)
		3,060,637	(2,977,154)		3,060,699	(2,997,719)
31.12.2014						
Trading derivatives:						
Foreign exchange related contracts:						
– forwards/swaps	23,207,241	437,665	(376,859)	23,189,132	435,634	(376,860)
– options	4,673,319	41,623	(41,590)	4,673,319	41,623	(41,590)
– cross currency interest rate swaps	12,144,920	662,616	(637,833)	12,144,920	664,341	(637,789)
	40,025,480	1,141,904	(1,056,282)	40,007,371	1,141,598	(1,056,239)
Interest rate related contracts:						
– swaps	32,898,945	124,930	(136,731)	35,852,966	124,955	(158,033)
Fair value hedging derivatives:						
Interest rate related contracts:						
– swaps	1,950,000	17,021	(525)	1,950,000	17,021	(525)
		1,283,855	(1,193,538)		1,283,574	(1,214,797)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

9 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges

Fair value hedging are used by the Group and the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movements in market interest rates. The Group and the Bank uses interest rate swap to hedge against interest rate risk of specific identified fixed rate long-term as well as portfolio homogenous pools of loans, advances and financing. Included in the other operating income (Note 28) is the net gains and losses arising from fair value hedges for the financial year as follows:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
(Loss)/Gain on hedging instruments	(11,959)	3,878	(2,203)	1,953
Gain/(Loss) on hedged items attributable to the hedged risk	12,639	(1,504)	2,244	(1,748)
	680	2,374	41	205

(ii) Net investment hedge

The Group's balance sheet is affected by gains and losses as a result of the revaluation of net assets of its subsidiary companies denominated in currencies other than its functional currency. The Group hedges its exposures to foreign exchange risk via the designation of foreign currency denominated deposits and the fair value as at 31 December 2015 amounting to RM254,692,000 (2014: RM Nil). The hedging relationship was fully effective for the total hedging period and as of the reporting date. No amounts were withdrawn from equity during the financial year as there was no disposal of foreign operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

10 STATUTORY DEPOSITS

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Statutory deposits with BNM	(a)	4,717,570	4,967,560	3,549,070	3,903,860
Statutory deposits with the Monetary Authority of Singapore	(b)	156,904	136,629	156,904	136,629
Statutory deposits with the Ministry of Finance, Negara Brunei Darussalam	(c)	13,845	14,740	13,845	14,740
Statutory deposits with the Labuan Offshore Financial Services Authority ('LOFSA')	(d)	100	100	-	-
Statutory deposits and reserve deposits with National Bank of Cambodia ('NBC')	(e)	238,225	81,762	-	-
Statutory deposits with National Bank of Lao ('BOL')	(f)	1,434	379	-	-
		5,128,078	5,201,170	3,719,819	4,055,229

- (a) Non-interest bearing statutory deposits maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount is determined at a set percentage of total eligible liabilities.
- (b) Non-interest bearing statutory deposits maintained with the Monetary Authority of Singapore in compliance with Banking Act, Cap. 19 and Singapore Finance Companies Act, Cap.108.
- (c) Non-interest bearing statutory deposits maintained with the Ministry of Finance, Negara Brunei Darussalam compliance with Section 6A of the Banking Act.
- (d) Non-interest bearing statutory deposits maintained with LOFSA relating to a trust subsidiary which is maintained in accordance with Section 61(2)(b)(ii) of the Labuan Financial Services and Securities Act 2012.
- (e) Included in the statutory deposits and reserve deposits with NBC are:
- Interest bearing statutory deposits of RM28.8 million (2014: RM18.1 million) maintained with NBC in compliance with NBC's Prakas B7-01-136 dated 15 October 2001 as capital guarantee. This deposit bears interest at 0.18% (2014: 0.18%) per annum, and is not available for use in day-to-day operations but it is refundable when RHB Indochina Bank Limited ('RHB Indochina Bank') voluntarily ceases to operate its banking business in Cambodia.
 - Non-interest bearing deposits of RM209.5 million (2014: RM63.6 million) maintained with NBC as reserve requirements, computed at 12.5% (2014: 12.5%) of customer deposits in Cambodian Riel (KHR) and in foreign currencies, respectively.
- (f) Non-interest bearing statutory deposits maintained with BOL as reserve requirements, computed at 5% and 10% (2014: 5% and 10%) of customer deposits in Lao Kip (LAK) and in foreign currencies, respectively.

The statutory deposits amount and reserve requirements mentioned above are determined by the respective authorities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

11 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred income 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 the deferred taxes relate to the same authority. The following amounts determined after appropriate set off, are shown in the statements of financial position:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Deferred tax assets	74,117	9,956	62,139	–
Deferred tax liabilities	(5)	(40,818)	–	(40,814)
	74,112	(30,862)	62,139	(40,814)
Deferred tax assets:				
– settled more than 12 months	13,172	9,960	73	76
– settled within 12 months	149,256	92,020	145,501	86,394
Deferred tax liabilities:				
– settled more than 12 months	(58,891)	(100,757)	(58,886)	(100,753)
– settled within 12 months	(29,425)	(32,085)	(24,549)	(26,531)
	74,112	(30,862)	62,139	(40,814)

The deferred tax assets and liabilities have been adjusted to take into account the reduction in tax rate to 24% in Year of Assessment 2016 and thereafter, where adjustments are made based on amounts of temporary differences expected to be reversed in the prospective years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the followings:

Group	Note	Property, plant and equipment and intangible assets RM'000	Financial investments AFS RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
31.12.2015						
Balance as at the beginning of the financial year		(58,985)	(63,858)	91,895	86	(30,862)
Transfer from/(to) income statements	34	21,215	-	56,374	(3)	77,586
Transfer from equity		-	26,599	-	-	26,599
Exchange differences		-	-	789	-	789
Balance as at the end of the financial year		(37,770)	(37,259)	149,058	83	74,112
31.12.2014						
Balance as at the beginning of the financial year		(54,056)	(50,271)	81,013	98	(23,216)
Transfer (to)/from income statements	34	(4,929)	-	11,327	(12)	6,386
Transfer to equity		-	(13,587)	-	-	(13,587)
Exchange differences		-	-	(445)	-	(445)
Balance as at the end of the financial year		(58,985)	(63,858)	91,895	86	(30,862)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the followings (continued):

Bank	Note	Property, plant and equipment and intangible assets RM'000	Financial investments AFS RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
31.12.2015						
Balance as at the beginning of the financial year		(53,973)	(73,311)	86,393	77	(40,814)
Transfer from/(to) income statements	34	20,176	-	58,318	(3)	78,491
Transfer from equity		-	23,673	-	-	23,673
Exchange differences		-	-	789	-	789
Balance as at the end of the financial year		(33,797)	(49,638)	145,500	74	62,139
31.12.2014						
Balance as at the beginning of the financial year		(49,580)	(60,040)	74,159	89	(35,372)
Transfer (to)/from income statements	34	(4,393)	-	12,678	(12)	8,273
Transfer to equity		-	(13,271)	-	-	(13,271)
Exchange differences		-	-	(444)	-	(444)
Balance as at the end of the financial year		(53,973)	(73,311)	86,393	77	(40,814)

Deferred tax assets have not been recognised on the following amounts as it is not probable that the relevant subsidiaries will generate sufficient future taxable profits available against which the deductible temporary differences can be utilised:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Unabsorbed tax losses carried forward	735,192	735,192	735,124	735,124

12 INVESTMENT IN SUBSIDIARIES

	Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
Unquoted shares, at cost:		
– in Malaysia	1,460,909	1,460,909
– outside Malaysia	458,724	404,349
Accumulated impairment losses	1,919,633 (744)	1,865,258 (744)
	1,918,889	1,864,514

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The following are the subsidiaries of the Bank:

Name of companies	Paid-up capital	Effective interest		Principal activities
		2015 %	2014 %	
RHB Bank (L) Ltd.	US\$54,000,000	100	100	Offshore banking
– RHB International Trust (L) Ltd.	US\$40,000	100	100	Labuan trust company
– RHB Corporate Services Sdn. Bhd.	RM150,000	100	100	Corporate secretarial services
RHB Islamic Bank Berhad	RM1,173,424,002	100	100	Islamic Banking
RHB Indochina Bank Limited (‘RHB Indochina Bank’)* ¹	US\$67,000,000	100	100	Commercial banking
– RHB OSK Indochina Securities Limited* ²	US\$12,500,000	–	100	Securities underwriting, dealing, brokerage and investment advisory service
RHB Bank Lao Limited*	LAK301,500 million	100	100	Commercial banking
RHB Capital Nominees (Tempatan) Sdn. Bhd.	RM10,000	100	100	Nominee services for Malaysian beneficial shareholders
– RHB Capital Nominees (Asing) Sdn. Bhd.	RM10,000	100	100	Nominee services for foreign beneficial shareholders
UMBC Sdn. Bhd.	RM499,999,818	100	100	Dormant
RHB Delta Sdn. Bhd.*	RM175,000,000	100	100	Dormant
RHB Leasing Sdn. Bhd.	RM10,000,000	100	100	Leasing
RHB Capital Properties Sdn. Bhd.	RM21,800,000	100	100	Property investment
Utama Gilang Sdn. Bhd.*	RM800,000,000	100	100	Dormant
Utama Assets Sdn. Bhd.	RM2,300,000	100	100	Property investment
RHB Investment Ltd.*	S\$19,000,000	100	100	Property investment and rental
Banfora Pte. Ltd.*	S\$25,000,000	100	100	Property investment and rental
RHB Bank Nominees Pte. Ltd.*	S\$100,000	100	100	Nominee services
RHB Trade Services Limited [#]	HK\$2	100	100	Issue for the benefit of its immediate holding company, letters of credit to foreign beneficiaries

* Subsidiaries audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia.

Subsidiary audited by a firm other than member firms of PricewaterhouseCoopers International Limited.

+ The Company has commenced member’s voluntary winding-up on 16 February 2011.

All of the subsidiaries are incorporated in Malaysia except for the following:

- RHB Investment Ltd., Banfora Pte. Ltd. and RHB Bank Nominees Pte. Ltd. which are incorporated in Singapore.
- RHB Trade Services Limited which is incorporated in Hong Kong.
- RHB Indochina Bank and RHB OSK Indochina Securities Limited which are incorporated in Cambodia.
- RHB Bank Lao Limited which is incorporated in Lao PDR.

Note:

¹ The Bank has on 30 January 2015, injected additional capital of USD15,000,000 into RHB Indochina Bank, increasing the share capital from USD52,000,000 to USD67,000,000.

² On 9 December 2015, RHB Indochina Bank divested its wholly owned subsidiary, RHB OSK Indochina Securities Limited to RHB Investment Bank Berhad, a related company, for a cash consideration of US\$12,500,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

13 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
31.12.2015									
Cost									
Balance as at the beginning of the financial year	73,787	1,426	133,132	241,158	387,782	253,947	488,966	11,722	1,591,920
Disposal of a subsidiary	-	-	-	-	(2,003)	(559)	(149)	(130)	(2,841)
Additions	-	-	-	-	32,315	12,973	16,329	1,731	63,348
Disposals/Written off	(1,192)	-	-	(1,384)	(1,735)	(935)	(11,370)	(1,335)	(17,951)
Reclassifications	-	-	-	-	(7,552)	7,240	2,509	-	2,197
Exchange differences	250	-	16,125	8,485	8,218	4,898	4,640	753	43,369
Balance as at the end of the financial year	72,845	1,426	149,257	248,259	417,025	277,564	500,925	12,741	1,680,042
Accumulated depreciation									
Balance as at the beginning of the financial year	-	819	7,204	79,073	216,446	227,298	384,845	8,567	924,252
Disposal of a subsidiary	-	-	-	-	(1,124)	(315)	(131)	(93)	(1,663)
Charge for the financial year	-	38	493	5,173	24,052	17,291	38,345	1,294	86,686
Disposals/Written off	-	-	-	(910)	(1,264)	(931)	(11,193)	(1,294)	(15,592)
Exchange differences	-	-	203	2,971	4,006	3,420	2,893	446	13,939
Balance as at the end of the financial year	-	857	7,900	86,307	242,116	246,763	414,759	8,920	1,007,622
Accumulated impairment loss									
Balance as at the beginning of the financial year	-	-	-	1,242	-	-	-	-	1,242
Exchange differences	-	-	-	86	-	-	-	-	86
Balance as at the end of the financial year	-	-	-	1,328	-	-	-	-	1,328
Net book value as at the end of the financial year	72,845	569	141,357	160,624	174,909	30,801	86,166	3,821	671,092

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
31.12.2014									
Cost									
Balance as at the beginning of the financial year	77,011	1,426	130,968	247,867	355,515	240,857	464,669	12,090	1,530,403
Additions	-	-	-	-	39,588	7,464	36,551	2,073	85,676
Disposals/Written off	(3,257)	-	-	(7,892)	(882)	(1,350)	(17,975)	(2,585)	(33,941)
Reclassifications	-	-	-	-	(7,951)	6,145	5,060	-	3,254
Exchange differences	33	-	2,164	1,183	1,512	831	661	144	6,528
Balance as at the end of the financial year	73,787	1,426	133,132	241,158	387,782	253,947	488,966	11,722	1,591,920
Accumulated depreciation									
Balance as at the beginning of the financial year	-	784	6,671	75,059	192,970	212,067	363,297	10,178	861,026
Charge for the financial year	-	35	507	5,112	23,571	15,944	38,923	853	84,945
Disposals/Written off	-	-	-	(1,507)	(870)	(1,334)	(17,889)	(2,578)	(24,178)
Exchange differences	-	-	26	409	775	621	514	114	2,459
Balance as at the end of the financial year	-	819	7,204	79,073	216,446	227,298	384,845	8,567	924,252
Accumulated impairment loss									
Balance as at the beginning of the financial year	-	-	-	2,641	-	-	-	-	2,641
Written back	-	-	-	(1,421)	-	-	-	-	(1,421)
Exchange differences	-	-	-	22	-	-	-	-	22
Balance as at the end of the financial year	-	-	-	1,242	-	-	-	-	1,242
Net book value as at the end of the financial year	73,787	607	125,928	160,843	171,336	26,649	104,121	3,155	666,426

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Leasehold land			Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
	Freehold land RM'000	Less than 50 years RM'000	50 years or more RM'000						
31.12.2015									
Cost									
Balance as at the beginning of the financial year	72,836	879	19,989	198,431	351,105	232,761	468,401	7,309	1,351,711
Additions	-	-	-	-	33,090	8,615	15,775	1,054	58,534
Disposals/Written off	(1,192)	-	-	(1,384)	(1,735)	(926)	(11,247)	(1,147)	(17,631)
Reclassifications	-	-	-	-	(6,666)	6,666	2,509	-	2,509
Exchange differences	234	-	-	3,670	4,859	1,815	2,938	268	13,784
Balance as at the end of the financial year	71,878	879	19,989	200,717	380,653	248,931	478,376	7,484	1,408,907
Accumulated depreciation									
Balance as at the beginning of the financial year	-	542	4,224	70,432	200,683	211,800	370,064	5,756	863,501
Charge for the financial year	-	26	235	4,448	21,480	14,719	35,653	652	77,213
Disposals/Written off	-	-	-	(910)	(1,264)	(922)	(11,079)	(1,147)	(15,322)
Exchange differences	-	-	-	2,152	2,403	1,567	1,996	212	8,330
Balance as at the end of the financial year	-	568	4,459	76,122	223,302	227,164	396,634	5,473	933,722
Accumulated impairment loss									
Balance as at the beginning of the financial year	-	-	-	304	-	-	-	-	304
Balance as at the end of the financial year	-	-	-	304	-	-	-	-	304
Net book value as at the end of the financial year	71,878	311	15,530	124,291	157,351	21,767	81,742	2,011	474,881

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
31.12.2014									
Cost									
Balance as at the beginning of the financial year	76,062	879	19,989	200,994	325,030	221,695	448,756	8,690	1,302,095
Additions	-	-	-	-	33,842	6,124	32,127	1,134	73,227
Disposals/Written off	(3,257)	-	-	(3,055)	(713)	(1,333)	(17,903)	(2,571)	(28,832)
Reclassifications	-	-	-	-	(7,815)	6,009	5,051	-	3,245
Exchange differences	31	-	-	492	761	266	370	56	1,976
Balance as at the end of the financial year	72,836	879	19,989	198,431	351,105	232,761	468,401	7,309	1,351,711
Accumulated depreciation									
Balance as at the beginning of the financial year	-	519	3,945	66,796	180,552	198,667	350,972	7,829	809,280
Charge for the financial year	-	23	279	4,478	20,481	14,227	36,610	441	76,539
Disposals/Written off	-	-	-	(1,128)	(713)	(1,330)	(17,818)	(2,571)	(23,560)
Exchange differences	-	-	-	286	363	236	300	57	1,242
Balance as at the end of the financial year	-	542	4,224	70,432	200,683	211,800	370,064	5,756	863,501
Accumulated impairment loss									
Balance as at the beginning of the financial year	-	-	-	351	-	-	-	-	351
Written back	-	-	-	(47)	-	-	-	-	(47)
Balance as at the end of the financial year	-	-	-	304	-	-	-	-	304
Net book value as at the end of the financial year	72,836	337	15,765	127,695	150,422	20,961	98,337	1,553	487,906

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Accumulated depreciation and impairment loss				
Balances as at the beginning of the financial year	925,494	863,667	863,805	809,631
Balances as at the end of the financial year	1,008,950	925,494	934,026	863,805

The above property, plant and equipment includes the following assets under construction/progress:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Cost				
Renovations	28,982	19,393	28,667	19,107

14 GOODWILL AND INTANGIBLE ASSETS

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Goodwill on consolidation	(a)	1,120,318	1,120,318	905,519	905,519
Intangible assets:					
– Computer software license	(b)	271,046	196,605	261,128	185,781
		1,391,364	1,316,923	1,166,647	1,091,300

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

14 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill on consolidation

The carrying amount of goodwill allocated to the Group's and the Bank's cash-generating units ('CGUs') are as follows:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
CGU				
Corporate Banking	211,799	211,799	182,461	182,461
Retail Banking	324,691	324,691	292,837	292,837
Business Banking	184,297	184,297	174,777	174,777
Group Treasury	283,230	283,230	255,444	255,444
RHB Indochina Bank	116,301	116,301	–	–
	1,120,318	1,120,318	905,519	905,519

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets or forecasts approved by Directors covering a three-year (2014: four-year). Cash flows beyond the three-year period are extrapolated using the estimated growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The cash flow projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments.

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The estimated growth rates and discount rates used for value-in-use calculation are as follows:

	Discount rate		Growth rate	
	31.12.2015 %	31.12.2014 %	31.12.2015 %	31.12.2014 %
CGU				
Corporate Banking	9.5	8.2	4.0	3.0
Retail Banking	9.5	8.1	4.0	3.0
Business Banking	9.5	8.1	4.0	3.0
Group Treasury	9.5	8.2	4.0	3.0
RHB Indochina Bank	19.1	18.3	7.0	7.0

Impairment was not required for goodwill arising from all CGUs. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount of all the CGUs to be lower than its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

14 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Computer software license

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Cost				
Balance as at the beginning of the financial year	772,734	677,101	719,683	629,322
Additions	123,988	98,913	122,986	93,917
Disposals/Written off	(424)	(936)	(424)	(936)
Reclassifications	(2,197)	(3,254)	(2,509)	(3,245)
Exchange differences	8,201	910	6,099	625
Balance as at the end of the financial year	902,302	772,734	845,835	719,683
Accumulated amortisation				
Balance as at the beginning of the financial year	549,985	505,332	533,902	494,597
Charge for the financial year	50,907	44,862	47,645	39,763
Disposals/Written off	(222)	(934)	(222)	(934)
Exchange differences	4,442	725	3,382	476
Balance as at the end of the financial year	605,112	549,985	584,707	533,902
Accumulated impairment loss				
Balance as at the beginning of the financial year	26,144	24,945	-	-
Charge for the financial year	-	1,199	-	-
Balance as at the end of the financial year	26,144	26,144	-	-
Net book value as at the end of the financial year	271,046	196,605	261,128	185,781

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
i) By type of deposits				
Demand deposits	29,691,276	26,420,489	26,020,152	23,340,867
Savings deposits	8,459,822	7,927,118	7,203,311	6,788,828
Fixed/investment deposits	121,672,745	120,506,630	92,361,955	97,683,648
Negotiable instruments of deposits	24,041	2,274	24,041	2,274
	159,847,884	154,856,511	125,609,459	127,815,617
ii) By type of customer				
Government and statutory bodies	10,489,633	10,601,035	5,949,423	6,953,171
Business enterprises	98,887,046	95,419,158	74,612,149	76,077,473
Individuals	45,380,533	44,245,637	40,528,199	40,831,008
Others	5,090,672	4,590,681	4,519,688	3,953,965
	159,847,884	154,856,511	125,609,459	127,815,617
iii) By maturity structure of the fixed/investment deposits and negotiable instruments of deposits				
Due within six months	103,565,965	99,416,368	77,561,756	79,569,121
Six months to one year	16,565,845	20,292,663	13,293,831	17,632,469
One year to three years	1,532,648	782,244	1,498,917	467,453
Three years to five years	32,328	17,629	31,492	16,879
	121,696,786	120,508,904	92,385,996	97,685,922

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Licensed banks	15,055,954	14,868,881	18,133,895	14,834,962
Licensed Islamic banks	1,853,985	221,130	–	–
Licensed investments banks	936,016	1,491,249	687,169	746,776
BNM	545,216	515,027	544,066	514,252
Others	457,934	860,083	574	105,560
	18,849,105	17,956,370	19,365,704	16,201,550

17 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligations to repurchase the securities are reflected as a liability on the statements of financial position.

The financial assets sold under repurchase agreements are as follows:

	Group and Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
Financial investments HTM	4,865,000	500,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

18 OTHER LIABILITIES

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Amount due to holding company	(i)	-	126	-	-
Amounts due to subsidiaries	(i)	-	-	28,601	27,675
Amounts due to related companies	(i)	45,772	3,847	45,277	3,417
Amount due to Danaharta	(ii)	2,199	1,935	2,199	1,935
Prepaid instalments		67,846	71,037	66,197	71,037
Accrual for operational expenses		114,351	140,452	104,733	125,682
Short term employee benefits		238,013	239,510	225,555	225,033
Cash collateral in relation to derivative transactions		224,721	105,640	224,721	105,640
Deferred income		157,011	6,000	100,800	6,000
Other creditors and accruals		825,560	645,989	543,421	350,036
		1,675,473	1,214,536	1,341,504	916,455

(i) Amounts due to holding company, subsidiaries and related companies are unsecured, interest free and repayable within the normal credit period.

(ii) Amount due to Danaharta mainly comprises collections in respect of ex-Sime Bank's overseas branches non-performing loans sold to Danaharta which is managed by the overseas branches.

19 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

Recourse obligation on loans sold to Cagamas represents those acquired from the originators and sold to Cagamas with recourse. Under the agreement, the Group and the Bank undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position. The loans are not de-recognised and are analysed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

20 BORROWINGS

	Note	Group and Bank	
		31.12.2015 RM'000	31.12.2014 RM'000
Unsecured:			
Revolving credits – USD	(a)	107,436	174,863
Term loans – USD	(b)	468,282	495,029
		575,718	669,892
Scheduled repayment of borrowings are as follows:			
Repayable within one year		248,339	289,647
One year to three years		236,143	227,273
Three years to five years		91,236	135,489
Over five years		–	17,483
		575,718	669,892

(a) Revolving credits

The unsecured USD revolving credit facilities of the Group and the Bank bears interest at 4.29% (2014: 3.49%) per annum.

(b) Term loans

On 7 April 2006, the Bank entered into an agreement with Japan Bank for International Cooperation ('JBIC'), to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 11 years. Disbursement of USD50 million and USD30 million was done on 29 June 2006 and 20 October 2006 respectively. Final disbursement of USD20 million was done on 31 January 2007. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing on 8 March 2008 until 8 September 2017 and bears a floating interest rate of British Bankers Association Interest Settlement Rate in USD (BBA LIBOR) plus 0.395% per annum. The interest rate for the year was at 0.72% (2014: ranging from 0.72% to 1.13%) per annum.

On 24 March 2008, the Bank entered into another agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 10 years. Disbursement of USD100 million was done on 30 May 2008. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing 8 September 2010 to 8 March 2020 and bears a floating interest rate of BBA LIBOR plus 0.315% per annum. The interest rate for the year was at 0.64% (2014: ranging from 0.64% to 1.05%) per annum.

On 28 May 2009, the Bank entered into the third agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 8 years. Disbursement of USD100 million was done on 28 July 2009. The said loan is repayable on 10 April and 10 October each year for 16 equal instalments commencing 10 October 2011 to 10 April 2019 and bears a floating interest rate of BBA LIBOR plus 0.80% per annum. The average interest rate ranges from 1.12% to 1.53% (2014: 1.12% to 1.53%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

21 SUBORDINATED OBLIGATIONS

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
5.50% RM700 million Subordinated Notes 2007/2022	(i)	703,376	703,586	703,376	703,586
5.00% RM700 million Subordinated Notes 2010/2020	(ii)	–	706,137	–	706,137
5.60% RM300 million Subordinated Notes 2010/2025	(ii)	302,946	302,946	302,946	302,946
4.25% RM250 million Subordinated Notes 2011/2021	(iii)	251,591	251,276	251,591	251,276
4.30% RM750 million Subordinated Notes 2012/2022	(iv)	754,394	754,367	754,394	754,367
4.40% RM1,300 million Subordinated Notes 2012/2022	(iv)	1,304,484	1,304,537	1,304,484	1,304,537
4.99% RM1 billion Subordinated Notes 2014/2024	(v)	1,024,061	1,024,061	1,024,061	1,024,061
4.95% RM500 million Subordinated Sukuk Murabahah 2014/2024	(vi)	503,119	503,051	–	–
4.75% RM500 million Subordinated Notes 2015/2025	(vii)	502,993	–	502,993	–
		5,346,964	5,549,961	4,843,845	5,046,910

- (i) On 30 November 2007, the Bank issued redeemable unsecured Subordinated Notes amounting to RM700 million in nominal value as follows:

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2007/2022	700	30 November 2022 (Callable with step-up in 2017)	5.50% per annum chargeable to 30 November 2017 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears

The RM700 million Subordinated Notes constitute direct unsecured obligations of the Bank, subordinated in right and priority of payment, to the extent and in the manner provided for in the RM700 million Subordinated Notes, to all deposit liabilities and other liabilities of the Bank except all other present and future unsecured and subordinated obligations of the Bank which by their terms rank *pari passu* in right of and priority of payment with or subordinated to the RM700 million Subordinated Notes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

21 SUBORDINATED OBLIGATIONS (CONTINUED)

- (ii) On 29 April 2010, the Bank issued RM1 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme. The RM1 billion Subordinated Notes comprise:

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2010/2020	700	29 April 2020 (Callable with step-up in 2015)	5.00% per annum chargeable to 29 April 2015 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears
2010/2025	300	29 April 2025 (Callable with step-up in 2020)	5.60% per annum chargeable to 29 April 2020 (but exclusive of payment date), thereafter on step-up coupon rate of 0.5% per annum	Accrued and payable semi-annually in arrears

The Bank had fully redeemed the 5.00% RM700 million Subordinated Notes 2010/2020 during the current financial year.

- (iii) On 31 October 2011, the Bank issued RM250 million nominal value of Subordinated Notes, being part of RM3 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2011/2021	250	29 October 2021 (Callable in 2016)	4.25% per annum chargeable to 29 October 2021	Accrued and payable semi-annually in arrears

- (iv) On 7 May 2012 and 30 November 2012, the Bank issued RM750 million and RM1,300 million nominal value of Subordinated Notes respectively, being part of RM3 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2012/2022	750	6 May 2022 (Callable in 2017)	4.30% per annum chargeable to 6 May 2022	Accrued and payable semi-annually in arrears
2012/2022	1,300	30 November 2022 (Callable in 2017)	4.40% per annum chargeable to 30 November 2022	Accrued and payable semi-annually in arrears

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

21 SUBORDINATED OBLIGATIONS (CONTINUED)

- (v) On 8 July 2014, the Bank issued RM1 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2014/2024	1,000	7 July 2024 (Callable in 2019)	4.99% per annum chargeable to 7 July 2024	Accrued and payable semi-annually in arrears

- (vi) On 15 May 2014, RHB Islamic Bank issued RM500 million nominal value of Subordinated Sukuk Murabahah, being part of RM1 billion Subordinated Sukuk Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2014/2024	500	15 May 2024 (Callable in 2019)	4.95% per annum chargeable to 15 May 2024	Accrued and payable semi-annually in arrears

- (vi) On 8 May 2015, the Bank issued RM500 million nominal value of Subordinated Notes, being part of RM5 billion Multi-Currency Medium Term Note Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2015/2025	500	8 May 2025 (Callable in 2020)	4.75% per annum chargeable to 8 May 2025	Accrued and payable semi-annually in arrears

22 HYBRID TIER-I CAPITAL SECURITIES

	Group and Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
RM370 million Hybrid Tier-I Capital Securities	368,448	368,107
RM230 million Hybrid Tier-I Capital Securities	238,422	238,422
	606,870	606,529

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

22 HYBRID TIER-I CAPITAL SECURITIES (CONTINUED)

Issuance date	Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
31 March 2009	I	370	31 March 2039 (callable with step-up in 2019)	8.00% per annum to 2019, thereafter at 9.00% per annum if not called	Accrued and payable semi-annually in arrears
17 December 2009	II	230	16 December 2039 (callable with step-up in 2019)	6.75% per annum to 2019, thereafter at 7.75% per annum if not called	Accrued and payable semi-annually in arrears

23 SENIOR DEBT SECURITIES

	Note	Group and Bank	
		31.12.2015 RM'000	31.12.2014 RM'000
USD300 million senior debt securities due in 2017	(a)	1,291,357	1,049,892
USD200 million senior debt securities due in 2017	(a)	866,244	707,214
USD300 million senior debt securities due in 2019	(b)	1,293,779	1,053,549
		3,451,380	2,810,655

The senior debt securities of the Group and the Bank is as follows:

(a) 3.25% USD300 million and USD200 million Senior Debts Securities 2012/2017

The amount of senior unsecured Medium Term Notes issued by the Bank under the USD500 million Euro Medium Term Notes ("EMTN") Programme are as follows:

Issuance date	Tranche	Principal USD'million	Maturity date	Interest rate	Interest payment
11 May 2012	I	300	11 May 2017	3.25% per annum	Accrued and payable semi-annually in arrears
28 September 2012	II	200	11 May 2017	3.25% per annum	Accrued and payable semi-annually in arrears

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

23 SENIOR DEBT SECURITIES (CONTINUED)

(b) 3.088% USD300 million Senior Debts Securities 2014/2019

The senior unsecured notes issued under a USD5 billion (or its equivalent in other currencies) Euro Medium Term Note Programme is as follows:

Issuance date	Tranche	Principal USD'million	Maturity date	Interest rate	Interest payment
30 October 2014	I	300	3 October 2019	3.088% per annum	Accrued and payable semi-annually in arrears

24 SHARE CAPITAL

Group and Bank	Number of shares		Nominal value	
	31.12.2015 '000	31.12.2014 '000	31.12.2015 RM'000	31.12.2014 RM'000
Authorised:				
Balance as at the beginning/end of the financial year				
– Ordinary shares of 50 sen each	8,000,000	8,000,000	4,000,000	4,000,000
– Preference shares of RM1.00 each	2,000,000	2,000,000	2,000,000	2,000,000
	10,000,000	10,000,000	6,000,000	6,000,000
Issued and fully paid:				
Ordinary shares of 50 sen each				
Balance as at the beginning	6,730,972	6,636,170	3,365,486	3,318,085
Issuance of rights issue (Note (a))	190,197	94,802	95,099	47,401
Balance as at the end of the financial year	6,921,169	6,730,972	3,460,585	3,365,486

(a) During the financial year, the Bank increased its issued and paid up share capital from RM3,365,486,335 to RM3,460,585,030 via the issuance of rights issue of 190,197,391 new ordinary shares of RM0.50 each at an issue price of RM2.30 per share, amounting to RM437,454,000 to preserve its capital adequacy for business growth purposes.

In the previous financial year, the Bank increased its issued and paid up share capital from RM3,318,085,121 to RM3,365,486,335 via the issuance of rights issue of 94,802,428 new ordinary shares of RM0.50 each at an issue price of RM1.8459 per share, amounting to RM175,000,000.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing shares of the Bank.

On 18 February 2016, the Bank has undertaken a consolidation of two (2) ordinary shares of RM0.50 each into one (1) ordinary share of RM1.00 each ("Consolidated Bank Shares"). Accordingly, the number of shares of RM1.00 each in issuance upon the Consolidated Bank Shares amounted to 3,460,585,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

25 RESERVES

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Share premium		478,517	136,162	478,517	136,162
Statutory reserves	(i)	4,159,330	4,031,903	3,478,138	3,478,138
Translation reserves	(ii)	582,755	135,471	348,473	109,350
Regulatory reserves	(iii)	549,517	–	385,494	–
AFS reserves	(iv)	115,164	190,466	157,184	219,930
Retained profits	(v)	7,862,053	7,575,175	6,537,779	6,377,265
		13,747,336	12,069,177	11,385,585	10,320,845

- (i) The statutory reserves are maintained in compliance with Section 47(2)(f) of Financial Services Act 2013, Section 12 of Islamic Financial Services Act 2013, and Section 18 of the Singapore Finance Companies (Amendment) Act 1994, and are not distributable as cash dividends.
- (ii) Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations and subsidiaries, and the effect of the effective portion of net investment hedges.
- (iii) Regulatory reserves represents the Group and the Bank's adoption of BNM's Policy on Classification and Impairment Provisions for Loans/Financing, to maintain, in aggregate, the collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances.
- (iv) AFS reserves arise from a change in the fair value of financial investments classified as AFS. The unrealised gains or losses are transferred to the income statements upon disposal, de-recognition or impairment of such securities.
- (v) Pursuant to the Finance Act, 2007 which was gazetted on 28 November 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but are exempted from tax to the shareholders ('single tier system'). As at 31 December 2015, the Bank's retained profits are distributable profits and may be distributed as dividends under the single tier system.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax exempt income of RM1,814,693,000 under Section 12 of the Income Tax (Amendment) Act, 1999 to pay dividends out of its retained profits as at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

26 INTEREST INCOME

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Loans and advances	6,229,843	5,717,956	6,007,337	5,548,434
Money at call and deposit placements with banks and other financial institutions	125,424	177,107	390,367	372,907
Securities purchased under resale agreements	2,027	268	2,027	268
Financial assets HFT	46,634	32,308	46,634	32,308
Financial investments AFS	540,947	429,459	536,571	425,719
Financial investments HTM	658,183	713,436	651,213	706,746
Others	15,455	1,536	15,455	1,536
	7,618,513	7,072,070	7,649,604	7,087,918
Of which:				
Interest income accrued on impaired financial assets	155,397	160,492	147,134	146,497

27 INTEREST EXPENSE

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Deposits and placements of banks and other financial institutions	318,888	293,097	321,628	286,310
Deposits from customers	3,444,887	3,099,639	3,399,156	3,075,019
Obligation on securities sold under repurchase agreements	61,523	1,158	61,523	1,158
Subordinated obligations	232,888	215,154	232,888	215,154
Recourse obligation on loans sold to Cagamas	98,485	46,418	98,485	46,418
Hybrid Tier-I Capital Securities	45,466	45,440	45,466	45,440
Senior debt securities	101,054	60,906	101,054	60,906
Borrowings	5,722	4,533	5,722	4,533
Others	44,146	63,405	44,146	63,405
	4,353,059	3,829,750	4,310,068	3,798,343

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

28 OTHER OPERATING INCOME

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Fee income:				
Commission	165,861	184,914	164,337	184,190
Service charges and fees	211,305	223,209	209,826	222,245
Guarantee fees	65,937	66,636	61,954	63,954
Commitment fees	60,752	56,408	48,113	48,224
Underwriting fees	46	2	46	2
Other fee income	21,649	20,857	18,680	18,696
	525,550	552,026	502,956	537,311
Net gain arising from financial assets HFT	1,161	14,708	1,161	14,708
Net gain/(loss) on revaluation of derivatives	9,470	(27,223)	9,094	(22,794)
Net gain on fair value hedges (Note 9)	680	2,374	41	205
Net gain arising from financial investments AFS:				
– net gain on disposal	57,351	18,237	57,351	17,964
– gross dividend income	4,560	4,451	4,489	4,444
	61,911	22,688	61,840	22,408
Net gain arising from financial investments HTM:				
– net gain on early redemption/disposal	228	12,508	228	12,508
Gross dividend income from a subsidiary	–	–	–	10,646
Other income:				
Net foreign exchange gain/(loss):				
– realised	(51,674)	307,100	(51,360)	307,077
– unrealised	372,140	41,121	328,808	41,121
Gain on disposal of property, plant and equipment	6,666	17,558	6,616	4,520
Gain on disposal of intangible assets	161	–	161	–
Other operating income	61,365	60,599	57,647	58,171
Other non-operating income	3,850	6,219	1,708	3,859
	392,508	432,597	343,580	414,748
	991,508	1,009,678	918,900	989,740

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

29 NET INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	31.12.2015 RM'000	31.12.2014 RM'000
Income derived from investment of depositors' funds	1,715,690	1,325,425
Income derived from investment of shareholders' funds	139,772	130,034
Total distributable income	1,855,462	1,455,459
Income attributable to depositors	(982,782)	(722,597)
	872,680	732,862
Of which:		
Financing income earned on impaired financing and advances	8,263	13,995

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

30 OTHER OPERATING EXPENSES

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Personnel costs				
Salaries, allowances and bonuses	1,179,161	1,135,368	1,094,070	1,052,940
Contributions to Employees' Provident Fund	177,576	169,175	164,745	158,653
Career transition scheme	274,554	–	270,956	–
Other staff related costs	116,360	115,634	106,434	108,203
	1,747,651	1,420,177	1,636,205	1,319,796
Establishment costs				
Property, plant and equipment:				
– Depreciation	86,686	84,945	77,213	76,539
– Written off	501	20	493	6
Computer software license:				
– Amortisation	50,907	44,862	47,645	39,763
– Written off	121	–	121	–
Rental of premises	124,302	121,276	119,011	116,380
Rental of equipment	8,562	6,266	8,521	6,120
Insurance	53,949	29,259	48,605	25,215
Water and electricity	27,556	27,508	24,752	24,768
Repair and maintenance	25,753	27,615	21,204	24,090
Security and escorting expenses	55,066	58,500	49,674	54,080
Information technology expenses	136,147	129,837	117,572	118,402
Others	684	656	–	–
	570,234	530,744	514,811	485,363
Marketing expenses				
Sales commission	55,340	55,341	49,699	48,076
Advertisement and publicity	57,479	66,604	52,049	60,608
Others	46,266	67,417	43,053	61,496
	159,085	189,362	144,801	170,180
Administration and general expenses				
Communication expenses	113,739	106,395	102,168	96,226
Auditors' remuneration (Note (i))	3,725	3,874	2,877	3,149
Legal and professional fee	50,693	71,733	47,518	68,477
Others	90,666	89,824	20,381	11,409
	258,823	271,826	172,944	179,261
	2,735,793	2,412,109	2,468,761	2,154,600

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

30 OTHER OPERATING EXPENSES (CONTINUED)

Included in the personnel costs is the Managing Director's remuneration (excluding benefits-in-kind) totalling RM5,548,000 (2014: RM4,180,000) for the Group and the Bank, as disclosed in Note 31.

Included in administration and general expenses of the Group and the Bank are other directors' remuneration (excluding benefits-in-kind) totalling RM2,114,000 (2014: RM1,991,000) and RM1,971,000 (2014: RM1,784,000) respectively, as disclosed in Note 31.

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
(i) Auditors' remuneration				
(a) Audit				
Statutory audit:				
– Malaysia	1,739	1,741	1,396	1,438
– Overseas	1,252	965	918	714
Limited review	355	355	300	300
Other audit related	300	300	200	200
	3,646	3,361	2,814	2,652
(b) Non-audit:				
– Malaysia	33	513	17	497
– Overseas	46	–	46	–
	79	513	63	497
	3,725	3,874	2,877	3,149

31 DIRECTORS' REMUNERATION

The remuneration of the Managing Director and Directors of the Group and the Bank are as follows:

Group and Bank	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
31.12.2015				
Managing Director				
Dato' Khairussaleh Ramli	2,125	36	3,423	5,584
31.12.2014				
Managing Director				
Dato' Khairussaleh Ramli	1,780	15	2,400	4,195

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

31 DIRECTORS' REMUNERATION (CONTINUED)

Group	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
31.12.2015				
Non-executive Directors				
Tan Sri Azlan Zainol (Chairman)	180	31	37	248
Haji Khairuddin Ahmad	150	-	216	366
Ong Seng Pheow	150	-	76	226
Abdul Aziz Peru Mohamed	150	-	65	215
Dato' Mohamed Khadar Merican	150	-	72	222
Tan Sri Ong Leong Huat @ Wong Joo Hwa	150	-	21	171
Mohamed Ali Ismaeil Ali ALFahim	150	-	19	169
Chin Yoong Kheong	150	-	48	198
Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	64	-	12	76
Choong Tuck Oon	134	-	120	254
	1,428	31	686	2,145
31.12.2014				
Non-executive Directors				
Tan Sri Azlan Zainol (Chairman)	180	31	20	231
Haji Khairuddin Ahmad	150	-	151	301
Ong Seng Pheow	150	31	72	253
Abdul Aziz Peru Mohamed	150	-	69	219
Dato' Mohamed Khadar Merican	150	31	79	260
Tan Sri Ong Leong Huat @ Wong Joo Hwa	150	31	20	201
Mohamed Ali Ismaeil Ali ALFahim	98	-	12	110
Chin Yoong Kheong	63	-	7	70
Choong Tuck Oon	270	-	183	453
Dato' Mohd Ali Mohd Tahir	12	-	5	17
	1,373	124	618	2,115

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

31 DIRECTORS' REMUNERATION (CONTINUED)

Bank	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
31.12.2015				
Non-executive Directors				
Tan Sri Azlan Zainol (Chairman)	180	31	37	248
Haji Khairuddin Ahmad	150	-	216	366
Ong Seng Pheow	150	-	76	226
Abdul Aziz Peru Mohamed	150	-	65	215
Dato' Mohamed Khadar Merican	150	-	72	222
Tan Sri Ong Leong Huat @ Wong Joo Hwa	150	-	21	171
Mohamed Ali Ismaeil Ali AlFahim	150	-	19	169
Chin Yoong Kheong	150	-	48	198
Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	36	-	7	43
Choong Tuck Oon	62	-	82	144
	1,328	31	643	2,002
31.12.2014				
Non-executive Directors				
Tan Sri Azlan Zainol (Chairman)	180	31	20	231
Haji Khairuddin Ahmad	150	-	151	301
Ong Seng Pheow	150	31	72	253
Abdul Aziz Peru Mohamed	150	-	69	219
Dato' Mohamed Khadar Merican	150	31	79	260
Tan Sri Ong Leong Huat @ Wong Joo Hwa	150	31	20	201
Mohamed Ali Ismaeil Ali AlFahim	98	-	12	110
Chin Yoong Kheong	63	-	7	70
Choong Tuck Oon	150	-	96	246
Dato' Mohd Ali Mohd Tahir	12	-	5	17
	1,253	124	531	1,908

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

32 ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Allowance for impaired loans and financing:				
– Individual impairment allowance	229,153	4,594	221,883	28,899
– Collective impairment allowance	215,631	410,921	118,634	352,069
Impaired loans and financing recovered	(264,814)	(376,525)	(248,473)	(332,495)
Impaired loans written off	157,794	204,292	148,624	185,029
	337,764	243,282	240,668	233,502

33 IMPAIRMENT WRITTEN BACK ON OTHER ASSETS

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Charged for the financial year:				
Financial investments:				
– HTM	–	233	–	233
Intangible assets	–	1,199	–	–
Reversal for the financial year:				
Financial investments:				
– AFS	(42)	(119,613)	(42)	(118,990)
– HTM	(9,593)	(6,001)	(9,593)	(6,001)
Property, plant and equipment	–	(1,421)	–	(47)
	(9,635)	(125,603)	(9,635)	(124,805)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

34 TAXATION

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Income tax based on profit for the financial year:				
– Malaysian income tax	547,201	576,241	455,711	498,947
– Overseas tax	26,563	26,841	18,971	18,134
Deferred tax (Note 11)	(77,586)	(6,386)	(78,491)	(8,273)
Under/(Over) provision in respect of prior financial years	32,178	(8,294)	33,171	(9,335)
	528,356	588,402	429,362	499,473

The numerical reconciliation between the effective tax rate and the applicable statutory income tax rate are as follows:

	Group		Bank	
	31.12.2015 %	31.12.2014 %	31.12.2015 %	31.12.2014 %
Tax at Malaysia statutory income tax rate	25.0	25.0	25.0	25.0
Tax effects in respect of:				
Non-allowable expenses	1.4	0.9	1.4	0.9
Non-taxable income	(1.0)	(0.4)	(0.6)	(0.5)
Effect of different tax rates in Labuan/other countries	–	(0.4)	1.2	0.9
Reversal of temporary differences recognised in prior years	(1.3)	0.1	(1.6)	0.1
Under/(Over) provision in prior financial years	1.5	(1.2)	2.1	(1.6)
Effective tax rate	25.6	24.0	27.5	24.8

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

35 EARNINGS PER SHARE ('EPS')

(a) Basic EPS

Basic EPS is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Net profit for the financial year (RM'000)	1,537,364	1,866,670	1,129,280	1,516,545
Weighted average number of ordinary shares in issue ('000)	6,873,229	6,652,273	6,873,229	6,652,273
Basic EPS (sen)	22.37	28.06	16.43	22.80

(b) Diluted EPS

There were no dilutive potential ordinary shares outstanding as at 31 December 2015. As a result, the diluted EPS equal to the basic EPS for financial year ended 31 December 2015.

36 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE LOSS/(INCOME)

	31.12.2015			31.12.2014		
	Before tax RM'000	Tax effects RM'000	Net of tax RM'000	Before tax RM'000	Tax effects RM'000	Net of tax RM'000
Group						
Financial investments AFS:						
– net fair value (loss)/gain and net amount transfer to income statements	(101,901)	26,599	(75,302)	53,482	(13,587)	39,895
Bank						
Financial investments AFS:						
– net fair value (loss)/gain and net amount transfer to income statements	(86,419)	23,673	(62,746)	53,082	(13,271)	39,811

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

37 ORDINARY DIVIDENDS

Dividend declared or proposed are as follows:

	31.12.2015		31.12.2014	
	Dividend per share sen	Amount of dividend, single-tier RM'000	Dividend per share sen	Amount of dividend, single-tier RM'000
Ordinary shares:				
Interim dividend – 2015/2014	8.1634	565,000	2.637	175,000
2nd interim dividend – 2014	–	–	8.665	583,272
	8.1634	565,000	11.302	758,272

The Directors have declared a single-tier interim dividend of 8.1634 sen amounting to RM565,000,000 in respect of the financial year ended 31 December 2015. The interim dividend was approved by the Board of Directors on 29 January 2016. Subject to relevant authority approval, the entire interim dividend will be recapitalised into the Bank to preserve its capital adequacy for business growth purposes.

The financial statements for the current financial year do not reflect the declared single-tier interim dividend. This dividend payment will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2016.

The Directors do not propose any final dividend in respect of the financial year ended 31 December 2015.

Dividend recognised as distribution to ordinary equity holders of the Bank:

	31.12.2015		31.12.2014	
	Dividend per share sen	Amount of dividend, single-tier RM'000	Dividend per share sen	Amount of dividend, single-tier RM'000
Ordinary shares:				
Interim dividend – 2014	–	–	2.637	175,000
2nd interim dividend – 2014	8.665	583,272	–	–
	8.665	583,272	2.637	175,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

The related parties of, and their relationship with the Bank are as follows:

Related parties	Relationship
RHB Capital Berhad	Holding company
Subsidiaries of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries of the holding company
Employees Provident Fund ('EPF')	Holding company's substantial shareholder, a fund body that is significantly influenced by the government
Subsidiaries and associates of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Bank as disclosed in Note 12	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of: – Directors of the Bank and its key subsidiaries; and – Members of the Group Management Committee ('GMC')
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel; and (ii) Entities that are controlled, jointly controlled or significantly influenced, by or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Notes 8 and 18, set out below are other significant related party transactions and balances.

Other related parties of the Group and the Bank comprise of transactions and balances with the subsidiaries of RHB Capital Berhad.

All related party transactions are entered into in the normal course of business at agreed terms between the related parties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party balances and transactions (continued)

Group	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
31.12.2015				
Income				
Interest on deposits and placements with other financial institutions	-	-	-	19,028
Interest on loans, advances and financing	47,073	58,216	253	4,113
Fee income	-	-	2	-
Other income	-	18	-	31,915
	47,073	58,234	255	55,056
Expenditure				
Interest on deposits and placements of banks and other financial institutions	-	-	-	933
Interest on deposits from customers	4,634	1,568	579	6,074
Interest on Hybrid Tier-I Capital Securities	-	-	-	337
Rental of premises	-	-	-	15,089
Management fee	-	-	-	3,854
Other expenses	-	-	-	76,865
	4,634	1,568	579	103,152
Amounts due from				
Money at call and deposit placements	-	-	-	1,385,382
Deposits and placements with banks and other financial institutions	-	-	-	422,151
Derivative assets	-	-	-	12,668
Loans, advances and financing	1,456,029	1,591,114	7,963	234,257
Other assets	1,976	-	-	187,204
	1,458,005	1,591,114	7,963	2,241,662
Amounts due to				
Deposits from customers	2,348,678	410,004	55,802	419,605
Deposits and placements of banks and other financial institutions	-	-	-	67,988
Derivative liabilities	-	-	-	2,224
Other liabilities	-	-	-	45,772
Hybrid Tier-I Capital Securities	-	-	-	5,014
	2,348,678	410,004	55,802	540,603

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party balances and transactions (continued)

Group	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
31.12.2014				
Income				
Interest on deposits and placements with other financial institutions	-	-	-	2,006
Interest on loans, advances and financing	36,977	50,691	120	1,125
Fee income	-	-	1	-
Other income	-	2	-	45,883
	36,977	50,693	121	49,014
Expenditure				
Interest on deposits and placements of banks and other financial institutions	-	-	-	1,953
Interest on deposits from customers	586	3,727	255	3,765
Interest on Hybrid Tier-I Capital Securities	-	-	-	337
Rental of premises	-	-	-	14,828
Management fee	-	-	-	3,854
Other expenses	-	-	-	55,677
	586	3,727	255	80,414
Amounts due from				
Money at call and deposit placements	-	-	-	560,715
Deposits and placements with banks and other financial institutions	-	-	-	10,586
Derivative assets	-	-	-	25,494
Loans, advances and financing	1,055,505	1,280,989	2,894	89,538
Other assets	131	-	-	25,978
	1,055,636	1,280,989	2,894	712,311
Amounts due to				
Deposits from customers	24,939	650,119	23,136	355,092
Deposits and placements of banks and other financial institutions	-	-	-	3,800
Derivative liabilities	-	-	-	4,956
Other liabilities	126	-	-	3,847
Hybrid Tier-I Capital Securities	-	-	-	5,014
	25,065	650,119	23,136	372,709

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party balances and transactions (continued)

Bank	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
31.12.2015					
Income					
Interest on deposits and placements with other financial institutions	-	-	276,913	-	19,028
Interest on loans, advances and financing	47,073	21,603	914	180	1,021
Fee income	-	-	-	1	-
Other income	-	-	(3,746)	-	30,928
	47,073	21,603	274,081	181	50,977
Expenditure					
Interest on deposits and placements of banks and other financial institutions	-	-	10,822	-	933
Interest on deposits from customers	4,634	1,225	3,473	426	5,440
Interest on Hybrid Tier-I Capital Securities	-	-	-	-	337
Rental of premises	-	-	6,810	-	14,590
Management fee	-	-	-	-	3,647
Reimbursement of operating expenses from a subsidiary	-	-	(130,123)	-	-
Other expenses	-	-	10	-	69,286
	4,634	1,225	(109,008)	426	94,233
Amounts due from					
Money at call and deposit placements	-	-	1,296,978	-	1,385,382
Deposits and placements with banks and other financial institutions	-	-	10,211,846	-	422,151
Derivative assets	-	-	131,819	-	12,668
Loans, advances and financing	1,456,029	415,518	141,063	6,444	23,293
Other assets	1,976	-	176,533	-	133,814
	1,458,005	415,518	11,958,239	6,444	1,977,308
Amounts due to					
Deposits from customers	2,348,678	300,618	163,462	39,158	363,090
Deposits and placements of banks and other financial institutions	-	-	3,618,168	-	67,988
Derivative liabilities	-	-	22,114	-	2,224
Other liabilities	-	-	28,601	-	45,277
Hybrid Tier-I Capital Securities	-	-	-	-	5,014
	2,348,678	300,618	3,832,345	39,158	483,593

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party balances and transactions (continued)

Bank	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
31.12.2014					
Income					
Interest on deposits and placements with other financial institutions	-	-	205,007	-	2,006
Interest on loans, advances and financing	36,977	27,612	829	96	511
Other income	-	2	11,415	-	45,304
	36,977	27,614	217,251	96	47,821
Expenditure					
Interest on deposits and placements of banks and other financial institutions	-	-	673	-	1,522
Interest on deposits from customers	586	3,203	2,696	123	3,294
Interest on Hybrid Tier-I Capital Securities	-	-	-	-	337
Rental of premises	-	-	5,598	-	14,828
Management fee	-	-	-	-	3,624
Reimbursement of operating expenses from a subsidiary	-	-	(112,075)	-	-
Other expenses	-	-	9	-	53,610
	586	3,203	(103,099)	123	77,215
Amounts due from					
Money at call and deposit placements	-	-	253,571	-	560,715
Deposits and placements with banks and other financial institutions	-	-	6,721,061	-	10,586
Derivative assets	-	-	25,888	-	25,494
Loans, advances and financing	1,055,505	683,306	141,063	2,313	35,695
Other assets	131	-	219,543	-	25,957
	1,055,636	683,306	7,361,126	2,313	658,447
Amounts due to					
Deposits from customers	24,939	509,587	124,347	11,372	336,576
Deposits and placements of banks and other financial institutions	-	-	996,317	-	3,800
Derivative liabilities	-	-	21,755	-	4,956
Other liabilities	-	-	27,675	-	3,417
Hybrid Tier-I Capital Securities	-	-	-	-	5,014
	24,939	509,587	1,170,094	11,372	353,763

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party balances and transactions (continued)

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
The approved limit on loans, advances and financing for key management personnel	25,250	15,619	19,446	9,066

(c) Key management personnel

The remuneration of key management personnel are as follows:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Short-term employee benefits:				
– Fees	1,428	1,373	1,328	1,253
– Salary and other remuneration	16,017	14,677	14,431	12,907
– Contributions to EPF	2,184	2,073	1,972	1,842
– Benefits-in-kind	126	146	118	139
	19,755	18,269	17,849	16,141

(d) Credit exposures arising from transactions with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

	Group		Bank	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Outstanding credit exposure with connected parties (RM'000)	8,660,814	7,774,174	6,510,315	7,253,965
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	4.78	4.65	4.65	5.41
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	0.04	0.01	0.03	0.01

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

39 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to customers. Apart from the allowance for commitments and contingencies already made in the financial statements, no material losses are anticipated as a result of these transactions.

The notional amounts of the commitments and contingencies of the Group and the Bank are as follows:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Direct credit substitutes [#]	2,352,315	2,659,088	2,325,282	2,622,714
Transaction-related contingent items [#]	5,148,273	4,829,166	4,566,341	4,295,883
Short-term self-liquidating trade-related contingencies	1,840,490	1,822,569	1,757,633	1,767,022
Obligations under underwriting agreements	76,000	–	–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	5,017,446	517,610	5,017,446	517,610
Irrevocable commitments to extend credit:				
– maturity more than one year	29,517,173	30,645,996	24,504,613	26,380,190
– maturity less than one year	1,141,299	1,428,561	1,034,773	1,374,689
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	16,858,657	15,137,896	14,102,852	13,059,575
Foreign exchange related contracts [@] :				
– less than one year	66,686,218	28,320,308	66,657,554	28,302,199
– one year to less than five years	13,240,641	11,236,064	13,251,212	11,236,064
– more than five years	541,189	469,108	541,189	469,108
Interest rate related contracts [@] :				
– less than one year	7,967,611	6,289,805	8,817,611	6,918,826
– one year to less than five years	31,944,672	27,571,220	34,069,672	29,806,220
– more than five years	2,077,995	987,920	2,077,995	1,077,920
Total	184,409,979	131,915,311	178,724,173	127,828,020

[#] Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of the Group and the Bank amounting to RM5,148,273,000 (2014: RM4,829,166,000) and RM4,566,341,000 (2014: RM4,295,883,000) respectively.

[@] These derivatives are revalued on gross position basis and the unrealised gains or losses has been reflected in the income statements and statements of financial position as derivative assets or derivative liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

39 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Bank has given a continuing guarantee to BNM to meet the liabilities and financial obligations and requirements of its subsidiary, RHB Bank (L) Ltd, arising from its offshore banking business in the Federal Territory of Labuan.

The Bank has also given a guarantee to Bank of Thailand to provide support to meet any legal liabilities which may be incurred in respect of its operations in Thailand.

40 OPERATING LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases, is as follows:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Within one year	41,884	57,271	43,972	62,760
Between one to five years	32,826	50,547	42,860	58,692
More than five years	523	–	523	–
	75,233	107,818	87,355	121,452

41 CAPITAL COMMITMENTS

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Capital expenditure for property, plant and equipment:				
– Authorised and contracted for	133,350	92,562	132,303	92,562
– Authorised but not contracted for	245,722	191,674	244,353	148,761
	379,072	284,236	376,656	241,323
Proposed Internal Reorganisation [Note 46(a)(ii)]	3,710,000	–	3,710,000	–
	4,089,072	284,236	4,086,656	241,323

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The Group's financial risk management policy is adopted from the Group's and the Bank's management policies. Various programmes have been initiated at the Group and the Bank in order to identify, measure, control and monitor all identifiable risks.

The Group operates within clearly defined set of principles and guidelines based on best practices that have been approved by the Board. Various working committees have been formed at the Group and the Bank to ensure that all identifiable risks are addressed and managed adequately.

Risk is inherent in the Group's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Group is exposed to a range of other risk types such as market, liquidity, operational, legal, Shariah, strategic and cross-border, as well as other forms of risk inherent to its strategy, product range and geographical coverage.

Effective risk management is fundamental to being able to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

The Group's Risk Management Framework governs the management of risks in the Group as follows:

- (i) It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.
- (ii) It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group. They are:

- (i) Risk governance from the Boards of Directors of various operating entities within the Group

The ultimate responsibility of the Boards of Directors in the Group is to ensure that an effective risk management strategy is in place and uniformly understood across the Group. The Group has a structured framework to support the Board's oversight responsibilities.

The Board Risk Committee ('BRC') is the principal Board Committee that provides oversight over risk management for the Group to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the Group's overall risk management philosophy, framework, policies and models. An Islamic Risk Management Committee ('IRMC') has also been established to assist the Board of Directors of RHB Islamic Bank on issues relevant and unique to Islamic finance.

The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the Group Capital and Risk Committee ('GCRC') comprising Senior Management of the Group and which reports directly to the BRC/IRMC and the Group Management Committee ('GMC'). There are other committees set up to manage specific areas of risks in the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group. They are: (continued)

(ii) Clear understanding of risk management ownership

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Group. The Strategic Business Units ('SBUs') and Strategic Functional Units ('SFUs') of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risks. The business units manage certain defined risks supported by the services provided by the functional units, including the risk management function.

(iii) Institutionalisation of a risk-focused organisation

In addition to risk ownership, a risk-focused culture is promoted throughout the Group through strengthening of the central risk management functions and continuous reinforcement of a risk and control environment within the Group.

(iv) Alignment of risk management to business strategies

The Group Risk Management Framework serves to align the Group's business strategy to risk strategy, and vice-versa. This is articulated through the risk appetite setting and the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Risk appetite is set by the Board and reported through various metrics that enable the Group and the Bank to manage capital constraints and shareholders' expectations. The risk appetite is a key component of the management of risks and describes the types and level of risk that the Group and the Bank are prepared to accept in delivering its strategy.

(v) Optimisation of risk-adjusted return

One of the objectives of capital management is to reflect a risk-adjusted return assumed by the businesses throughout the Group. By linking risk to capital, the risk-adjusted return measure contributes to the creation of shareholder value by facilitating the allocation of capital to the businesses.

The medium to long-term strategy and principle of risk management of the Group is to intensify the integration of capital management within the Group. The Group is progressively implementing a risk-adjusted return based framework for allocation of capital to business units and for performance measurement and management.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

The main areas of financial risks faced by the Group and the Bank and the policies to address these financial risks, are set out below:

Major Areas of Risk

As a banking institution with key activities covering retail, business banking, corporate banking and treasury products and services, the Group is subject to business risks which are inherent in the financial services industry. Generally, these business risks can be broadly classified as follows:

- (i) Market risk – the risk of loss arising from adverse movements in market indicators, such as interest/profit rate, credit spreads, equity prices, currency exchange rates and commodity prices.
- (ii) Liquidity risk – the risk of the Group and the Bank being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.
- (iii) Credit risk – the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the the Group and the Bank lending/financing, trade finance and its fundings, investment and trading activities from both on- and off-balance sheet transactions.
- (iv) Operational risk – the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk.

To mitigate the various business risks of the Group and the Bank, the following has been put in place:

Market risk

- A framework of risk policies, measurement methodologies and limits, as approved by the Board, which controls the Group and the Bank financial market activities as well as to identify potential risk areas early in order to mitigate against any adverse effects arising from market volatility.
- The Group Asset and Liability Committee ('Group ALCO') performs a critical role in the oversight of the management of market risk and supports the IRMC and BRC in the overall market risk management.
- The Group Risk Management ('GRM') function forms a centralised function to support Senior Management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.
- The Group and the Bank apply risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk ('VaR'), sensitivity analysis and stress testing.
- Market risk is primarily monitored and controlled via a structure of limits and triggers i.e. cut loss, Value-at-Risk, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.
- Periodic stress testing are applied to the Group and the Bank to ascertain market risk under abnormal market conditions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Liquidity risk

- The Group ALCO plays a fundamental role in the asset and liability management of the Group and the Bank, and establishes strategies to assist in controlling and reducing any potential exposures to liquidity risk.
- The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.
- Limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities are set to ensure adequate cover for withdrawals arising from unexpected levels of demand.
- Defined liquidity management ratios are maintained and monitored.
- The Group and the Bank has established a Liquidity Incident Management Master Plan to manage any potential adverse liquidity incidences, and which can be implemented on a timely basis so that appropriate actions can be taken to mitigate against any unexpected market developments.

Credit risk

- The Group and the Bank abides to the Board approved credit policy which supports the development of a strong credit culture and with the objective of maintaining a well diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses. International best practices are incorporated into this policy.
- Group Credit Committee ('GCC') is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. GCC also approves and renews financing facilities and submits to the Board Credit Committee ('BCC') for affirmation or veto if the financing facilities exceed a pre-defined threshold.
- The Group and the Bank also ensure that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated prior to submission to the relevant committees for approval. For financing applications submitted for joint approvals, there is proper check and control as the joint approval is between business units and Group Credit Management.
- Internal credit rating models are an integral part of the Group's and the Bank's credit risk management, decision-making process, and regulatory capital calculations. Client's accounts are reviewed at regular intervals and weakening credit are transferred to Loan Recovery for more effective management.
- Counterparty, industry and product exposure limits/directions are set and risk reward relationship are mapped with the aim of maintaining a diverse credit profile and track the changing risk concentrations in response to market changes and external events.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

- The Bank has obtained BNM's approval to apply the Internal Ratings-Based ('IRB') approach for credit risk, whereby more advanced Basel II approaches and key program components are implemented, which includes (i) enhancing the returns of the Bank using established credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit grading models for business loans/financing, and (iii) designing and implementing modelling of expected and unexpected losses.
- Plans are underway to migrate other material portfolios to the IRB approach for credit risk.

Operational risk

- The Group Risk Management function is responsible for the development of group-wide operational risk policies, framework and methodologies, and providing guidance and information to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis. Some of the operational risk tools used include Risk and Control Self-Assessment, Key Risk Indicators, Incident and Loss Management.
- The Group and the Bank operational risk management system has integrated applications to support the operational risk management process. This system facilitates the Group's and the Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework in the future.
- The Group and the Bank has Business Continuity Planning ('BCP') programmes for the major critical business operations and activities at the Head Office, data centre, and branch locations. The BCP programmes are subject to regular testing to ensure efficacy, reliability and functionality.
- There is continuous refinement of existing policies, procedures and internal control measures; and regular internal review, compliance monitoring, and audits are performed to prevent and/or minimise unexpected losses.
- Regular operational risk reporting is made to senior management, relevant committees and board to facilitate the identification of adverse operational lapses, taking of prompt corrective actions, and ensuring appropriate risk mitigation decision making and action plans.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

Group	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
31.12.2015					
Assets					
Cash and short-term funds	13,530,998	-	-	-	13,530,998
Securities purchased under resale agreements	175,872	-	-	-	175,872
Deposits and placements with banks and other financial institutions	1,456,536	-	-	-	1,456,536
Financial assets HFT	-	626,676	-	-	626,676
Financial investments AFS	-	-	21,325,551	-	21,325,551
Financial investments HTM	-	-	-	19,931,391	19,931,391
Loans, advances and financing	149,191,114	-	-	-	149,191,114
Other financial assets	1,822,721	-	-	-	1,822,721
Derivative assets	-	3,060,637	-	-	3,060,637
	166,177,241	3,687,313	21,325,551	19,931,391	211,121,496

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities			
Deposits from customers	-	159,847,884	159,847,884
Deposits and placements of banks and other financial institutions	-	18,849,105	18,849,105
Obligations on securities sold under repurchase agreements	-	4,735,645	4,735,645
Bills and acceptances payable	-	487,604	487,604
Other financial liabilities	-	1,258,163	1,258,163
Derivative liabilities	2,977,154	-	2,977,154
Recourse obligation on loans sold to Cagamas	-	3,127,656	3,127,656
Borrowings	-	575,718	575,718
Subordinated obligations	-	5,346,964	5,346,964
Hybrid Tier-I Capital Securities	-	606,870	606,870
Senior debt securities	-	3,451,380	3,451,380
	2,977,154	198,286,989	201,264,143

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
31.12.2015					
Assets					
Cash and short-term funds	8,213,683	-	-	-	8,213,683
Securities purchased under resale agreements	165,153	-	-	-	165,153
Deposits and placements with banks and other financial institutions	9,782,274	-	-	-	9,782,274
Financial assets HFT	-	606,428	-	-	606,428
Financial investments AFS	-	-	18,166,278	-	18,166,278
Financial investments HTM	-	-	-	18,876,308	18,876,308
Loans, advances and financing	112,447,582	-	-	-	112,447,582
Other financial assets	1,738,071	-	-	-	1,738,071
Derivative assets	-	3,060,699	-	-	3,060,699
	132,346,763	3,667,127	18,166,278	18,876,308	173,056,476

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities			
Deposits from customers	-	125,609,459	125,609,459
Deposits and placements of banks and other financial institutions	-	19,365,704	19,365,704
Obligations on securities sold under repurchase agreements	-	4,735,645	4,735,645
Bills and acceptances payable	-	482,056	482,056
Other financial liabilities	-	1,075,738	1,075,738
Derivative liabilities	2,997,719	-	2,997,719
Recourse obligation on loans sold to Cagamas	-	2,144,896	2,144,896
Borrowings	-	575,718	575,718
Subordinated obligations	-	4,843,845	4,843,845
Hybrid Tier-I Capital Securities	-	606,870	606,870
Senior debt securities	-	3,451,380	3,451,380
	2,997,719	162,891,311	165,889,030

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
31.12.2014					
Assets					
Cash and short-term funds	11,493,133	-	-	-	11,493,133
Securities purchased under resale agreements	320,480	-	-	-	320,480
Deposits and placements with banks and other financial institutions	7,737,974	-	-	-	7,737,974
Financial assets HFT	-	1,691,414	-	-	1,691,414
Financial investments AFS	-	-	13,313,563	-	13,313,563
Financial investments HTM	-	-	-	17,594,801	17,594,801
Loans, advances and financing	109,982,719	-	-	-	109,982,719
Other financial assets	908,659	-	-	-	908,659
Derivative assets	-	1,283,574	-	-	1,283,574
	130,442,965	2,974,988	13,313,563	17,594,801	164,326,317
			Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities					
Deposits from customers			-	127,815,617	127,815,617
Deposits and placements of banks and other financial institutions			-	16,201,550	16,201,550
Obligations on securities sold under repurchase agreements			-	489,506	489,506
Bills and acceptances payable			-	467,486	467,486
Other financial liabilities			-	732,688	732,688
Derivative liabilities			1,214,797	-	1,214,797
Recourse obligation on loans sold to Cagamas			-	2,167,659	2,167,659
Borrowings			-	669,892	669,892
Subordinated obligations			-	5,046,910	5,046,910
Hybrid Tier-I Capital Securities			-	606,529	606,529
Senior debt securities			-	2,810,655	2,810,655
			1,214,797	157,008,492	158,223,289

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest/profit rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank.

The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. The Group and the Bank seeks to ensure that the interest/profit rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest/profit rate sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities:

	Group		Bank	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
31.12.2015				
+100 bps	54,614	(536,605)	58,745	(432,254)
-100 bps	(52,467)	576,059	(56,654)	461,549
31.12.2014				
+100 bps	(16,742)	(399,024)	15,387	(321,563)
-100 bps	22,085	425,711	(11,319)	340,599

The results above represent financial assets and liabilities that have been prepared on the following basis:

- (i) Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest/profit rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short term interest/profit rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps interest rate (2014: 100 bps) interest/profit rate change impact. For assets and liabilities with non fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest/profit bearing assets and liabilities.
- (ii) Impact on equity represents the changes in fair values of fixed income instruments held in the AFS portfolio arising from the shift in the interest/profit rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates (mainly consists of USD and SGD) on the consolidated currency position, while other variables remain constant.

	Group	Bank
	Impact on profit after tax RM'000	Impact on profit after tax RM'000
31.12.2015		
+10%	(15,703)	(15,268)
-10%	15,703	15,268
31.12.2014		
+5%	6,485	6,653
-5%	(6,485)	(6,653)

Impact on the profit after taxation is estimated on the assumption that foreign exchange move by the same amount and all other variables are held constant and are based on a constant reporting date position.

Note: Based on the market volatility and the decline in MYR against USD by -22.8% in 2015, the foreign exchange sensitivity scenario has been revised to +/-10% (2014: +/-5%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk

The table below summarises the Group's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates.

Group	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
31.12.2015									
ASSETS									
Cash and short-term funds	10,413,840	83,300	5,000	-	-	-	3,028,858	-	13,530,998
Securities purchased under resale agreements	175,781	-	-	-	-	-	91	-	175,872
Deposits and placements with banks and other financial institutions	-	873,714	53,516	167,861	356,370	-	5,075	-	1,456,536
Financial assets HFT	-	-	-	-	-	-	-	626,676	626,676
Financial investments AFS	1,332,670	1,827,122	1,253,218	680,506	4,768,543	10,706,392	757,100	-	21,325,551
Financial investments HTM	1,460,021	700,724	553,126	1,650,451	4,728,092	10,784,442	54,535 [#]	-	19,931,391
Loans, advances and financing:									
– performing	103,572,031	10,150,478	3,161,533	2,592,286	7,764,958	20,588,305	439,608	-	148,269,199
– impaired	-	-	-	-	-	-	921,915 [*]	-	921,915
Other assets	-	-	-	-	-	-	2,238,362	-	2,238,362
Derivative assets	-	-	-	-	458	-	-	3,060,179	3,060,637
Statutory deposits	-	-	-	-	-	-	5,128,078	-	5,128,078
Tax recoverable	-	-	-	-	-	-	117,359	-	117,359
Deferred tax assets	-	-	-	-	-	-	74,117	-	74,117
Property, plant and equipment	-	-	-	-	-	-	671,092	-	671,092
Goodwill and intangible assets	-	-	-	-	-	-	1,391,364	-	1,391,364
TOTAL ASSETS	116,954,343	13,635,338	5,026,393	5,091,104	17,618,421	42,079,139	14,827,554	3,686,855	218,919,147

[#] Included impairment losses.

^{*} This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued).

Group	← Non-trading book →						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 3 years RM'000	Over 3 years RM'000			
31.12.2015									
LIABILITIES									
Deposits from customers	67,723,286	27,928,359	22,602,582	16,565,845	1,532,648	32,328	23,462,836	-	159,847,884
Deposits and placements of banks and other financial institutions	8,301,160	7,258,706	1,975,533	421,411	604,680	263,289	24,326	-	18,849,105
Obligations on securities sold under repurchase agreements	427,859	2,568,552	1,317,860	390,091	-	-	31,283	-	4,735,645
Bills and acceptances payable	5,877	-	-	-	-	-	481,727	-	487,604
Other liabilities	1,804	-	-	-	-	-	1,673,669	-	1,675,473
Derivative liabilities	-	-	-	-	16	655	-	2,976,483	2,977,154
Recourse obligation on loans sold to Cagamas	-	-	-	412,562	966,652	1,725,000	23,442	-	3,127,656
Tax liabilities	-	-	-	-	-	-	29,768	-	29,768
Deferred tax liabilities	-	-	-	-	-	-	5	-	5
Borrowings	-	150,273	26,834	69,769	236,143	91,237	1,462	-	575,718
Subordinated obligations	-	-	-	249,757	2,749,180	2,299,544	48,483	-	5,346,964
Hybrid Tier-I Capital Securities	-	-	-	-	-	598,690	8,180	-	606,870
Senior debt securities	-	-	-	-	2,147,911	1,284,167	19,302	-	3,451,380
TOTAL LIABILITIES	76,459,986	37,905,890	25,922,809	18,109,435	8,237,230	6,294,910	25,804,483	2,976,483	201,711,226
Total equity	-	-	-	-	-	-	17,207,921	-	17,207,921
TOTAL LIABILITIES AND EQUITY	76,459,986	37,905,890	25,922,809	18,109,435	8,237,230	6,294,910	43,012,404	2,976,483	218,919,147
On-balance sheet interest sensitivity gap	40,494,357	(24,270,552)	(20,896,416)	(13,018,331)	9,381,191	35,784,229			
Off-balance sheet interest sensitivity gap	(50,588)	13,160	(200,234)	518,370	2,344,821	3,603,864			
TOTAL INTEREST-SENSITIVITY GAP	40,443,769	(24,257,392)	(21,096,650)	(12,499,961)	11,726,012	39,388,093			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates.

Group	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
31.12.2014									
ASSETS									
Cash and short-term funds	12,478,026	-	-	-	-	-	3,058,614	-	15,536,640
Securities purchased under resale agreements	376,365	-	-	-	-	-	53	-	376,418
Deposits and placements with banks and other financial institutions	-	830,097	655,596	137,766	417,494	-	4,331	-	2,045,284
Financial assets HFT	-	-	-	-	-	-	-	2,043,302	2,043,302
Financial investments AFS	291,034	267,302	541,210	606,975	6,938,687	6,485,405	652,388	-	15,783,001
Financial investments HTM	1,485,251	580,127	1,433,282	543,198	4,154,043	11,439,232	62,964 [#]	-	19,698,097
Loans, advances and financing:									
- performing	93,858,448	14,856,357	3,051,439	922,326	6,425,129	19,157,148	300,438	-	138,571,285
- impaired	-	-	-	-	-	-	973,023 [*]	-	973,023
Other assets	-	-	-	-	-	-	1,071,882	-	1,071,882
Derivative assets	-	-	-	-	-	1,987	-	1,281,868	1,283,855
Statutory deposits	-	-	-	-	-	-	5,201,170	-	5,201,170
Tax recoverable	-	-	-	-	-	-	59,792	-	59,792
Deferred tax assets	-	-	-	-	-	-	9,956	-	9,956
Property, plant and equipment	-	-	-	-	-	-	666,426	-	666,426
Goodwill and intangible assets	-	-	-	-	-	-	1,316,923	-	1,316,923
TOTAL ASSETS	108,489,124	16,533,883	5,681,527	2,210,265	17,935,353	37,083,772	13,377,960	3,325,170	204,637,054

[#] Included impairment losses.

^{*} This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued).

Group	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 3 years RM'000	Over 3 years RM'000			
31.12.2014									
LIABILITIES									
Deposits from customers	65,296,078	24,649,406	19,961,956	20,292,663	782,244	17,629	23,856,535	–	154,856,511
Deposits and placements of banks and other financial institutions	5,859,423	7,678,072	3,148,490	329,382	613,777	274,609	52,617	–	17,956,370
Obligations on securities sold under repurchase agreements	–	–	–	489,506	–	–	–	–	489,506
Bills and acceptances payable	259,866	39,021	–	–	–	–	177,435	–	476,322
Other liabilities	3,224	–	–	–	–	168	1,211,144	–	1,214,536
Derivative liabilities	–	–	–	–	–	–	–	1,193,538	1,193,538
Recourse obligation on loans sold to Cagamas	–	–	–	–	1,576,631	1,725,000	13,704	–	3,315,335
Tax liabilities	–	–	–	–	–	–	22,418	–	22,418
Deferred tax liabilities	–	–	–	–	–	–	40,818	–	40,818
Borrowings	–	34,965	196,678	56,818	227,273	152,972	1,186	–	669,892
Subordinated obligations	–	–	700,000	–	2,998,187	1,800,000	51,774	–	5,549,961
Hybrid Tier-I Capital Securities	–	–	–	–	–	598,349	8,180	–	606,529
Senior debt securities	–	–	–	–	1,749,215	1,045,721	15,719	–	2,810,655
TOTAL LIABILITIES	71,418,591	32,401,464	24,007,124	21,168,369	7,947,327	5,614,448	25,451,530	1,193,538	189,202,391
Total equity	–	–	–	–	–	–	15,434,663	–	15,434,663
TOTAL LIABILITIES AND EQUITY	71,418,591	32,401,464	24,007,124	21,168,369	7,947,327	5,614,448	40,886,193	1,193,538	204,637,054
On-balance sheet interest sensitivity gap	37,070,533	(15,867,581)	(18,325,597)	(18,958,104)	9,988,026	31,469,324			
Off-balance sheet interest sensitivity gap	(165,072)	(896,266)	(1,806,325)	272,754	2,849,159	1,544,535			
TOTAL INTEREST-SENSITIVITY GAP	36,905,461	(16,763,847)	(20,131,922)	(18,685,350)	12,837,185	33,013,859			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates.

Bank	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
31.12.2015									
ASSETS									
Cash and short-term funds	6,043,639	-	-	-	-	-	2,170,044	-	8,213,683
Securities purchased under resale agreements	165,095	-	-	-	-	-	58	-	165,153
Deposits and placements with banks and other financial institutions	-	1,392,265	1,097,584	44,222	979,495	5,951,048	317,660	-	9,782,274
Financial assets HFT	-	-	-	-	-	-	-	606,428	606,428
Financial investments AFS	1,238,213	1,809,883	1,233,174	585,241	4,126,896	8,444,074	728,797	-	18,166,278
Financial investments HTM	1,198,550	1,330,714	803,126	1,484,054	4,154,820	9,868,482	36,562 [#]	-	18,876,308
Loans, advances and financing:									
- performing	84,618,194	9,673,498	2,624,904	972,765	5,283,649	8,180,162	259,311	-	111,612,483
- impaired	-	-	-	-	-	-	835,099 [*]	-	835,099
Other assets	-	-	-	-	-	-	2,222,829	-	2,222,829
Derivative assets	-	-	-	-	458	-	-	3,060,241	3,060,699
Statutory deposits	-	-	-	-	-	-	3,719,819	-	3,719,819
Tax recoverable	-	-	-	-	-	-	117,357	-	117,357
Deferred tax assets	-	-	-	-	-	-	62,139	-	62,139
Investment in subsidiaries	-	-	-	-	-	-	1,918,889	-	1,918,889
Property, plant and equipment	-	-	-	-	-	-	474,881	-	474,881
Goodwill and intangible assets	-	-	-	-	-	-	1,166,647	-	1,166,647
TOTAL ASSETS	93,263,691	14,206,360	5,758,788	3,086,282	14,545,318	32,443,766	14,030,092	3,666,669	181,000,966

[#] Included impairment losses.

^{*} This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued).

Bank	← Non-trading book →						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 3 years RM'000	Over 3 years RM'000			
31.12.2015									
LIABILITIES									
Deposits from customers	51,019,156	19,305,907	19,663,499	13,293,831	1,498,917	31,492	20,796,657	-	125,609,459
Deposits and placements of banks and other financial institutions	8,908,910	7,591,217	1,928,304	360,288	248,310	262,139	66,536	-	19,365,704
Obligations on securities sold under repurchase agreements	427,859	2,568,552	1,317,860	390,091	-	-	31,283	-	4,735,645
Bills and acceptances payable	5,877	-	-	-	-	-	476,179	-	482,056
Other liabilities	-	-	-	-	-	-	1,341,504	-	1,341,504
Derivative liabilities	-	-	-	-	16	655	-	2,997,048	2,997,719
Recourse obligation on loans sold to Cagamas	-	-	-	412,562	-	1,725,000	7,334	-	2,144,896
Borrowings	-	150,273	26,834	69,769	236,143	91,237	1,462	-	575,718
Subordinated obligations	-	-	-	249,757	2,749,180	1,799,544	45,364	-	4,843,845
Hybrid Tier-I Capital Securities	-	-	-	-	-	598,690	8,180	-	606,870
Senior debt securities	-	-	-	-	2,147,911	1,284,167	19,302	-	3,451,380
TOTAL LIABILITIES	60,361,802	29,615,949	22,936,497	14,776,298	6,880,477	5,792,924	22,793,801	2,997,048	166,154,796
Total equity	-	-	-	-	-	-	14,846,170	-	14,846,170
TOTAL LIABILITIES AND EQUITY	60,361,802	29,615,949	22,936,497	14,776,298	6,880,477	5,792,924	37,639,971	2,997,048	181,000,966
On-balance sheet interest sensitivity gap	32,901,889	(15,409,589)	(17,177,709)	(11,690,016)	7,664,841	26,650,842			
Off-balance sheet interest sensitivity gap	(50,588)	13,160	(200,234)	518,370	2,344,821	3,603,864			
TOTAL INTEREST-SENSITIVITY GAP	32,851,301	(15,396,429)	(17,377,943)	(11,171,646)	10,009,662	30,254,706			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued).

Bank	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
31.12.2014									
ASSETS									
Cash and short-term funds	9,083,782	-	-	-	-	-	2,409,351	-	11,493,133
Securities purchased under resale agreements	320,454	-	-	-	-	-	26	-	320,480
Deposits and placements with banks and other financial institutions	-	863,606	3,784,524	-	500,000	2,350,000	239,844	-	7,737,974
Financial assets HFT	-	-	-	-	-	-	-	1,691,414	1,691,414
Financial investments AFS	214,111	257,281	521,184	489,814	6,342,870	4,856,528	631,775	-	13,313,563
Financial investments HTM	1,269,867	470,098	1,178,403	325,264	3,840,757	10,468,864	41,548 [#]	-	17,594,801
Loans, advances and financing:									
- performing	77,611,418	13,007,011	2,804,177	714,717	5,220,546	9,533,725	211,179	-	109,102,773
- impaired	-	-	-	-	-	-	879,946 [*]	-	879,946
Other assets	-	-	-	-	-	-	1,157,823	-	1,157,823
Derivative assets	-	-	-	-	-	1,987	-	1,281,587	1,283,574
Statutory deposits	-	-	-	-	-	-	4,055,229	-	4,055,229
Tax recoverable	-	-	-	-	-	-	59,771	-	59,771
Investment in subsidiaries	-	-	-	-	-	-	1,864,514	-	1,864,514
Property, plant and equipment	-	-	-	-	-	-	487,906	-	487,906
Goodwill and intangible assets	-	-	-	-	-	-	1,091,300	-	1,091,300
TOTAL ASSETS	88,499,632	14,597,996	8,288,288	1,529,795	15,904,173	27,211,104	13,130,212	2,973,001	172,134,201

[#] Included impairment losses.

^{*} This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued).

Bank	← Non-trading book →						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 3 years RM'000	Over 3 years RM'000			
31.12.2014									
LIABILITIES									
Deposits from customers	50,116,134	19,978,694	18,008,203	17,632,469	467,453	16,879	21,595,785	-	127,815,617
Deposits and placements of banks and other financial institutions	5,926,760	6,880,724	2,620,238	226,859	196,283	274,609	76,077	-	16,201,550
Obligations on securities sold under repurchase agreements	-	-	-	489,506	-	-	-	-	489,506
Bills and acceptances payable	259,866	39,021	-	-	-	-	168,599	-	467,486
Other liabilities	-	-	-	-	-	168	916,287	-	916,455
Derivative liabilities	-	-	-	-	-	-	-	1,214,797	1,214,797
Recourse obligation on loans sold to Cagamas	-	-	-	-	435,188	1,725,000	7,471	-	2,167,659
Deferred tax liabilities	-	-	-	-	-	-	40,814	-	40,814
Borrowings	-	34,965	196,678	56,818	227,273	152,972	1,186	-	669,892
Subordinated obligations	-	-	700,000	-	2,998,187	1,300,000	48,723	-	5,046,910
Hybrid Tier-I Capital Securities	-	-	-	-	-	598,349	8,180	-	606,529
Senior debt securities	-	-	-	-	1,749,215	1,045,721	15,719	-	2,810,655
TOTAL LIABILITIES	56,302,760	26,933,404	21,525,119	18,405,652	6,073,599	5,113,698	22,878,841	1,214,797	158,447,870
Total equity	-	-	-	-	-	-	13,686,331	-	13,686,331
TOTAL LIABILITIES AND EQUITY	56,302,760	26,933,404	21,525,119	18,405,652	6,073,599	5,113,698	36,565,172	1,214,797	172,134,201
On-balance sheet interest sensitivity gap	32,196,872	(12,335,408)	(13,236,831)	(16,875,857)	9,830,574	22,097,406			
Off-balance sheet interest sensitivity gap	(165,072)	(896,266)	(1,806,325)	272,754	2,849,159	1,544,535			
TOTAL INTEREST-SENSITIVITY GAP	32,031,800	(13,231,674)	(15,043,156)	(16,603,103)	12,679,733	23,641,941			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds upon maturity, extensions of credit and working capital needs.

The Group and the Bank have adopted the BNM's Liquidity standard on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. The Group continues to report Net Stable Funding Ratio under the Basel III observation reporting to BNM.

The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity:

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2015								
ASSETS								
Cash and short-term funds	12,499,035	1,031,963	-	-	-	-	-	13,530,998
Securities purchased under resale agreements	175,872	-	-	-	-	-	-	175,872
Deposits and placements with banks and other financial institutions	-	-	876,882	87,699	135,586	356,369	-	1,456,536
Financial assets HFT	-	1,663	53,444	50,319	-	521,250	-	626,676
Financial investments AFS	1,229,541	50,664	1,898,387	1,301,958	681,466	15,303,569	859,966	21,325,551
Financial investments HTM	1,119,191	224,626	774,604	594,703	1,654,703	15,563,564	-	19,931,391
Loans, advances and financing	3,226,111	9,749,232	7,120,312	3,840,080	5,392,599	119,862,780	-	149,191,114
Other assets	155,071	174,333	161,909	125,237	243,390	981,463	396,959	2,238,362
Derivative assets	22,018	197,281	443,986	342,593	124,084	1,930,675	-	3,060,637
Statutory deposits	-	-	-	-	-	-	5,128,078	5,128,078
Tax recoverable	-	-	-	-	-	-	117,359	117,359
Deferred tax assets	-	-	-	-	-	-	74,117	74,117
Property, plant and equipment	-	-	-	-	-	-	671,092	671,092
Goodwill and intangible assets	-	-	-	-	-	-	1,391,364	1,391,364
TOTAL ASSETS	18,426,839	11,429,762	11,329,524	6,342,589	8,231,828	154,519,670	8,638,935	218,919,147

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2015								
LIABILITIES								
Deposits from customers	55,623,253	34,930,472	28,154,401	22,857,482	16,694,534	1,587,742	-	159,847,884
Deposits and placements of banks and other financial institutions	2,529,003	5,782,893	7,270,859	1,975,900	421,765	868,685	-	18,849,105
Obligations on securities sold under repurchase agreements	180,500	251,222	2,591,428	1,321,911	390,584	-	-	4,735,645
Bills and acceptances payable	487,492	112	-	-	-	-	-	487,604
Other liabilities	176,796	512,937	129,787	70,192	108,717	275,481	401,563	1,675,473
Derivative liabilities	81,814	272,238	213,880	251,516	202,657	1,955,049	-	2,977,154
Recourse obligation on loans sold to Cagamas	-	-	4,825	2,508	412,562	2,707,761	-	3,127,656
Tax liabilities	-	-	-	-	-	-	29,768	29,768
Deferred tax liabilities	-	-	-	-	-	-	5	5
Borrowings	-	-	151,180	27,389	69,769	327,380	-	575,718
Subordinated obligations	-	24,061	-	21,301	249,757	5,051,845	-	5,346,964
Hybrid Tier-I Capital Securities	-	-	-	8,180	-	598,690	-	606,870
Senior debt securities	-	-	-	19,302	-	3,432,078	-	3,451,380
TOTAL LIABILITIES	59,078,858	41,773,935	38,516,360	26,555,681	18,550,345	16,804,711	431,336	201,711,226
Total equity	-	-	-	-	-	-	17,207,921	17,207,921
TOTAL LIABILITIES AND EQUITY	59,078,858	41,773,935	38,516,360	26,555,681	18,550,345	16,804,711	17,639,257	218,919,147

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2014								
ASSETS								
Cash and short-term funds	8,711,628	6,825,012	-	-	-	-	-	15,536,640
Securities purchased under resale agreements	376,418	-	-	-	-	-	-	376,418
Deposits and placements with banks and other financial institutions	-	-	816,361	643,855	167,574	417,494	-	2,045,284
Financial assets HFT	-	106,471	454,541	177,308	-	1,304,982	-	2,043,302
Financial investments AFS	1,747	230,664	305,959	573,161	607,890	13,263,608	799,972	15,783,001
Financial investments HTM	263,733	1,134,929	656,062	1,484,154	544,260	15,614,959	-	19,698,097
Loans, advances and financing	4,426,378	7,239,386	7,210,693	4,021,474	4,306,174	112,340,203	-	139,544,308
Other assets	107,401	39,106	98,764	64,272	73,231	391,392	297,716	1,071,882
Derivative assets	4,065	75,780	57,095	158,441	206,559	781,915	-	1,283,855
Statutory deposits	-	-	-	-	-	-	5,201,170	5,201,170
Tax recoverable	-	-	-	-	-	-	59,792	59,792
Deferred tax assets	-	-	-	-	-	-	9,956	9,956
Property, plant and equipment	-	-	-	-	-	-	666,426	666,426
Goodwill and intangible assets	-	-	-	-	-	-	1,316,923	1,316,923
TOTAL ASSETS	13,891,370	15,651,348	9,599,475	7,122,665	5,905,688	144,114,553	8,351,955	204,637,054

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2014								
LIABILITIES								
Deposits from customers	50,706,452	37,804,997	24,886,635	20,685,519	19,984,041	788,867	-	154,856,511
Deposits and placements of banks and other financial institutions	1,790,051	3,941,419	7,817,254	3,186,927	332,333	888,386	-	17,956,370
Obligations on securities sold under repurchase agreements	-	-	-	-	489,506	-	-	489,506
Bills and acceptances payable	292,682	144,619	39,021	-	-	-	-	476,322
Other liabilities	107,171	282,039	93,222	38,213	134,098	221,997	337,796	1,214,536
Derivative liabilities	62,357	63,302	149,693	95,492	97,316	725,378	-	1,193,538
Recourse obligation on loans sold to Cagamas	-	-	2,645	4,825	-	3,307,865	-	3,315,335
Tax liabilities	-	-	-	-	-	-	22,418	22,418
Deferred tax liabilities	-	-	-	-	-	-	40,818	40,818
Borrowings	-	-	35,603	197,226	56,818	380,245	-	669,892
Subordinated obligations	-	24,061	-	727,713	-	4,798,187	-	5,549,961
Hybrid Tier-I Capital Securities	-	-	7,542	638	-	598,349	-	606,529
Senior debt securities	-	-	-	15,719	-	2,794,936	-	2,810,655
TOTAL LIABILITIES	52,958,713	42,260,437	33,031,615	24,952,272	21,094,112	14,504,210	401,032	189,202,391
Total equity	-	-	-	-	-	-	15,434,663	15,434,663
TOTAL LIABILITIES AND EQUITY	52,958,713	42,260,437	33,031,615	24,952,272	21,094,112	14,504,210	15,835,695	204,637,054

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2015								
ASSETS								
Cash and short-term funds	6,654,935	1,558,748	-	-	-	-	-	8,213,683
Securities purchased under resale agreements	165,153	-	-	-	-	-	-	165,153
Deposits and placements with banks and other financial institutions	-	-	1,394,417	1,135,102	11,027	7,241,728	-	9,782,274
Financial assets HFT	-	1,276	53,444	50,319	-	501,389	-	606,428
Financial investments AFS	1,228,114	42,956	1,874,539	1,270,964	586,201	12,505,734	657,770	18,166,278
Financial investments HTM	1,095,753	124,277	1,395,815	838,921	1,488,306	13,933,236	-	18,876,308
Loans, advances and financing	2,570,462	8,392,516	6,551,443	3,301,171	3,771,905	87,860,085	-	112,447,582
Other assets	52,518	253,935	108,229	159,287	270,098	981,359	397,403	2,222,829
Derivative assets	22,003	197,175	434,512	341,252	121,866	1,943,891	-	3,060,699
Statutory deposits	-	-	-	-	-	-	3,719,819	3,719,819
Tax recoverable	-	-	-	-	-	-	117,357	117,357
Deferred tax assets	-	-	-	-	-	-	62,139	62,139
Investment in subsidiaries	-	-	-	-	-	-	1,918,889	1,918,889
Property, plant and equipment	-	-	-	-	-	-	474,881	474,881
Goodwill and intangible assets	-	-	-	-	-	-	1,166,647	1,166,647
TOTAL ASSETS	11,788,938	10,570,883	11,812,399	7,097,016	6,249,403	124,967,422	8,514,905	181,000,966

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2015								
LIABILITIES								
Deposits from customers	46,770,027	24,500,442	19,497,416	19,882,613	13,404,859	1,554,102	-	125,609,459
Deposits and placements of banks and other financial institutions	2,669,114	6,274,178	7,617,304	1,933,302	360,641	511,165	-	19,365,704
Obligations on securities sold under repurchase agreements	180,500	251,222	2,591,428	1,321,911	390,584	-	-	4,735,645
Bills and acceptances payable	481,944	112	-	-	-	-	-	482,056
Other liabilities	76,066	501,958	111,699	37,197	86,575	264,491	263,518	1,341,504
Derivative liabilities	81,747	272,261	195,099	270,300	207,810	1,970,502	-	2,997,719
Recourse obligation on loans sold to Cagamas	-	-	4,825	2,508	412,562	1,725,001	-	2,144,896
Borrowings	-	-	151,180	27,389	69,769	327,380	-	575,718
Subordinated obligations	-	24,061	-	21,301	249,757	4,548,726	-	4,843,845
Hybrid Tier-I Capital Securities	-	-	-	8,180	-	598,690	-	606,870
Senior debt securities	-	-	-	19,302	-	3,432,078	-	3,451,380
TOTAL LIABILITIES	50,259,398	31,824,234	30,168,951	23,524,003	15,182,557	14,932,135	263,518	166,154,796
Total equity	-	-	-	-	-	-	14,846,170	14,846,170
TOTAL LIABILITIES AND EQUITY	50,259,398	31,824,234	30,168,951	23,524,003	15,182,557	14,932,135	15,109,688	181,000,966

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2014								
ASSETS								
Cash and short-term funds	6,127,236	5,365,897	-	-	-	-	-	11,493,133
Securities purchased under resale agreements	320,480	-	-	-	-	-	-	320,480
Deposits and placements with banks and other financial institutions	-	-	849,610	3,798,417	29,127	3,060,820	-	7,737,974
Financial assets HFT	-	106,471	453,104	176,218	-	955,621	-	1,691,414
Financial investments AFS	-	226,591	290,230	547,025	490,729	11,162,273	596,715	13,313,563
Financial investments HTM	160,078	1,133,845	534,815	1,223,816	326,326	14,215,921	-	17,594,801
Loans, advances and financing	2,946,738	6,310,962	6,557,608	3,291,112	3,698,668	87,177,631	-	109,982,719
Other assets	45,989	185,925	98,750	64,278	127,042	391,288	244,551	1,157,823
Derivative assets	4,069	75,733	55,800	158,095	206,212	783,665	-	1,283,574
Statutory deposits	-	-	-	-	-	-	4,055,229	4,055,229
Tax recoverable	-	-	-	-	-	-	59,771	59,771
Investment in subsidiaries	-	-	-	-	-	-	1,864,514	1,864,514
Property, plant and equipment	-	-	-	-	-	-	487,906	487,906
Goodwill and intangible assets	-	-	-	-	-	-	1,091,300	1,091,300
TOTAL ASSETS	9,604,590	13,405,424	8,839,917	9,258,961	4,878,104	117,747,219	8,399,986	172,134,201

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2014								
LIABILITIES								
Deposits from customers	41,969,074	29,170,497	20,182,938	18,710,041	17,309,517	473,550	-	127,815,617
Deposits and placements of banks and other financial institutions	1,678,265	4,139,592	7,019,489	2,663,518	229,794	470,892	-	16,201,550
Obligations on securities sold under repurchase agreements	-	-	-	-	489,506	-	-	489,506
Bills and acceptances payable	283,846	144,619	39,021	-	-	-	-	467,486
Other liabilities	102,157	265,697	61,007	38,467	107,424	211,840	129,863	916,455
Derivative liabilities	62,351	63,309	149,693	95,042	97,998	746,404	-	1,214,797
Recourse obligation on loans sold to Cagamas	-	-	2,645	4,825	-	2,160,189	-	2,167,659
Deferred tax liabilities	-	-	-	-	-	-	40,814	40,814
Borrowings	-	-	35,603	197,226	56,818	380,245	-	669,892
Subordinated obligations	-	24,061	-	724,662	-	4,298,187	-	5,046,910
Hybrid Tier-I Capital Securities	-	-	7,542	638	-	598,349	-	606,529
Senior debt securities	-	-	-	15,719	-	2,794,936	-	2,810,655
TOTAL LIABILITIES	44,095,693	33,807,775	27,497,938	22,450,138	18,291,057	12,134,592	170,677	158,447,870
Total equity	-	-	-	-	-	-	13,686,331	13,686,331
TOTAL LIABILITIES AND EQUITY	44,095,693	33,807,775	27,497,938	22,450,138	18,291,057	12,134,592	13,857,008	172,134,201

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments.

Group	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2015							
LIABILITIES							
Deposits from customers	90,806,719	51,280,765	17,111,369	1,622,987	36,130	-	160,857,970
Deposits and placements of banks and other financial institutions	8,251,691	10,241,114	438,632	680,172	266,883	-	19,878,492
Obligations on securities sold under repurchase agreements	432,244	3,938,361	390,986	-	-	-	4,761,591
Bills and acceptances payable	487,606	-	-	-	-	-	487,606
Other financial liabilities	428,463	459,958	106,161	200,129	43,017	20,435	1,258,163
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(15,031,730)	(10,669,840)	(4,252,679)	(4,203,957)	(2,406,584)	(320,273)	(36,885,063)
- outflow	15,375,039	11,064,210	4,393,587	5,422,051	2,730,756	347,383	39,333,026
- net settled derivatives	6,355	9,182	6,319	11,350	7,087	8,255	48,548
Recourse obligation on loans sold to Cagamas	23,309	140,014	553,881	987,890	1,805,058	-	3,510,152
Borrowings	107,757	72,944	72,514	242,369	92,202	-	587,786
Subordinated obligations	49,900	90,063	889,963	3,095,025	1,933,400	-	6,058,351
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	630,325	-	765,701
Senior debt securities	-	54,772	54,772	2,261,185	1,327,825	-	3,698,554
TOTAL FINANCIAL LIABILITIES	100,937,353	66,704,106	19,788,068	10,409,451	6,466,099	55,800	204,360,877

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments (continued).

Group	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2014							
LIABILITIES							
Deposits from customers	88,677,326	46,064,197	20,438,970	1,308,686	1,975,145	-	158,464,324
Deposits and placements of banks and other financial institutions	5,795,180	11,008,217	349,711	698,686	279,288	-	18,131,082
Obligations on securities sold under repurchase agreements	-	-	493,654	-	-	-	493,654
Bills and acceptances payable	437,301	39,021	-	-	-	-	476,322
Other financial liabilities	356,117	160,852	73,960	165,293	33,557	21,699	811,478
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(1,543,203)	(5,852,939)	(1,498,468)	(3,556,357)	(2,831,877)	(289,164)	(15,572,008)
- outflow	1,655,940	6,000,207	1,457,615	3,738,402	2,915,382	243,849	16,011,395
- net settled derivatives	(3,749)	11,059	30,159	(9,918)	(26,753)	66	864
Recourse obligation on loans sold to Cagamas	23,363	141,401	166,089	1,621,679	1,884,895	-	3,837,427
Borrowings	-	234,501	58,774	232,503	137,078	17,541	680,397
Subordinated obligations	24,950	807,563	615,013	2,683,800	1,827,700	308,400	6,267,426
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	675,450	-	810,826
Senior debt securities	-	44,605	44,605	1,898,260	1,113,733	-	3,101,203
TOTAL FINANCIAL LIABILITIES	95,423,225	58,681,247	22,252,645	8,871,284	7,983,598	302,391	193,514,390

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Bank	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2015							
LIABILITIES							
Deposits from customers	71,507,779	39,546,002	13,708,055	1,586,245	35,140	-	126,383,221
Deposits and placements of banks and other financial institutions	8,886,435	9,608,844	368,889	259,841	265,733	-	19,389,742
Obligations on securities sold under repurchase agreements	432,244	3,938,361	390,986	-	-	-	4,761,591
Bills and acceptances payable	482,057	-	-	-	-	-	482,057
Other financial liabilities	317,151	409,581	86,210	199,344	43,017	20,435	1,075,738
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(14,968,853)	(10,661,632)	(3,887,562)	(4,178,947)	(2,128,712)	(320,273)	(36,145,979)
- outflow	15,309,962	11,055,894	4,020,572	5,397,683	2,432,117	347,383	38,563,611
- net settled derivatives	7,126	1,757	4,181	8,572	5,611	7,008	34,255
Recourse obligation on loans sold to Cagamas	-	60,659	450,185	159,676	1,805,058	-	2,475,578
Borrowings	107,757	72,944	72,514	242,369	92,202	-	587,786
Subordinated obligations	49,900	77,688	377,588	3,095,025	1,933,400	-	5,533,601
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	630,325	-	765,701
Senior debt securities	-	54,772	54,772	2,261,185	1,327,825	-	3,698,554
TOTAL FINANCIAL LIABILITIES	82,131,558	54,187,433	15,668,953	9,121,243	6,441,716	54,553	167,605,456

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued).

Bank	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2014							
LIABILITIES							
Deposits from customers	71,267,143	39,276,329	17,667,995	974,871	1,974,241	-	131,160,579
Deposits and placements of banks and other financial institutions	5,882,783	9,687,223	238,182	208,612	279,288	-	16,296,088
Obligations on securities sold under repurchase agreements	-	-	493,654	-	-	-	493,654
Bills and acceptances payable	428,465	39,021	-	-	-	-	467,486
Other financial liabilities	335,011	127,894	49,804	164,723	33,557	21,699	732,688
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(1,542,318)	(5,852,319)	(1,498,369)	(3,550,769)	(2,831,877)	(289,164)	(15,564,816)
- outflow	1,655,053	5,997,386	1,456,968	3,647,132	2,915,382	243,849	15,915,770
- net settled derivatives	(3,853)	3,423	26,389	(18,979)	(28,140)	98	(21,062)
Recourse obligation on loans sold to Cagamas	-	60,507	60,769	590,648	1,884,895	-	2,596,819
Borrowings	-	234,501	58,774	232,503	137,078	17,541	680,397
Subordinated obligations	24,950	795,188	102,638	2,683,800	1,827,700	308,400	5,742,676
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	675,450	-	810,826
Senior debt securities	-	44,605	44,605	1,898,260	1,113,733	-	3,101,203
TOTAL FINANCIAL LIABILITIES	78,047,234	50,436,321	18,723,972	6,921,051	7,981,307	302,423	162,412,308

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies:

Group	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
31.12.2015			
Direct credit substitutes	288,362	2,063,953	2,352,315
Transaction-related contingent items	703,461	4,444,812	5,148,273
Short-term self-liquidating trade-related contingencies	725,430	1,115,060	1,840,490
Obligations under underwriting agreements	–	76,000	76,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	5,017,446	–	5,017,446
Irrevocable commitments to extend credit	1,141,299	29,517,173	30,658,472
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	413,773	16,444,884	16,858,657
TOTAL COMMITMENTS AND CONTINGENCIES	8,289,771	53,661,882	61,951,653
31.12.2014			
Direct credit substitutes	617,764	2,041,324	2,659,088
Transaction-related contingent items	719,300	4,109,866	4,829,166
Short-term self-liquidating trade-related contingencies	869,837	952,732	1,822,569
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	–	517,610	517,610
Irrevocable commitments to extend credit	1,428,561	30,645,996	32,074,557
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	350,742	14,787,154	15,137,896
TOTAL COMMITMENTS AND CONTINGENCIES	3,986,204	53,054,682	57,040,886

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Bank's commitments and contingencies:

Bank	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
31.12.2015			
Direct credit substitutes	288,362	2,036,920	2,325,282
Transaction-related contingent items	682,863	3,883,478	4,566,341
Short-term self-liquidating trade-related contingencies	702,278	1,055,355	1,757,633
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	5,017,446	–	5,017,446
Irrevocable commitments to extend credit	1,034,773	24,504,613	25,539,386
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	406,423	13,696,429	14,102,852
TOTAL COMMITMENTS AND CONTINGENCIES	8,132,145	45,176,795	53,308,940
31.12.2014			
Direct credit substitutes	591,880	2,030,834	2,622,714
Transaction-related contingent items	696,523	3,599,360	4,295,883
Short-term self-liquidating trade-related contingencies	866,185	900,837	1,767,022
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	–	517,610	517,610
Irrevocable commitments to extend credit	1,374,689	26,380,190	27,754,879
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	348,841	12,710,734	13,059,575
TOTAL COMMITMENTS AND CONTINGENCIES	3,878,118	46,139,565	50,017,683

Undrawn loans/financing commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group and the Bank. The Group and the Bank expect that not all of the contingent liabilities and undrawn loans/financing commitments will be drawn before expiry.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds (exclude cash in hand)	12,444,353	14,921,892	7,113,822	10,571,299
Securities purchased under resale agreements	175,872	376,418	165,153	320,480
Deposits and placements with banks and other financial institutions	1,456,536	2,045,284	9,782,274	7,737,974
Financial assets and investments portfolios (exclude shares and perpetual notes/sukuk):				
– HFT	626,676	2,043,302	606,428	1,691,414
– AFS	20,465,586	14,983,029	17,508,509	12,716,848
– HTM	19,931,391	19,698,097	18,876,308	17,594,801
Loans, advances and financing	149,191,114	139,544,308	112,447,582	109,982,719
Other financial assets	1,822,721	976,525	1,738,071	908,659
Derivative assets	3,060,637	1,283,855	3,060,699	1,283,574
	209,174,886	195,872,710	171,298,846	162,807,768
Credit risk exposure relating to off-balance sheet items:				
Commitments and contingencies	61,951,653	57,040,886	53,308,940	50,017,683
Total maximum credit risk exposure	271,126,539	252,913,596	224,607,786	212,825,451

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

- (a) Fixed deposits/Commodity Murabahah Deposits-i, negotiable instruments of deposits, Islamic negotiable instruments of deposits, foreign currency deposits and cash deposits/margin
- (b) Land and/or buildings
- (c) Vessels and automobiles
- (d) Quoted shares, unit trusts, government bonds and securities and private debt securities
- (e) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accept non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract proceeds, Endowment Life Policies with Cash Surrender Value, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing as at 31 December 2015 for the Group and the Bank are 57.2% (2014: 60.6%) and 59.4% (2014: 63.2%) respectively. The financial effect of collateral held for the remaining on-balance sheet assets are insignificant.

(iii) Credit quality

The Group assesses credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers' judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
Good	Exposures exhibit strong capacity to meet financial commitments with no cause of concern to the Group and Bank
Fair	Exposures exhibit fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Group and Bank
No Rating	Counterparties which do not satisfy the criteria to be rated based on internal credit grading system

The credit quality of financial assets other than loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Neither past due nor impaired	141,751,013	132,063,194	105,905,075	103,346,633
Past due but not impaired	6,518,186	6,508,091	5,707,408	5,756,140
Individually impaired	2,723,068	2,729,581	2,333,889	2,393,693
Gross loans, advances and financing	150,992,267	141,300,866	113,946,372	111,496,466
Less: Individual impairment allowance	(580,846)	(409,674)	(545,521)	(382,769)
Collective impairment allowance	(1,220,307)	(1,346,884)	(953,269)	(1,130,978)
Net loans, advances and financing	149,191,114	139,544,308	112,447,582	109,982,719

(i) Loans, advances and financing neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's and the Bank's internal credit grading system is as follows:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Good	87,270,826	80,282,788	68,328,699	65,385,559
Fair	14,529,369	10,726,651	14,124,499	10,638,498
No Rating	39,950,818	41,053,755	23,451,877	27,322,576
	141,751,013	132,063,194	105,905,075	103,346,633

Loans, advances and financing classified as non-rated mainly comprise loans/financing under the Standardised Approach for credit risk including financing of Amanah Saham Bumiputera ('ASB') units, Commercial property financing and personal financing.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

(ii) Loans, advances and financing past due but not impaired

Analysis of ageing of loans, advances and financing that are past due but not impaired is as follows:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Past due up to 30 days	2,415,975	2,139,972	2,350,696	2,100,341
Past due 31 to 60 days	2,804,722	3,109,478	2,226,662	2,560,314
Past due 61 to 90 days	1,297,489	1,258,641	1,130,050	1,095,485
Past due but not impaired	6,518,186	6,508,091	5,707,408	5,756,140

(iii) Loans, advances and financing that are individually determined to be impaired are as follows:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Individually impaired	2,723,068	2,729,581	2,333,889	2,393,693

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

- (b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets are analysed as follows:

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2015							
Neither past due nor impaired	13,900,889	175,872	626,676	20,465,586	19,927,316	1,822,721	3,060,637
Impaired	-	-	-	111,650	110,367	-	-
Less: Impairment losses	-	-	-	(111,650)	(106,292)	-	-
	13,900,889	175,872	626,676	20,465,586	19,931,391	1,822,721	3,060,637
31.12.2014							
Neither past due nor impaired	16,967,176	376,418	2,043,302	14,982,900	19,692,872	976,525	1,283,855
Impaired	-	-	-	116,404	118,007	-	-
Less: Impairment losses	-	-	-	(116,275)	(112,782)	-	-
	16,967,176	376,418	2,043,302	14,983,029	19,698,097	976,525	1,283,855

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets are analysed as follows (continued):

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2015							
Neither past due nor impaired	16,896,096	165,153	606,428	17,508,509	18,872,233	1,738,071	3,060,699
Impaired	-	-	-	111,650	110,367	-	-
Less: Impairment losses	-	-	-	(111,650)	(106,292)	-	-
	16,896,096	165,153	606,428	17,508,509	18,876,308	1,738,071	3,060,699
31.12.2014							
Neither past due nor impaired	18,309,273	320,480	1,691,414	12,716,719	17,589,576	908,659	1,283,574
Impaired	-	-	-	116,404	118,007	-	-
Less: Impairment losses	-	-	-	(116,275)	(112,782)	-	-
	18,309,273	320,480	1,691,414	12,716,848	17,594,801	908,659	1,283,574

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

- (c) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows:

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2015							
AAA to AA3	1,049,119	165,153	50,331	8,868,078	3,923,366	1,322,912	796,217
A1 to A3	-	-	-	3,431,547	297,682	188,146	212,852
Baa1 to Baa3	-	-	-	1,464,487	163,746	-	95
P1 to P3	4,425,665	-	-	-	-	-	-
Non-rated including:	8,426,105	10,719	576,345	6,701,474	15,542,522	311,663	2,051,473
- Bank Negara Malaysia	6,392,013	-	-	-	-	-	-
- Malaysian Government Securities	-	-	289,532	1,178,334	2,218,877	-	-
- Malaysian Government Investment Issues	-	-	50,583	2,341,538	5,018,548	-	-
- Other foreign government securities	-	-	84,207	30,806	-	-	-
- Private and Islamic debt securities	-	-	3,636	2,962,160	5,210,730	-	-
- Khazanah bonds	-	-	-	8,665	95,677	-	-
- Negotiable instruments of deposits	-	-	-	-	2,222,850	-	-
- Others	2,034,092	10,719	148,387	179,971	775,840	311,663	2,051,473
	13,900,889	175,872	626,676	20,465,586	19,927,316	1,822,721	3,060,637

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

- (c) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows (continued):

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2014							
AAA to AA3	1,968,830	376,418	502,281	6,790,354	4,542,626	573,508	304,674
A1 to A3	227,064	–	6,968	1,721,960	242,455	16,154	166,881
Baa1 to Baa3	–	–	–	887,577	296,850	–	230
P1 to P3	10,038,814	–	223,860	–	–	–	–
Non-rated including:	4,732,468	–	1,310,193	5,583,009	14,610,941	386,863	812,070
– Bank Negara Malaysia	3,803,056	–	–	–	–	–	–
– Malaysian Government Securities	–	–	557,950	740,436	2,322,570	–	–
– Malaysian Government Investment Issues	–	–	728,286	1,859,753	5,254,804	–	–
– Private and Islamic debt securities	–	–	3,841	2,916,894	4,183,712	–	–
– Khazanah bonds	–	–	–	8,285	91,554	–	–
– Negotiable instruments of deposits	–	–	–	–	2,027,550	–	–
– Others	929,412	–	20,116	57,641	730,751	386,863	812,070
	16,967,176	376,418	2,043,302	14,982,900	19,692,872	976,525	1,283,855

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

- (c) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows (continued):

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2015							
AAA to AA3	9,699,368	165,153	50,331	7,387,197	3,685,388	1,322,912	919,879
A1 to A3	-	-	-	3,417,371	297,682	188,146	212,842
Baa1 to Baa3	-	-	-	1,464,487	163,746	-	95
P1 to P3	5,715,271	-	-	-	-	-	-
Non-rated including:	1,481,457	-	556,097	5,239,454	14,725,417	227,013	1,927,883
- Bank Negara Malaysia	768,095	-	-	-	-	-	-
- Malaysian Government Securities	-	-	289,532	1,178,334	2,218,877	-	-
- Malaysian Government Investment Issues	-	-	30,335	1,635,735	4,478,120	-	-
- Other foreign government securities	-	-	84,207	30,806	-	-	-
- Private and Islamic debt securities	-	-	3,636	2,214,607	4,742,551	-	-
- Khazanah bonds	-	-	-	-	66,033	-	-
- Negotiable instruments of deposits	-	-	-	-	3,073,064	-	-
- Others	713,362	-	148,387	179,972	146,772	227,013	1,927,883
	16,896,096	165,153	606,428	17,508,509	18,872,233	1,738,071	3,060,699

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

- (c) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows (continued):

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2014							
AAA to AA3	7,675,986	320,480	502,281	5,648,956	4,171,561	573,508	330,558
A1 to A3	16,967	–	6,968	1,710,107	242,455	16,154	166,881
Baa1 to Baa3	–	–	–	887,577	275,710	–	230
P1 to P3	9,257,422	–	223,860	–	–	–	–
Non-rated including:	1,358,898	–	958,305	4,470,079	12,899,850	318,997	785,905
– Bank Negara Malaysia	930,172	–	–	–	–	–	–
– Malaysian Government Securities	–	–	557,950	740,436	2,322,570	–	–
– Malaysian Government Investment Issues	–	–	376,398	1,275,744	4,629,323	–	–
– Private and Islamic debt securities	–	–	3,841	2,396,258	3,716,378	–	–
– Khazanah bonds	–	–	–	–	63,107	–	–
– Negotiable instruments of deposits	–	–	–	–	2,027,550	–	–
– Others	428,726	–	20,116	57,641	140,922	318,997	785,905
	18,309,273	320,480	1,691,414	12,716,719	17,589,576	908,659	1,283,574

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitment and contingencies, are set out below:

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
31.12.2015									
Agriculture	-	-	-	1,570,453	190,896	4,893,590	1,033,730	1,468,188	9,156,857
Mining and quarrying	-	-	-	-	-	1,863,890	-	2,179,581	4,043,471
Manufacturing	-	-	-	241,539	160,095	8,085,235	167,517	10,028,229	18,682,615
Electricity, gas and water	-	-	-	1,332,731	1,169,123	2,236,308	-	592,426	5,330,588
Construction	-	-	-	449,864	625,257	7,145,707	5,146	8,011,968	16,237,942
Real estate	-	-	-	355,024	282,674	5,689,985	-	3,008,210	9,335,893
Purchase of landed property	-	-	-	-	-	9,742,342	-	12,742,032	22,484,374
General commerce	-	-	-	114,279	622,123	10,070,307	9,383	6,508,305	17,324,397
Transport, storage and communication	-	-	-	1,309,827	1,029,880	8,890,038	3,511	1,472,624	12,705,880
Finance, insurance and business services	6,244,074	-	93,371	8,045,818	5,275,190	14,769,217	2,870,225	6,286,911	43,584,806
Government and government agencies	7,600,080	175,872	533,305	6,591,073	9,998,116	5,141,425	220,590	52,596	30,313,057
Purchase of securities	-	-	-	-	-	-	-	1,518,900	1,518,900
Purchase of transport vehicles	-	-	-	-	-	-	-	586,071	586,071
Consumption credit	-	-	-	-	-	2,336,784	-	5,141,578	7,478,362
Others	56,735	-	-	454,978	578,037	69,546,593	573,256	2,354,034	73,563,633
	13,900,889	175,872	626,676	20,465,586	19,931,391	150,411,421	4,883,358	61,951,653	272,346,846

Excludes collective impairment allowance amounting to RM1,220,307,000.

@ Excludes equity instrument and perpetual notes/sukuk amounting to RM859,965,000.

* Other financial assets include other assets amounting to RM1,822,721,000 and derivative assets amounting to RM3,060,637,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitment and contingencies, are set out below (continued):

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
31.12.2014									
Agriculture	-	-	-	1,450,921	191,230	5,122,796	396,517	1,649,228	8,810,692
Mining and quarrying	-	-	-	-	-	1,415,522	-	1,616,235	3,031,757
Manufacturing	-	-	-	318,196	161,446	8,360,062	46,185	8,658,573	17,544,462
Electricity, gas and water	-	-	-	1,126,653	1,203,579	2,689,109	230	882,273	5,901,844
Construction	-	-	49,870	218,083	597,339	6,409,176	2	6,653,183	13,927,653
Real estate	-	-	-	335,496	180,570	4,328,750	-	2,399,385	7,244,201
Purchase of landed property	-	-	-	-	-	7,539,503	-	13,527,978	21,067,481
General commerce	-	-	-	75,311	599,022	9,150,654	896	5,812,352	15,638,235
Transport, storage and communication	-	-	-	940,046	1,062,181	7,943,227	702	1,622,627	11,568,783
Finance, insurance and business services	12,290,520	55,938	177,831	6,117,016	4,500,770	15,351,362	1,231,406	5,523,068	45,247,911
Government and government agencies	4,592,994	320,480	1,815,601	4,243,363	10,907,794	7,263,677	-	6,623	29,150,532
Purchase of securities	-	-	-	-	-	-	-	2,151,782	2,151,782
Purchase of transport vehicles	-	-	-	-	-	-	-	151,950	151,950
Consumption credit	-	-	-	-	-	2,184,209	-	4,558,959	6,743,168
Others	83,662	-	-	157,944	294,166	63,133,145	584,442	1,826,670	66,080,029
	16,967,176	376,418	2,043,302	14,983,029	19,698,097	140,891,192	2,260,380	57,040,886	254,260,480

Excludes collective impairment allowance amounting to RM1,346,884,000.

@ Excludes equity instrument and perpetual notes/sukuk amounting to RM799,972,000.

* Other financial assets include other assets amounting to RM976,525,000 and derivative assets amounting to RM1,283,855,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitment and contingencies, are set out below:

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
31.12.2015									
Agriculture	-	-	-	1,373,654	190,896	3,966,049	1,033,730	939,881	7,504,210
Mining and quarrying	-	-	-	-	-	416,622	-	1,936,545	2,353,167
Manufacturing	-	-	-	241,539	160,095	6,806,037	167,517	8,970,795	16,345,983
Electricity, gas and water	-	-	-	1,073,252	1,026,280	1,846,388	-	561,402	4,507,322
Construction	-	-	-	405,307	425,681	6,042,387	5,146	6,821,011	13,699,532
Real estate	-	-	-	204,744	101,977	4,997,925	-	2,912,689	8,217,335
Purchase of landed property	-	-	-	-	-	2,020,294	-	11,065,026	13,085,320
General commerce	-	-	-	114,279	622,123	8,686,820	9,383	6,177,873	15,610,478
Transport, storage and communication	-	-	-	941,520	938,014	3,938,374	3,511	1,089,680	6,911,099
Finance, insurance and business services	15,598,418	-	93,371	7,385,836	5,953,741	10,106,620	2,870,286	5,132,064	47,140,336
Government and government agencies	1,297,678	165,153	513,057	5,758,535	9,203,978	1,836,706	220,590	52,596	19,048,293
Purchase of securities	-	-	-	-	-	-	-	1,518,900	1,518,900
Purchase of transport vehicles	-	-	-	-	-	-	-	57,282	57,282
Consumption credit	-	-	-	-	-	2,336,784	-	4,618,470	6,955,254
Others	-	-	-	9,843	253,523	60,399,845	488,607	1,454,726	62,606,544
	16,896,096	165,153	606,428	17,508,509	18,876,308	113,400,851	4,798,770	53,308,940	225,561,055

Excludes collective impairment allowance amounting to RM953,269,000.

@ Excludes equity instrument and perpetual notes/sukuk amounting to RM657,769,000.

* Other financial assets include other assets amounting to RM1,738,071,000 and derivative assets amounting to RM3,060,699,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitment and contingencies, are set out below (continued):

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
31.12.2014									
Agriculture	-	-	-	1,301,190	191,230	4,328,577	396,517	906,212	7,123,726
Mining and quarrying	-	-	-	-	-	603,682	-	1,566,201	2,169,883
Manufacturing	-	-	-	318,196	161,446	7,462,144	46,185	7,776,004	15,763,975
Electricity, gas and water	-	-	-	836,431	1,028,914	2,343,129	230	836,377	5,045,081
Construction	-	-	49,870	203,040	413,833	5,257,509	2	6,430,753	12,355,007
Real estate	-	-	-	190,034	-	4,064,744	-	2,397,511	6,652,289
Purchase of landed property	-	-	-	-	-	1,310,207	-	11,351,298	12,661,505
General commerce	-	-	-	75,311	599,022	8,182,989	896	5,463,587	14,321,805
Transport, storage and communication	-	-	-	662,235	959,952	4,043,023	702	1,267,215	6,933,127
Finance, insurance and business services	17,159,369	-	177,831	5,594,897	4,255,763	12,123,673	1,231,124	4,641,793	45,184,450
Government and government agencies	1,149,904	320,480	1,463,713	3,535,514	9,984,641	3,969,249	-	6,623	20,430,124
Purchase of securities	-	-	-	-	-	-	-	2,151,782	2,151,782
Purchase of transport vehicles	-	-	-	-	-	-	-	73,738	73,738
Consumption credit	-	-	-	-	-	2,184,209	-	4,101,480	6,285,689
Others	-	-	-	-	-	55,240,562	516,577	1,047,109	56,804,248
	18,309,273	320,480	1,691,414	12,716,848	17,594,801	111,113,697	2,192,233	50,017,683	213,956,429

Excludes collective impairment allowance amounting to RM1,130,978,000.

@ Excludes equity instrument and perpetual notes/sukuk amounting to RM596,715,000.

* Other financial assets include other assets amounting to RM908,659,000 and derivative assets amounting to RM1,283,574,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table shows the impact of netting arrangement on:

- (i) all financial assets and liabilities that are reported on the balance sheet; and
- (ii) all derivative financial instruments and reverse repurchase agreement and borrowing arrangements (offsetting arrangement and financial collateral) but do not qualify for netting.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

Group	Gross amounts of recognised financial assets/ financial liabilities RM'000	Related amounts not set off in the statements of financial position		Net amount RM'000
		Financial instruments RM'000	Financial collateral RM'000	
31.12.2015				
Financial assets				
Derivative assets	3,060,637	(704,234)	(212,356)	2,144,047
Total	3,060,637	(704,234)	(212,356)	2,144,047
Financial liabilities				
Obligations on securities sold under repurchased agreements	4,735,645	(4,865,000)	(68,667)	(198,022)
Derivative liabilities	2,977,154	(704,234)	(1,458,073)	814,847
Total	7,712,799	(5,569,234)	(1,526,740)	616,825
31.12.2014				
Financial assets				
Derivative assets	1,283,855	(244,758)	(105,640)	933,457
Total	1,283,855	(244,758)	(105,640)	933,457
Financial liabilities				
Obligations on securities sold under repurchased agreements	489,506	(500,000)	(17,931)	(28,425)
Derivative liabilities	1,193,538	(244,758)	(557,606)	391,174
Total	1,683,044	(744,758)	(575,537)	362,749

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities (continued)

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements: (continued)

Bank	Gross amounts of recognised financial assets/ financial liabilities RM'000	Related amounts not set off in the statements of financial position		Net amount RM'000
		Financial instruments RM'000	Financial collateral RM'000	
31.12.2015				
Financial assets				
Derivative assets	3,060,699	(704,234)	(212,356)	2,144,109
Total	3,060,699	(704,234)	(212,356)	2,144,109
Financial liabilities				
Obligations on securities sold under repurchased agreements	4,735,645	(4,865,000)	(68,667)	(198,022)
Derivative liabilities	2,997,719	(704,234)	(1,458,073)	835,412
Total	7,733,364	(5,569,234)	(1,526,740)	637,390
31.12.2014				
Financial assets				
Derivative assets	1,283,574	(244,758)	(105,640)	933,176
Total	1,283,574	(244,758)	(105,640)	933,176
Financial liabilities				
Obligations on securities sold under repurchased agreements	489,506	(500,000)	(17,931)	(28,425)
Derivative liabilities	1,214,797	(244,758)	(557,606)	412,433
Total	1,704,303	(744,758)	(575,537)	384,008

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value of measurement

The Group and the Bank analyses its financial instruments measured at fair value into three categories as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

The table below analyses financial instruments carried at fair value (recurring measurement) analysed by level within the fair value hierarchy:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2015				
Financial assets				
Financial assets HFT:	3,636	623,040	-	626,676
- money market instruments	-	533,304	-	533,304
- quoted securities	3,636	-	-	3,636
- unquoted securities	-	89,736	-	89,736
Financial investments AFS:	926	20,369,992	954,633	21,325,551
- money market instruments	-	6,026,937	-	6,026,937
- quoted securities	926	-	8,399	9,325
- unquoted securities	-	14,343,055	946,234	15,289,289
Derivative assets	-	3,060,637	-	3,060,637
	4,562	24,053,669	954,633	25,012,864
Financial liabilities				
Derivative liabilities	-	2,977,154	-	2,977,154

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value of measurement (continued)

The table below analyses financial instruments carried at fair value (recurring measurement) analysed by level within the fair value hierarchy (continued):

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2014				
Financial assets				
Financial assets HFT:	3,841	2,039,461	–	2,043,302
– money market instruments	–	1,815,601	–	1,815,601
– quoted securities	3,841	–	–	3,841
– unquoted securities	–	223,860	–	223,860
Financial investments AFS:	10,719	14,905,036	867,246	15,783,001
– money market instruments	–	3,874,115	–	3,874,115
– quoted securities	10,719	–	–	10,719
– unquoted securities	–	11,030,921	867,246	11,898,167
Derivative assets	–	1,283,855	–	1,283,855
	14,560	18,228,352	867,246	19,110,158
Financial liabilities				
Derivative liabilities	–	1,193,538	–	1,193,538

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value of measurement (continued)

The table below analyses financial instruments carried at fair value (recurring measurement) analysed by level within the fair value hierarchy (continued):

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2015				
Financial assets				
Financial assets HFT:	3,636	602,792	-	606,428
- money market instruments	-	513,056	-	513,056
- quoted securities	3,636	-	-	3,636
- unquoted securities	-	89,736	-	89,736
Financial investments AFS:	-	17,508,509	657,769	18,166,278
- money market instruments	-	5,238,230	-	5,238,230
- quoted securities	-	-	8,399	8,399
- unquoted securities	-	12,270,279	649,370	12,919,649
Derivative assets	-	3,060,699	-	3,060,699
	3,636	21,172,000	657,769	21,833,405
Financial liabilities				
Derivative liabilities	-	2,997,719	-	2,997,719
31.12.2014				
Financial assets				
Financial assets HFT:	3,841	1,687,573	-	1,691,414
- money market instruments	-	1,463,713	-	1,463,713
- quoted securities	3,841	-	-	3,841
- unquoted securities	-	223,860	-	223,860
Financial investments AFS:	8,736	12,716,719	588,108	13,313,563
- money market instruments	-	3,210,054	-	3,210,054
- quoted securities	8,736	-	-	8,736
- unquoted securities	-	9,506,665	588,108	10,094,773
Derivative assets	-	1,283,574	-	1,283,574
	12,577	15,687,866	588,108	16,288,551
Financial liabilities				
Derivative liabilities	-	1,214,797	-	1,214,797

There were no transfers between Level 1 and 2 during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value of measurement (continued)

(i) Valuation techniques and sensitivity analysis

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This would include quoted securities.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio-economic reasons, non-transferable and non-tradable perpetual notes/sukuk and impaired securities. Fair values for shares held for socio-economic reasons are based on the net tangible assets of the affected companies.

(ii) Reconciliation of movements in Level 3 financial instruments:

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2015 and 31 December 2014 for the Group and the Bank.

Financial investments AFS:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Balance as at the beginning of the financial year	867,246	907,396	588,108	633,063
Total gains recognised in other comprehensive income	59,780	43,065	59,780	43,065
Purchases	26,724	15,897	10,010	-
Settlements	(16,844)	(217,905)	(144)	(201,950)
Impairment losses	-	113,930	-	113,930
Exchange differences	17,727	4,863	15	-
Balance as at the end of the financial year	954,633	867,246	657,769	588,108

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Bank approximates the carrying amount as at the reporting date, except for the following:

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
31.12.2015				
Financial assets				
Deposits and placements with banks and other financial institutions	1,456,536	1,468,187	9,782,274	9,528,786
Financial investments HTM	19,931,391	19,851,033	18,876,308	18,799,473
Loans, advances and financing	149,191,114	149,609,807	112,447,582	112,533,687
Financial liabilities				
Deposits from customers	159,847,884	159,878,961	125,609,459	125,634,214
Deposits and placements of banks and other financial institutions	18,849,105	18,859,604	19,365,704	19,322,148
Recourse obligation on loans sold to Cagamas	3,127,656	3,120,839	2,144,896	2,181,304
Subordinated obligations	5,346,964	5,383,574	4,843,845	4,875,070
Hybrid Tier-I Capital Securities	606,870	655,929	606,870	655,929
Senior debt securities	3,451,380	3,498,024	3,451,380	3,498,024
31.12.2014				
Financial assets				
Deposits and placements with banks and other financial institutions	2,045,284	1,955,837	7,737,974	7,458,664
Financial investments HTM	19,698,097	19,523,392	17,594,801	17,444,732
Loans, advances and financing	139,544,308	139,856,742	109,982,719	110,093,257
Financial liabilities				
Deposits from customers	154,856,511	154,867,776	127,815,617	127,854,201
Deposits and placements of banks and other financial institutions	17,956,370	17,877,218	16,201,550	16,164,427
Recourse obligation on loans sold to Cagamas	3,315,335	3,295,986	2,167,659	2,193,993
Subordinated obligations	5,549,961	5,571,689	5,046,910	5,064,843
Hybrid Tier-I Capital Securities	606,529	665,366	606,529	665,366
Senior debt securities	2,810,655	2,882,767	2,810,655	2,882,767

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2015 and 31 December 2014 but for which fair value is disclosed.

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2015				
Financial assets				
Deposits and placements with banks and other financial institutions	-	1,468,187	-	1,468,187
Financial investments HTM	-	17,074,603	2,776,430	19,851,033
Loans, advances and financing	-	149,609,807	-	149,609,807
Financial liabilities				
Deposits from customers	-	159,878,961	-	159,878,961
Deposits and placements of banks and other financial institutions	-	18,859,604	-	18,859,604
Recourse obligation on loans sold to Cagamas	-	3,120,839	-	3,120,839
Subordinated obligations	-	5,383,574	-	5,383,574
Hybrid Tier-I Capital Securities	-	655,929	-	655,929
Senior debt securities	-	3,498,024	-	3,498,024
31.12.2014				
Financial assets				
Deposits and placements with banks and other financial institutions	-	1,955,837	-	1,955,837
Financial investments HTM	-	18,528,256	995,136	19,523,392
Loans, advances and financing	-	139,856,742	-	139,856,742
Financial liabilities				
Deposits from customers	-	154,867,776	-	154,867,776
Deposits and placements of banks and other financial institutions	-	17,877,218	-	17,877,218
Recourse obligation on loans sold to Cagamas	-	3,295,986	-	3,295,986
Subordinated obligations	-	5,571,689	-	5,571,689
Hybrid Tier-I Capital Securities	-	665,366	-	665,366
Senior debt securities	-	2,882,767	-	2,882,767

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2015 and 31 December 2014 but for which fair value is disclosed (continued).

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2015				
Financial assets				
Deposits and placements with banks and other financial institutions	-	9,528,786	-	9,528,786
Financial investments HTM	-	16,785,542	2,013,931	18,799,473
Loans, advances and financing	-	112,533,687	-	112,533,687
Financial liabilities				
Deposits from customers	-	125,634,214	-	125,634,214
Deposits and placements of banks and other financial institutions	-	19,322,148	-	19,322,148
Recourse obligation on loans sold to Cagamas	-	2,181,304	-	2,181,304
Subordinated obligations	-	4,875,070	-	4,875,070
Hybrid Tier-I Capital Securities	-	655,929	-	655,929
Senior debt securities	-	3,498,024	-	3,498,024
31.12.2014				
Financial assets				
Deposits and placements with banks and other financial institutions	-	7,458,664	-	7,458,664
Financial investments HTM	-	16,566,390	878,342	17,444,732
Loans, advances and financing	-	110,093,257	-	110,093,257
Financial liabilities				
Deposits from customers	-	127,854,201	-	127,854,201
Deposits and placements of banks and other financial institutions	-	16,164,427	-	16,164,427
Recourse obligation on loans sold to Cagamas	-	2,193,993	-	2,193,993
Subordinated obligations	-	5,064,843	-	5,064,843
Hybrid Tier-I Capital Securities	-	665,366	-	665,366
Senior debt securities	-	2,882,767	-	2,882,767

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions:

(i) Cash and short-term funds and deposits and placements with financial institutions

For cash and short-term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using prevailing market rates for the remaining term to maturity.

(iii) Financial assets HFT, financial investments HTM and financial investments AFS.

The estimated fair value for financial assets HFT, financial investments HTM and financial investments AFS is based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicate yield or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated future cash flows are discounted using the prevailing market rates for similar instrument at the date of statements of financial position.

(iv) Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturity.

The fair values of impaired loans are represented by their carrying value, net of impairment allowance.

(v) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in “other assets and liabilities” are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(vi) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions (continued):

- (vii) Deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements ('repos'), and bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, repos, and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities of six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

- (viii) Recourse obligation on loans sold to Cagamas

For amounts due to Cagamas with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

- (ix) Borrowings

For floating rate borrowings, the carrying value is generally a reasonable estimate of fair value.

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

- (x) Subordinated obligations

The estimated fair value of subordinated obligations is generally based on quoted and observable market prices at the date of statements of financial position.

- (xi) Hybrid Tier-I Capital Securities

The estimated fair value of Hybrid Tier-I Capital Securities is generally based on quoted and observable market prices at the date of statements of financial position.

- (xii) Senior debt securities

The estimated fair value of senior debt securities is generally based on quoted and observable market prices at the date of statements of financial position.

- (xiii) Credit related commitments and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

- (xiv) Foreign exchange and interest rate related contracts

The fair value of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

44 CAPITAL ADEQUACY

BNM guidelines on capital adequacy requires the Group and the Bank to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

RHB Indochina Bank, a wholly owned subsidiary of RHB Bank is subject to National Bank of Cambodia's capital adequacy requirements.

	RHB Bank*		RHB Islamic Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Common Equity Tier-I Capital ('CET-I')/Tier-I Capital				
Paid-up ordinary share capital	3,460,585	3,365,486	1,173,424	1,173,424
Share premium	478,517	136,162	-	-
Retained profits	7,096,570	6,860,657	520,625	553,560
Other reserves	3,994,464	3,589,300	681,192	553,765
AFS reserves	154,358	218,816	(39,195)	(28,352)
	15,184,494	14,170,421	2,336,046	2,252,397
Less: Goodwill	(905,519)	(905,519)	-	-
Net deferred tax assets	(84,375)	-	(16,840)	(15,497)
Intangible assets (include associated deferred tax liabilities)	(239,193)	(166,462)	(687)	(1,119)
55% of cumulative gains of AFS financial instruments	(84,897)	(120,349)	-	-
Shortfall of eligible provisions to expected losses under the IRB approach	(123,459)	(307,612)	-	-
Investments in subsidiaries***	(687,429)	(332,839)	-	-
Other deductions#	(76,619)	(29,667)	(763)	(551)
Total CET-I Capital	12,983,003	12,307,973	2,317,756	2,235,230
Hybrid Tier-I Capital Securities**	420,000	480,000	-	-
Total Tier-I Capital	13,403,003	12,787,973	2,317,756	2,235,230
Tier-II Capital				
Subordinated obligations@	2,800,000	3,200,000	-	-
Subordinated obligations meeting all relevant criteria	1,499,544	1,000,000	-	-
Subordinated sukuk^^	-	-	500,000	500,000
Collective impairment allowance and regulatory reserve^	332,233	258,406	248,696	100,832
	4,631,777	4,458,406	748,696	600,832
Less: Investments in subsidiaries***	(1,031,143)	(1,331,358)	-	-
Total Tier-II Capital	3,600,634	3,127,048	748,696	600,832
Total Capital	17,003,637	15,915,021	3,066,452	2,836,062

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

44 CAPITAL ADEQUACY (CONTINUED)

	RHB Bank*		RHB Islamic Bank	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Capital ratios				
Before proposed dividends:				
CET-I capital ratio	12.126%	11.678%	11.041%	12.875%
Tier-I capital ratio	12.518%	12.133%	11.041%	12.875%
Total capital ratio	15.881%	15.100%	14.608%	16.336%
After proposed dividends:				
CET-I capital ratio	11.598%	11.124%	11.041%	12.875%
Tier-I capital ratio	11.990%	11.580%	11.041%	12.875%
Total capital ratio	15.353%	14.547%	14.608%	16.336%

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	RHB Bank*		RHB Islamic Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Credit risk	95,747,368	94,067,828	19,895,738	16,316,757
Market risk	3,086,116	3,369,497	61,645	124,357
Operational risk	8,233,562	7,957,062	1,032,842	918,886
Total risk-weighted assets	107,067,046	105,394,387	20,990,225	17,360,000

* The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and from its wholly-owned offshore banking subsidiary company, RHB Bank (L) Ltd.

^ Excludes collective impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing".

Includes the qualifying regulatory reserves under the Standardised Approach for non-impaired loans of RHB Bank and RHB Islamic Bank of RM138,588,000 (2014: RM Nil) and RM140,615,000 (2014: RM Nil) respectively.

^^ Qualify as Tier II capital as specified in the BNM's Capital Adequacy Framework for Islamic Banks (Capital Components).

Pursuant to Basel II Market Risk para 5.19 & 5.20 – Valuation Adjustments, the Capital Adequacy Framework (Basel II – RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

** Hybrid Tier-I Capital Securities that are recognised as Tier-I capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).

*** Investments in subsidiaries are subject to the gradual deduction in the calculation under CET-I Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Capital Adequacy Framework (Capital Components).

@ Subordinated obligations that are recognised as Tier-II capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

44 CAPITAL ADEQUACY (CONTINUED)

	Group	
	31.12.2015 RM'000	31.12.2014 RM'000
CET-I/Tier-I Capital		
Paid-up ordinary share capital	3,460,585	3,365,486
Share premium	478,517	136,162
Retained profits	7,862,053	7,575,175
Other reserves	4,742,085	4,167,374
AFS reserves	115,164	190,466
	16,658,404	15,434,663
Less: Goodwill	(1,120,318)	(1,120,318)
Net deferred tax assets	(101,224)	-
Intangible assets (include associated deferred tax liabilities)	(243,934)	(171,380)
55% of cumulative gains of AFS financial instruments	(63,340)	(104,757)
Shortfall of eligible provisions to expected losses under the IRB approach	(109,920)	(376,960)
Other deductions [#]	(77,382)	(30,218)
Total CET-I Capital	14,942,286	13,631,030
Hybrid Tier-I Capital Securities**	420,000	480,000
Total Tier-I Capital	15,362,286	14,111,030
Tier-II Capital		
Subordinated obligations [@]	2,800,000	3,200,000
Subordinated obligations meeting all inclusion	1,499,544	1,000,000
Qualifying capital instruments of a subsidiary issued to third parties*	359,758	321,075
Collective impairment allowance and regulatory reserve [^]	521,380	436,711
Total Tier-II Capital	5,180,682	4,957,786
Total Capital	20,542,968	19,068,816

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

44 CAPITAL ADEQUACY (CONTINUED)

	Group	
	31.12.2015	31.12.2014
Capital ratios		
Before proposed dividends:		
CET-I capital ratio	12.029%	11.062%
Tier-I capital ratio	12.367%	11.451%
Total capital ratio	16.538%	15.475%
After proposed dividends:		
CET-I capital ratio	11.574%	10.589%
Tier-I capital ratio	11.912%	10.978%
Total capital ratio	16.083%	15.002%

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	Group	
	31.12.2015 RM'000	31.12.2014 RM'000
Credit risk	111,696,360	110,761,239
Market risk	3,129,916	3,508,449
Operational risk	9,388,516	8,949,426
Total risk-weighted assets	124,214,792	123,219,114

[^] Excludes collective impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing".

Includes the qualifying regulatory reserves under the Standardised Approach for non-impaired loans of the Group of RM227,335,000 (2014: RM Nil).

Pursuant to Basel II Market Risk para 5.19 & 5.20 – Valuation Adjustments, the Capital Adequacy Framework (Basel II – RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

* Qualifying subordinated sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 16.3 of the BNM Guidelines Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.

** Hybrid Tier-I Capital Securities that are recognised as Tier-I capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).

@ Subordinated obligations that are recognised as Tier-II capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

44 CAPITAL ADEQUACY (CONTINUED)

RHB Indochina Bank, a wholly owned subsidiary of RHB Bank is subject to National Bank of Cambodia's capital adequacy requirements.

	31.12.2015	31.12.2014
Before proposed dividends:		
Core capital ratio	#	#
Solvency ratio	16.884%	17.042%
After proposed dividends:		
Core capital ratio	#	#
Solvency ratio	16.884%	17.042%

The solvency ratio of RHBIBL is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as RHBIBL's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15%.

No equivalent ratio in Cambodia.

45 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined RHB Capital Group's Management Committee as its chief operating decision-maker.

Pursuant to the Group's refinement on internal fund transfer-pricing methodology and internal management reporting framework, funding center is now under the purview and responsibility of Group Treasury. As such, the Group has restated the corresponding segment information in all affected business segments retrospectively. The funding center was previously categorised under 'Others' Segment.

The Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure:

(a) Corporate Banking

Corporate Banking caters to the funding or lending needs of corporate customers including public listed corporations and its related entities, multinational corporations (including Japanese), financial institutions and Government and state owned enterprises. Included under Corporate Banking are offshore banking activities carried out by RHB Bank (L) Ltd whose borrowings and lending facilities are offered in major currencies mainly to corporate customers.

(b) Retail Banking

Retail Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, non-residential mortgages, hire purchase, purchase of securities, credit cards and other personal loans and financing), remittances, deposits collection, investment related products and bancassurance products.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

45 SEGMENT REPORTING (CONTINUED)

(c) Business Banking

Business Banking caters for funding needs as well as deposit collection from small and medium sized enterprises and wholesale clients.

(d) Group Treasury

Group Treasury operations are involved in proprietary and non-proprietary trading in fixed income securities and foreign exchange, derivatives trading and structuring, managing customer-based foreign exchange and money market transactions, funding and investments in ringgit and foreign currencies for the Group as well as funding center.

(e) Group International Business

Group International Business primarily focuses on providing commercial banking related products and services tailored to the specific needs of the customers in foreign countries in which the Group has operations. The Group currently has foreign presences in Singapore, Thailand, Brunei, Cambodia and Lao.

(f) Others

Others comprise results from other business segments in the Group (nominee services, property investment and rental of premises and other related financial services). The results of these other businesses are not material to the Group and therefore do not render a separate disclosure and are reported in aggregate in the financial statements.

The business segment results are prepared based on the Group's internal management reporting, which reflects the organisation's management reporting structure. Internal allocation of costs, for example, back office support, centralised cost, funding center and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.

During the financial year, no one group of related customers accounted for more than 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

45 SEGMENT REPORTING (CONTINUED)

Group	Corporate Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Group International Business RM'000	Others RM'000	Elimination RM'000	Total RM'000
31.12.2015								
Segment assets	50,173,347	68,469,882	19,636,319	51,829,475	26,795,085	95,137	-	216,999,245
Deferred tax assets								74,117
Tax recoverable								117,359
Unallocated assets								1,728,426
Total assets								218,919,147
Segment liabilities	46,093,905	41,169,990	22,216,305	60,030,196	20,742,032	51,207	-	190,303,635
Deferred tax liabilities								5
Tax liabilities								29,768
Borrowings								575,718
Subordinated obligations								5,346,964
Hybrid Tier-I Capital Securities								606,870
Senior debt securities								3,451,380
Unallocated liabilities								1,396,886
Total liabilities								201,711,226
Other segment items								
Capital expenditure	12,242	114,200	37,689	9,656	13,549	-	-	187,336
31.12.2014								
Segment assets	47,891,929	64,278,657	18,121,871	50,254,502	22,930,567	69,354	-	203,546,880
Deferred tax assets								9,956
Tax recoverable								59,792
Unallocated assets								1,020,426
Total assets								204,637,054
Segment liabilities	38,039,088	40,682,043	21,689,281	60,440,546	17,582,367	17,790	-	178,451,115
Deferred tax liabilities								40,818
Tax liabilities								22,418
Borrowings								669,892
Subordinated obligations								5,549,961
Hybrid Tier-I Capital Securities								606,529
Senior debt securities								2,810,655
Unallocated liabilities								1,051,003
Total liabilities								189,202,391
Other segment items								
Capital expenditure	9,822	96,087	27,528	9,052	42,100	-	-	184,589

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

45 SEGMENT REPORTING (CONTINUED)

The geographical information is prepared based on the location of the assets.

	Group	
	31.12.2015 RM'000	31.12.2014 RM'000
Segment revenue		
Malaysia	4,570,792	4,561,892
Outside Malaysia	558,850	422,968
Total	5,129,642	4,984,860
Segment assets		
Malaysia	192,206,347	181,794,941
Outside Malaysia	26,712,800	22,842,113
Total	218,919,147	204,637,054
Capital expenditure		
Malaysia	173,787	142,489
Outside Malaysia	13,549	42,100
Total	187,336	184,589

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status (collectively referred to as the 'Proposals')

The holding company, RHB Capital Berhad ('RHB Capital') had announced that it proposed to undertake the following proposals:

(i) Rights Issue

On 21 December 2015, RHB Capital completed its renounceable rights issue, raising a total gross proceeds of RM2.343 billion ('Proceeds').

It is the intention of RHB Capital to inject the Proceeds to the Bank to further capitalise the Bank and to finance the working capital requirements of the Bank and its subsidiaries ('RHB Bank Group'), only if the relevant approvals for the Proposed Internal Reorganisation are obtained and the Proposed Internal Reorganisation is implemented ('Capital Injection').

Prior to the Capital Injection, the Bank has undertaken a consolidation of two (2) ordinary shares of RM0.50 each in the Bank ('RHB Bank Shares') into one (1) ordinary share of RM1.00 each ('Consolidated RHB Bank Share').

Pursuant to the Capital Injection, the Bank will be issuing new Consolidated RHB Bank Shares to RHB Capital at an issue price equivalent to the fair market value of RHB Bank Group, which will be determined based on, amongst others, the price-to-book ratio of comparable financial institution groups listed on Bursa Malaysia Securities Berhad ('Bursa Securities').

In the event that the Proposed Internal Reorganisation is not implemented, the Proceeds shall be utilised to repay external bank borrowings of RHB Capital and any surplus thereafter for injection as equity into the Bank and/or repayment of borrowings from the Bank, if required.

(ii) Proposed Internal Reorganisation

The proposed Internal Reorganisation will entail the transfer by RHB Capital of its entire equity interests in, or certain assets and liabilities of its subsidiaries to the Bank, after the Rights Issue, for a total indicative consideration of approximately RM3.71 billion ('Disposal Consideration'). The Disposal Consideration was arrived at based on a 'willing-buyer, willing-seller' basis after taking into consideration the audited net assets/net liabilities and/or the audited net book value of the Identified Assets as extracted from the audited financial statements of the respective subsidiaries of RHB Capital as at 31 December 2014.

The Identified Assets shall comprise, amongst others, the entire equity interest in RHB Investment Bank Berhad (which shall include its subsidiaries, associates and joint ventures), the entire equity interest in RHB Insurance Berhad ('RHB Insurance') and certain assets and liabilities of RHB Hartanah Sdn Bhd, including its subsidiary RHB Property Management Sdn Bhd. The Identified Assets are not exhaustive and may be varied as the Board may deem fit until completion of the Proposed Internal Reorganisation.

The Disposal Consideration to be received by RHB Capital under the Proposed Internal Reorganisation will be utilised to repay the bank borrowings of RHB Capital as well as to defray expenses relating to the Proposed Internal Reorganisation. Any excess cash after the repayment of all of RHB Capital's bank borrowings and defrayment of expenses relating to the Proposed Internal Reorganisation and after setting aside adequate cash to defray any expenses of RHB Capital, will be injected into the Bank together with the proceeds from the redemption of RHB OSK Rupiah Liquid Fund (collectively referred to as the 'Excess Cash') as additional capital, in exchange for new Consolidated RHB Bank Shares, which will be issued at the same issue price as the new Consolidated RHB Bank Shares to be issued to RHB Capital pursuant to the Capital Injection.

The Proposed Internal Reorganisation will be undertaken to streamline the businesses of RHB Capital Group under the Bank with the aim to achieve greater tax efficiency in view of the change from the two-tier tax system to a single-tier tax system as well as to position the Bank to spearhead the Group's future growth.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(a) Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status (collectively referred to as the 'Proposals') (continued)

(iii) Proposed Distribution and Capital Repayment

The Proposed Distribution and Capital Repayment will entail the distribution of the entire shareholdings of RHB Capital in the Bank after the Rights Issue and Proposed Internal Reorganisation to entitled shareholders of RHB Capital whose names appear in the Record of Depositors of RHB Capital on an entitlement date to be determined and announced later upon completion of the Rights Issue and Proposed Internal Reorganisation and the receipt of all relevant approvals for the Proposed Distribution and Capital Repayment. The basis for the Proposed Distribution and Capital Repayment can only be determined later.

RHB Capital will cease to be a shareholder of the Bank upon completion of the Proposed Distribution and Capital Repayment. The effective percentage shareholdings of the shareholders of RHB Capital in the Bank shall remain unchanged before and after the Proposed Distribution and Capital Repayment.

(iv) Proposed Transfer of Listing Status

Upon completion of the Proposed Distribution and Capital Repayment, the Bank will assume the listing status of RHB Capital. The Bank will be admitted to the Official List of Bursa Securities in place of RHB Capital with the listing of and quotation for the entire issued and paid-up share capital of the Bank on the Main Market of Bursa Securities.

The Proposed Transfer of Listing Status will enable RHB Bank Group to gain direct access to the capital markets to raise funds for its continued growth, to gain recognition and corporate stature through its listing status and further enhance its corporate reputation and assist RHB Bank Group in expanding its customer base.

The inter-conditionally of the Proposals are as follows:

- (i) The Rights Issue is not conditional upon any of the other Proposals.
- (ii) The Proposed Internal Reorganisation is conditional upon the Rights Issue but is not conditional upon the Proposed Distribution and Capital Repayment and the Proposed Transfer of Listing Status.
- (iii) The Proposed Distribution and Capital Repayment and the Proposed Transfer of Listing Status are interconditional upon each other and are also conditional upon the Proposed Internal Reorganisation and Rights Issue.

The Proposed Transfer of Listing Status can only be effected after the approval of the shareholders of RHB Capital for the Proposed Winding Up of RHB Capital have been obtained at a separate EGM to be convened.

To date, approvals which have been obtained for the Proposals include, amongst others, the following:

- (i) Ministry of Finance and/or Bank Negara Malaysia (as the case may be) on 23 July 2015 for the Rights Issue, Proposed Internal Reorganisation and the Proposed Distribution and Capital Repayment under the Financial Services Act, 2013.
- (ii) Bursa Securities on 30 July 2015 and 4 September 2015 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities pursuant to the Rights Issue as well as the Proposed Transfer of Listing Status, respectively.
- (iii) Shareholders of RHB Capital on 27 August 2015 at on EGM for the Rights Issue, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed Memorandum and Articles of Association Amendments of RHB Capital.

RHB Capital is currently in the midst of procuring all the other approvals required for the Proposals from the relevant parties or regulatory authorities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Proposed disposal of RHB OSK Indochina Securities Limited ('RHBISL')

On 1 October 2014, RHB Indochina Bank, a wholly owned subsidiary of the Bank has entered into a share sale agreement with RHB Investment Bank Berhad, for the disposal of its entire equity interest in RHBISL for a consideration of USD12,500,000.

RHBISL was incorporated in Cambodia and is registered with the Securities and Exchange Commission of Cambodia ("SECC") as a licensed security firm undertaking securities underwriting business.

Approvals from BNM, Securities Commission of Malaysia, SECC (in principle) and National Bank of Cambodia have been obtained on 25 June 2014, 1 July 2014, 2 March 2015 and 7 May 2015 respectively. The share transfer was effected on 9 December 2015 and the entire disposal was completed on 25 December 2015 upon obtaining formal approval from SECC on the share transfer in RHBISL from RHB Indochina Bank to RHB Investment Bank Berhad.

The financial position of RHBISL as at the date of disposal is as follows:

	31.12.2015 RM'000
At carrying value:	
Cash and short-term funds	30,446
Deposits and placements with banks and other financial institutions	8,125
Other assets	4,351
Property, plant and equipment	1,178
Other liabilities	(449)
Net assets acquired	43,651
Effect of predecessor accounting	9,730
Total purchase consideration	53,381
Less: Cash and cash equivalents acquired	(30,446)
Net cash inflow on disposal	22,935

The disposal of RHBISL has no material impact to the Group's income statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(c) Bancatakaful service arrangement between RHB Islamic Bank and Syarikat Takaful Malaysia Berhad ('STMB')

RHB Islamic Bank, a wholly-owned subsidiary of the Bank has on 26 August 2015 entered into an exclusive bancatakaful service arrangement agreement ('Bancatakaful Service Agreement') with STMB.

Pursuant to the terms of the Bancatakaful Service Agreement, STMB shall pay RHB Islamic Bank a total service fee of RM110 million and in consideration thereof, RHB Islamic Bank shall commit to a 10-year bancatakaful relationship with STMB to distribute Family and General takaful products developed by STMB.

(d) Career Transition Scheme ("CTS") for Employees

As part of the Group's rationalisation exercise, the Group and the Bank has on 30 September 2015 completed the CTS in Malaysia with a payout amounting to RM275 million and RM271 million respectively, as disclosed in Note 30.

47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 23 February 2016.

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Azlan Zainol and Dato' Khairussaleh Ramli, being two of the Directors of RHB Bank Berhad state that, in the opinion of the Directors, the financial statements set out on pages 56 to 209 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2015 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

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

TAN SRI AZLAN ZAINOL
Chairman

Kuala Lumpur
29 February 2016

DATO' KHAIRUSSALEH RAMLI
Managing Director

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, Yap Choi Foong, the Officer primarily responsible for the financial management of RHB Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 56 to 209 are, in my opinion 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.

YAP CHOI FOONG

Subscribed and solemnly declared by the abovenamed Yap Choi Foong, at Kuala Lumpur in Wilayah Persekutuan on 29 February 2016.

before me:

COMMISSIONER FOR OATHS
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the member of RHB Bank Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Bank Berhad on pages 56 to 209, which comprise the statements of financial position as at 31 December 2015 of the Group and the Bank, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 47.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we 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 our judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT (continued)

to the member of RHB Bank Berhad

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
29 February 2016

NG YEE LING

(No. 3032/01/17 (J))
Chartered Accountant

BASEL II PILLAR 3 DISCLOSURES

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STATEMENT BY MANAGING DIRECTOR

In accordance with the requirements of Bank Negara Malaysia's Guideline on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), and on behalf of the Board of Directors and Senior Management of RHB Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of the Bank for the year ended 31 December 2015 are accurate and complete.

DATO' KHAIRUSSALEH BIN RAMLI
Managing Director

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2015

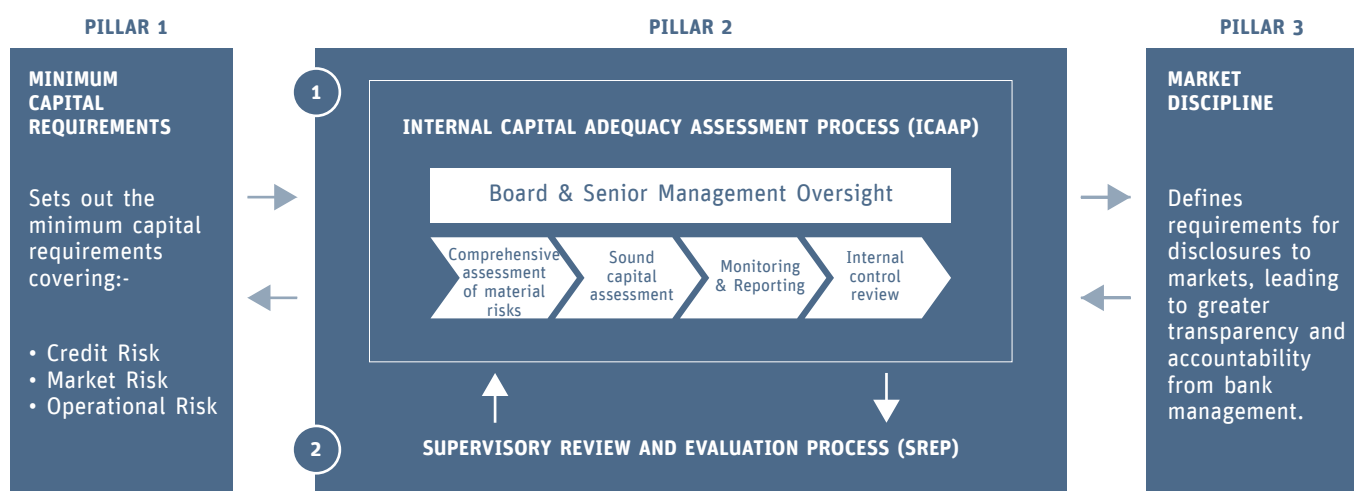
1.0 INTRODUCTION

This document describes RHB Bank Berhad's risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements as outlined in the Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia (BNM).

BNM's guidelines on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) provide and specify the approaches for quantifying the risk-weighted assets for credit risk, market risk and operational risk.

Basel II introduces a more risk-based approach to regulatory capital with a distinct charge for operational risk in addition to the existing credit and market risk capital charges. Basel II is designed to be a catalyst for more advanced risk management techniques, enterprise-wide culture of risk management and improved corporate governance and public disclosure.

The Basel II approach based on the three pillars can be diagrammatically depicted as below:



Pillar 1 provides guidelines for calculation of risk-weighted assets for credit risk, market risk and operational risk, and the minimum amount of regulatory capital that banks must hold against the risks they assume.

The table below lists the various methodologies applicable to the capital requirements calculation for the various types of risk under Pillar 1:

Type of Approaches

Credit Risk	Market Risk	Operational Risk
1. Standardised Approach (SA)	1. Standardised Approach (SA)	1. Basic Indicator Approach (BIA)
2. Foundation Internal Ratings-Based Approach (F-IRB)	2. Internal Models Approach (IMA)	2. The Standardised Approach (TSA)
3. Advanced Internal Ratings-Based Approach (A-IRB)		3. Advanced Measurement Approach (AMA)

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

1.0 INTRODUCTION (CONTINUED)

Under the Internal Ratings-Based (IRB) Approach for credit risk, banking institutions are allowed to use internal estimates of risk parameters (namely the probability of default, loss given default and exposure at default) to determine regulatory capital requirements. Banking institutions are required to obtain explicit approval from BNM to adopt the IRB Approach. The requirements set out under the IRB Approach are largely based on the International Convergence of Capital Measurement and Capital Standards: A Revised Framework (commonly referred to as Basel II), issued by the Basel Committee on Banking Supervision.

For purposes of complying with regulatory requirements under Basel II Pillar 1, the approaches adopted by the respective entities are summarised as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	IRB Approach	SA	BIA
RHB Islamic Bank Berhad	SA	SA	BIA

Pillar 2 comprises two components as follows:

1. Placing obligations on banks to develop an Internal Capital Adequacy Assessment Process, and setting capital targets that commensurate with the banking institution's risk profile and control environment; and
2. Placing obligations on the supervisory authority to evaluate how well banking institutions are assessing their capital needs relative to their risks and to intervene, where appropriate.

Pillar 3 covers external communication of risk and capital information by banks. The purpose of the Pillar 3 disclosures is to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2 by encouraging market efficiency through a set of disclosure requirements that will allow market participants to assess information on banking institutions' capital structures, risk exposures, risk management processes, and hence, their overall capital adequacy.

The annual Pillar 3 disclosure report is published in accordance with the Pillar 3 Guideline issued by BNM. This disclosure report has been verified and approved internally in line with the RHB Banking Group: Basel II Pillar 3 Disclosure Policy.

This document covers the qualitative and quantitative information for financial year ended 31 December 2015 with comparative quantitative information of the preceding financial year 2014.

The Bank's Pillar 3 disclosure report is made available under the Investor Relations section of the Bank's website at www.rhbgroup.com as a separate report in the Bank's annual report 2015, after the notes to the Financial Statements.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Bank Berhad's information is presented on a consolidated basis, i.e. RHB Bank Berhad with its overseas operations and its subsidiaries, and is referred to as "RHB Bank Group" or "the Bank".

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Bank Group are fully consolidated from the date it obtains control until the date such control ceases. Refer to Note 12 to the financial statements for list of consolidated entities.

The Bank's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, except where the types of investment to be deducted from eligible capital are required under Part C of BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components).

RHB Bank Group offers Islamic banking financial services via its wholly-owned subsidiary company, RHB Islamic Bank Berhad (RHB Islamic Bank).

The transfer of funds or regulatory capital within RHB Bank Group is subject to shareholders' and regulatory approval.

During the financial year 2015, there were no capital deficiencies in RHB Bank Berhad or any of its subsidiaries.

3.0 CAPITAL MANAGEMENT

The overall capital management objective is to manage capital prudently to maintain a strong capital position to drive sustainable business growth and seek strategic opportunities to enhance shareholders' value, and be in line with its risk appetite. Capital adequacy is the extent to which capital resources on the Bank's balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of the Bank to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. The Bank aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting regulatory requirements.

With a comprehensive capital management, the Bank aims to have a sound capital management practice that is aligned to BNM's ICAAP requirements.

The management of capital involves capital strategy, capital planning, capital structuring and dividend pay-out.

- **Capital Strategy**

Capital strategy includes the determination of target capital under both normal and stressed market conditions and considers the business risk and strategic objectives, external credit ratings, and capital adequacy requirements. A comprehensive capital adequacy assessment is conducted at least annually to ensure that the target capital level is appropriate.

- **Capital Planning**

Based on strategic direction and regulatory requirements, the Bank formulates a capital plan to support its overall risk profile and forecast the capital demand for material risks for which capital held is deemed appropriate. The capital plan describes the actions required to raise capital in a timely manner in both normal and stressed conditions as assumed in the stress scenarios. For capital planning purposes, capital adequacy is assessed in the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that the Bank maintains adequate capital on a forward-looking basis. The Bank also establishes a capital contingency funding plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, are reviewed by the Group Chief Financial Officer and deliberated at the Group Capital and Risk Committee (GCRC) for endorsement, and submitted to Board Risk Committee (BRC) and the Board for approval.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

3.0 CAPITAL MANAGEMENT (CONTINUED)

• Capital Structuring

Capital structuring affects the Bank through its impact on cash flow and cost of capital. The Bank adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, the Bank determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

• Dividend Pay-Out

The Bank aims to achieve a balance between dividend pay-out and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

3.1 Internal Capital Adequacy Assessment Process (ICAAP)

In line with BNM's Guideline on ICAAP under the Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2) and Capital Adequacy Framework for Islamic Banks (CAFIB) – Internal Capital Adequacy Assessment Process (Pillar 2), the Bank has implemented ICAAP with the objective to forge a strong alignment between risk and capital. Capital adequacy is assessed in relation to the Bank's risk profile, and strategies are in place to maintain appropriate capital levels.

The ICAAP Framework developed and adopted across the Bank summarises the key ICAAP requirements into two functional categories, namely; ICAAP Measurement and ICAAP Management as depicted below:



BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.2 Basel III Implementation

The implementation of Basel III for capital components by BNM in Malaysia has commenced with effect from 1 January 2013. Under the Basel III rules, banking institutions are required to strengthen the quality of their capital by maintaining higher minimum capital requirements and holding capital buffers namely the capital conservation buffer and the countercyclical capital buffer. However, the requirements are subject to a series of transitional arrangements with a gradual phase-in commencing 2013.

The Bank has implemented BNM's liquidity standards on Liquidity Coverage Ratio (LCR) effective from 1 June 2015 after reporting the LCR under observation since June 2012. BNM has adopted the phase-in arrangement for Malaysian banking institutions to comply with the minimum requirement of 60% in 2015 with incremental of 10% each year thereafter until 100% from 1 January 2019 onwards. Banking institutions continue to report on Net Stable Funding Ratio (NSFR) under observation. The result produced during the observation period facilitates the Bank's strategy in managing the appropriate balance sheet structure for achieving optimal NSFR.

3.3 Capital Adequacy Ratios

BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) sets out the general requirements concerning regulatory capital adequacy and the components of eligible regulatory capital. Banking institutions are required to maintain, at all times, the following minimum capital adequacy ratios:

Calendar Year	Common Equity Tier I (CET I) Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
2013	3.5%	4.5%	8.0%
2014	4.0%	5.5%	8.0%
2015 onwards	4.5%	6.0%	8.0%

The capital ratios of RHB Bank Berhad on consolidated basis (RHB Bank Group), RHB Bank Berhad on global basis (RHB Bank) and RHB Islamic Bank as at 31 December 2015 and 31 December 2014 are as follows:

Table 1: Capital Adequacy Ratios

	RHB Bank Group		RHB Bank		RHB Islamic Bank	
	2015	2014	2015	2014	2015	2014
Before proposed dividends:						
CET I Capital Ratio	12.029%	11.062%	12.126%	11.678%	11.041%	12.875%
Tier I Capital Ratio	12.367%	11.451%	12.518%	12.133%	11.041%	12.875%
Total Capital Ratio	16.538%	15.475%	15.881%	15.100%	14.608%	16.336%
After proposed dividends:						
CET I Capital Ratio	11.574%	10.589%	11.598%	11.124%	11.041%	12.875%
Tier I Capital Ratio	11.912%	10.978%	11.990%	11.580%	11.041%	12.875%
Total Capital Ratio	16.083%	15.002%	15.353%	14.547%	14.608%	16.336%

The above capital ratios are above the minimum level required by BNM.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA)

The following table shows the breakdown of RWA by risk types as at 31 December 2015 and 31 December 2014:

Table 2: Risk-Weighted Assets (RWA) by Risk Types

Risk Types	RHB Bank Group		RHB Bank		RHB Islamic Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Credit RWA	111,696,360	110,761,239	95,747,368	94,067,828	25,655,098	20,158,062
Credit RWA Absorbed by Profit Sharing Investment Account (PSIA)	-	-	-	-	(5,759,360)	(3,841,305)
Market RWA	3,129,916	3,508,449	3,086,116	3,369,497	61,645	124,357
Operational RWA	9,388,516	8,949,426	8,233,562	7,957,062	1,032,842	918,886
Total RWA	124,214,792	123,219,114	107,067,046	105,394,387	20,990,225	17,360,000

The following tables show the breakdown of RWA by risk types and the corresponding capital requirement as at 31 December 2015 and 31 December 2014:

Table 3a: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2015

Risk Types	RWA			Minimum Capital Requirements		
	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000
Credit Risk, of which	111,696,360	95,747,368	19,895,738	8,935,709	7,659,789	1,591,659
Under Foundation						
Internal Rating Based (F-IRB) Approach	43,048,029	43,131,221	-	3,443,843	3,450,497	-
Under Advanced						
Internal Rating Based (A-IRB) Approach	22,439,400	18,297,687	-	1,795,152	1,463,815	-
Under Standardised Approach	46,208,931	34,318,460	25,655,098	3,696,714	2,745,477	2,052,408
Absorbed by PSIA under Standardised Approach	-	-	(5,759,360)	-	-	(460,749)
Market Risk						
Under Standardised Approach	3,129,916	3,086,116	61,645	250,393	246,889	4,932
Operational Risk						
Under Basic Indicator Approach	9,388,516	8,233,562	1,032,842	751,081	658,685	82,627
Total	124,214,792	107,067,046	20,990,225	9,937,183	8,565,363	1,679,218

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA) (Continued)

Table 3b: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2014

Risk Types	RWA			Minimum Capital Requirements		
	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000
Credit Risk, of which	110,761,239	94,067,828	16,316,757	8,860,899	7,525,426	1,305,341
Under Foundation						
Internal Rating Based (F-IRB) Approach	38,540,617	38,633,201	–	3,083,249	3,090,656	–
Under Advanced						
Internal Rating Based (A-IRB) Approach	18,102,412	18,102,595	–	1,448,193	1,448,207	–
Under Standardised Approach	54,118,210	37,332,032	20,158,062	4,329,457	2,986,563	1,612,645
Absorbed by PSIA under Standardised Approach	–	–	(3,841,305)	–	–	(307,304)
Market Risk						
Under Standardised Approach	3,508,449	3,369,497	124,357	280,676	269,560	9,948
Operational Risk						
Under Basic Indicator Approach	8,949,426	7,957,062	918,886	715,954	636,565	73,511
Total	123,219,114	105,394,387	17,360,000	9,857,529	8,431,551	1,388,800

Capital requirement for the three risk types is derived by multiplying the risk-weighted assets by 8%.

The increase in Credit RWA is mainly due to asset growth. During the year, RHB Bank Group has received approval from BNM to treat its Islamic Home Financing and Islamic Auto Finance portfolios under the Advanced IRB Approach for consolidated reporting of regulatory capital requirement at the RHB Bank Group level. RHB Islamic Bank continues to report both portfolios under the Standardised Approach for its regulatory capital requirement purposes. RHB Bank Group has also received approval from BNM on the migration RHB Bank Singapore Corporate portfolio from the Standardised Approach to the Foundation IRB Approach.

4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) Parts B and C. These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by the Bank. Tier I capital consists primarily of ordinary share capital, share premium, retained profits, other reserves and hybrid Tier I capital securities. Tier II capital consists of subordinated obligations and collective impairment allowance. Refer to Notes 21 and 22 to the Financial Statements for the terms of these capital instruments.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

4.0 CAPITAL STRUCTURE (CONTINUED)

The following table represents the capital position of RHB Bank Group and RHB Bank as at 31 December 2015 and 31 December 2014:

Table 4: Capital Structure

	RHB Bank Group		RHB Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Common Equity Tier I Capital/Tier I Capital				
Paid up ordinary share capital	3,460,585	3,365,486	3,460,585	3,365,486
Share premium	478,517	136,162	478,517	136,162
Retained profits	7,862,053	7,575,175	7,096,570	6,860,657
Other reserves	4,742,085	4,167,374	3,994,464	3,589,300
Available for sale ('AFS') reserves	115,164	190,466	154,358	218,816
Less:				
Goodwill	(1,120,318)	(1,120,318)	(905,519)	(905,519)
Intangible assets (include associated deferred tax liabilities)	(243,934)	(171,380)	(239,193)	(166,462)
55% of cumulative gains arising from change in value of AFS instruments	(63,340)	(104,757)	(84,897)	(120,349)
Shortfall of eligible provisions to expected losses under the IRB approach	(109,920)	(376,960)	(123,459)	(307,612)
Investment in subsidiaries***	-	-	(687,429)	(332,839)
Other deductions#	(77,382)	(30,218)	(76,619)	(29,667)
Deferred tax assets	(101,224)	-	(84,375)	-
Total Common Equity Tier I Capital	14,942,286	13,631,030	12,983,003	12,307,973
Hybrid Tier I Capital Securities**	420,000	480,000	420,000	480,000
Total Tier I Capital	15,362,286	14,111,030	13,403,003	12,787,973
Tier II Capital				
Subordinated obligations subject to gradual phase@	2,800,000	3,200,000	2,800,000	3,200,000
Subordinated obligations meeting all relevant criteria	1,499,544	1,000,000	1,499,544	1,000,000
Qualifying capital instruments of a subsidiary issued to third parties*	359,758	321,075	-	-
Collective impairment allowances and regulatory reserves^	521,380	436,711	332,233	258,406
Less:				
Investment in subsidiaries	-	-	(1,031,143)	(1,331,358)
Total Tier II Capital	5,180,682	4,957,786	3,600,634	3,127,048
Total Capital	20,542,968	19,068,816	17,003,637	15,915,021

Notes:

Pursuant to Basel II Market Risk Para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II-RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

* Qualifying subordinated sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 16.3 of the BNM's Guideline on Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.

** Hybrid Tier I Capital Securities that are recognised as Tier I capital instruments are subject to gradual phase out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

*** Investments in subsidiaries are subject to gradual deduction using the corresponding deduction approach under CET I Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

@ Subordinated obligations that are recognised as Tier II capital instruments are subject to gradual phase out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

^ Excludes collective assessment impairment allowance attributable to loans, advances, and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on Classification and Impairment Provisions for Loans/Financing.

Includes the qualifying regulatory reserves under the standardised approach for loans/financing of the Group and Bank of RM227,335,000 (31 December 2014: Nil) and RM138,588,000 (31 December 2014: Nil) respectively.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

5.0 RISK MANAGEMENT

Risk is inherent in the Bank's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Bank is exposed to a range of other risk types such as market, liquidity, operational, legal, Shariah, strategic and cross-border, as well as other forms of risk inherent to its strategy, product range and geographical coverage.

Effective risk management is fundamental to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Bank's operating environment.

The Group Risk Management Framework governs the management of risks in the RHB Banking Group (the Group), as follows:

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

The following sections describe some of these risk management content areas.

OVERARCHING RISK MANAGEMENT PRINCIPLES

The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group. They are:

- Risk governance from the Boards of Directors of various operating entities within the Group;
- Clear understanding of risk management ownership;
- Institutionalisation of a risk-focused organisation;
- Alignment of risk management to business strategies; and
- Optimisation of risk-adjusted returns.

Principle 1: Risk Governance from the Boards of Directors of various operating entities within the Group

The ultimate responsibility of the Boards of Directors in the Group is to ensure that an effective risk management strategy is in place and uniformly understood across the Group. The Group has a structured framework to support the Board's oversight responsibilities.

RISK GOVERNANCE AND ORGANISATION

The Board of Directors (Board), through the BRC, GCRC and the Group Risk & Credit Management function, establishes the risk appetite and risk principles for the Group and relevant entities. The BRC is the principal Board Committee that provides oversight over risk management activities for the Group to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models. An Islamic Risk Management Committee (IRMC) was established to assist the Board of RHB Islamic Bank on risk issues relevant and unique to RHB Islamic Bank.

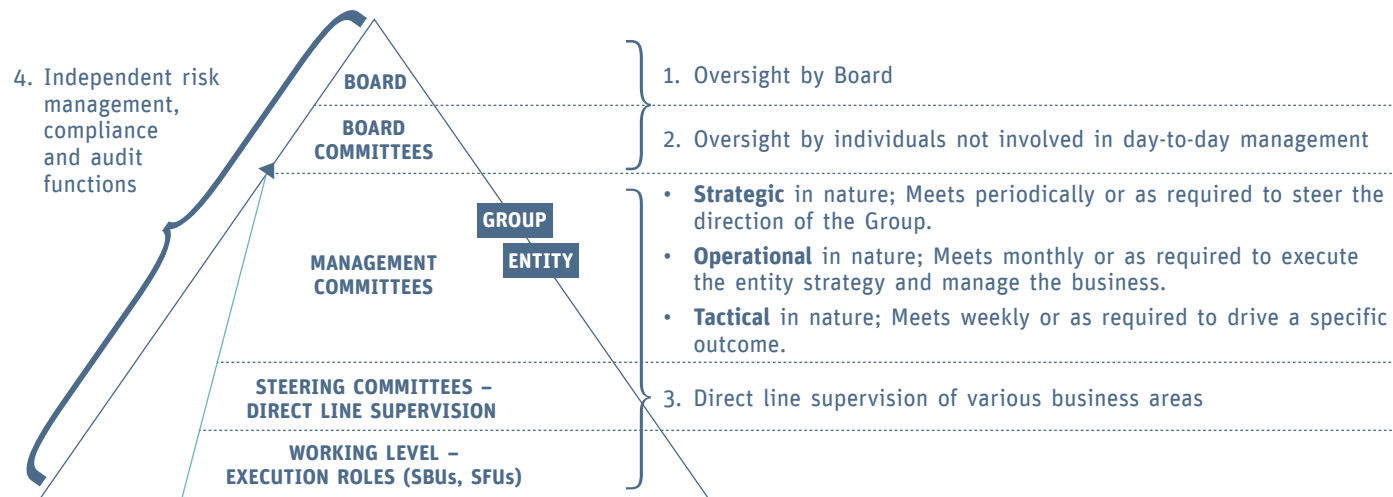
BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

5.0 RISK MANAGEMENT (CONTINUED)

RISK GOVERNANCE AND ORGANISATION (Continued)

The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the GCRC comprising Senior Management of the Group and which reports to the BRC/IRMC and the Group Management Committee (GMC). There are other committees set up to manage specific areas of risks in the Group. An overview of this governance framework at Group level is as below:



Principle 2: Clear Understanding of Risk Management Ownership

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Group. The strategic business units (SBUs) and strategic functional units (SFUs) of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risks. The business units manage certain defined risks supported by the services provided by the functional units, including the risk management function.

Principle 3: Institutionalisation of a Risk-Focused Organisation

In addition to risk ownership, a risk-focused culture is promoted throughout the Group through strengthening of the central risk management functions and continuous reinforcement of a risk and control environment within the Group.

Central Risk Management Function

Group Risk & Credit Management function is independent of the business function to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. The said function is headed by the Group Chief Risk Officer. The roles and responsibilities of the Group Chief Risk Officer include:

- Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Group;
- Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models;
- Developing a pro-active, balanced and risk-attuned culture within the Group;
- Advising Senior Management, the GCRC, BRC/IRMC and the Board on risk issues and their possible impact on the Group in the achievement of its objectives and strategies; and
- Administering the delegation of discretionary powers to Management personnel within the Group.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

5.0 RISK MANAGEMENT (CONTINUED)

Central Risk Management Function (Continued)

Group Risk & Credit Management consisting of Group Risk Management, Group Credit Management and Group Risk Operations provides independent oversight on business activities and implements the Group Risk Management Framework in order to protect and safeguard the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Key areas for which Group Risk Management is responsible include the Group's risk policy and framework, day-to-day risk measurement and monitoring, providing timely risk analysis to management, and ensuring compliance to regulatory risk reporting requirements.

Group Credit Management oversees the Group-wide credit evaluation and assessment, approval and credit monitoring functions by providing credit risk assessment assurance on credit proposals, highlighting key risks and potential problematic accounts, and improving credit process efficiency.

Group Risk Operations is responsible for strategising and implementing a comprehensive enterprise-wide risk governance framework, and managing the development of robust risk management infrastructure and tools, aligned with the Group's strategy for growth and keeping pace with the market requirements and competitive business environment. Group Risk Operations drives the operationalisation of the Group's risk transformation initiatives in establishing risk management as a valuable business partner.

Risk and Control Environment

The business and functional heads are accountable for risk management in their businesses and functions, and for overseas operations where they have governance responsibilities. The business and functional units have clear segregation of duties to ensure that business processes are functioning effectively. There is accountability delegated to the appropriate authority to enable them to execute their respective authorities in meeting the business strategies without compromising the risk management process.

The primary responsibility for managing risks, therefore, rests with the business managers who are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits.

Principle 4: Alignment of Risk Management to Business Strategies

The Group Risk Management Framework serves to align the Group's business strategy to risk strategy, and vice-versa. This is articulated through the risk appetite setting and the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Risk appetite is set by the Board and reported through various metrics that enable the Bank and the Group to manage capital constraints and shareholders' expectations. The risk appetite is a key component of the management of risks and describes the types and level of risk that the Bank and the Group are prepared to accept in delivering its strategy.

Principle 5: Optimisation of Risk-Adjusted Returns

One of the objectives of capital management is to reflect a risk-adjusted return assumed by the businesses throughout the Group. By linking risk to capital, the risk-adjusted return measure contributes to the creation of shareholders' value by facilitating the allocation of capital to the businesses.

The medium to long-term strategy and principle of risk management of the Group is to intensify the integration of capital management within the Group. The Group is progressively implementing a risk-adjusted return based framework for allocation of capital to business units and for performance measurement and management.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK

Credit Risk Definition

Credit risk is the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's lending/financing, trade finance and its fundings, investment and trading activities from both on and off-balance sheet transactions.

6.1 Credit Risk Management Oversight and Organisation

The Group Credit Committee (GCC) is the senior management committee that has been empowered to approve or reject all financial investments, counterparty credit, financing applications, credit proposals under Credit/Assets Recovery and credit renewals, up to the predefined threshold, subject to affirmation or veto by Board Credit Committee (BCC), if exceed the predefined threshold.

GCC will direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Bank's loan/asset book. GCC also act as the body which, through the BRC, recommends to the respective Boards, on matters pertaining to credit risk (such as credit and underwriting evaluation/approval/procedure, and delegated lending/financing authorities).

The BCC's main functions are affirming, imposing more stringent conditions on or vetoing credits of the Group which are duly approved by the GCC, and overseeing the management of impaired and high risk accounts, as well as affirming, imposing additional conditions on or vetoing impaired financing from Credit Recovery for amounts above the defined thresholds of the GCC. BCC also endorses policy loans/financing and loans/financing required by BNM to be referred to the respective Boards for approval.

In line with best practices, financing facilities applications are independently evaluated by Group Credit Management prior to submission to the relevant committees for approval. For financing applications submitted for joint approvals, there is proper check and control as the joint approval is between business units and Group Credit Management.

Within Group Risk Management, the Group Credit Risk Management has the functional responsibility for credit risk management, portfolio risk monitoring and risk reporting. The Bank also conducts regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

Regular risk reporting is made to the GCRC, IRMC, BRC and the Board. These reports include various credit risk aspects such as portfolio quality, expected losses, and concentration risk exposures by business portfolio. Such reporting allows Senior Management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.

6.2 Credit Risk Management Approach

The Group's credit risk management framework is founded upon BNM's Guideline on Best Practices for the Management of Credit Risk. The Bank abides by its Group Credit Policy which supports the development of a strong credit culture with the objective of maintaining a diversified portfolio, and a reliable and satisfactory risk-weighted return. Industry best practices are instilled in the continual updating of the policy and the Group Credit Guidelines.

The Bank ensures that internal processes and credit underwriting standards are adhered to before financing proposals are approved. All financing proposals are first evaluated by the originating business units before being evaluated by an independent credit evaluation and management function.

All financing exposure limits are approved within a defined credit approval authority framework. Large financing exposures are further subject to post approval credit review by Group Internal Audit.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach (Continued)

The Bank's credit risk management process is documented in the Group Credit Procedures Manual (GCPM) and Group Credit Guidelines which sets out the operational procedures and guidelines governing the credit processes of the Bank's Retail Banking, Business Banking, Treasury, Corporate and Investment Banking, Asset Based Financing and Hire Purchase business operations.

The GCPM and Group Credit Guidelines have been designed to ensure that:

- The process of credit initiation, administration, supervision and management of loans/financing and advances are carried out consistently and uniformly by the business origination and other credit support functions within the Group.
- Procedures and guidelines governing the credit function are in compliance with the credit policies of the Group.

Lending/Financing to Corporate and Institutional Customers

Loans/financing to corporate and institutional customers are individually evaluated and risk-rated. Credit Officers identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment banking activities, the Bank is also exposed to credit risks from trading, derivative and debt securities activities. Relevant credit guidelines are established to govern the credit risk via guidance on derivatives, hedging and investment related activities of the different exposures.

Lending/Financing to Consumers and Small Businesses

For the consumer and small business sectors, credit risk is managed on a portfolio basis. Such products include residential mortgages, credit cards, auto loans/financing, commercial property loans/financing, personal financing and business loans/financing. Loans/financing are underwritten under product programmes that clearly define the target market, underwriting criteria, terms of financing, maximum exposure, credit origination guidelines and verification process. Scoring models are used in the credit decision process to enable objective risk evaluation and consistent decisions, cost efficient processing, and behavioural score monitoring of expected portfolio performance.

Credit Risk Measurement

Along with judgement and experience, risk measurement or quantification plays a critical role in making informed risk taking and portfolio management decisions.

As the nature of credit risk varies by financing type, the Bank applies different credit risk measuring tools, so that the credit risk of each financing type is appropriately reflected. These measurement tools are developed for the material credit exposures, which fall under the IRB approach.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach (Continued)

Credit Risk Measurement (Continued)

The followings represent the dimensions considered in the credit risk measurement:

1. Probability of Default (PD)

For corporate/non-retail financing, the probability of default is measured from obligor (or customer) rating obtained from the risk rating system to determine obligor's level of default risk. The risk rating of each obligor is regularly reviewed to ensure that it actually reflects the debtor's/customer's updated default risk. For retail exposures/financing, the default risk is measured via different credit scoring or behavioural scoring model.

2. Loss Given Default (LGD)

For corporate financing, LGD is determined via the credit risk mitigation adjustment, in which collateral and security will determine the level of LGD for a specific transaction. For retail financing, LGD is captured at respective segment (or pool) level.

3. Exposure at Default (EAD)

Exposure at default is calculated from the current outstanding balance and availability of committed financing line. In this regard, the key factor is the Bank's obligation related to the available financing line. For corporate financing, the EAD is measured at an individual obligor exposure as per BNM's Guideline on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets). For retail financing, the principle of credit risk measurement is similar, but measured on a pooled basis, based on internal models.

6.3 Internal Credit Rating Models

Internal credit rating models are an integral part of the Bank's credit risk management, decision-making process, and regulatory capital calculations. These internal credit rating models are developed by Group Risk Operations with active participation by the relevant credit experts from the Bank's functional units and/or business units.

Internal rating model development and implementation process have been established to govern the development and validation of rating models and the application of these models. Specifically, all newly developed models prior to implementation, material changes of the rating systems and validation results must be endorsed by GCRC and approved by BRC. All models are also subject to independent validation by the Model Validation Team before implementation to ensure that all aspects of the model development process have been satisfied. In addition, the models are also subject to annual review and independent validation by the Model Validation Team to ensure that they are performing as expected.

BASEL II PILLAR 3 DISCLOSURES (continued)

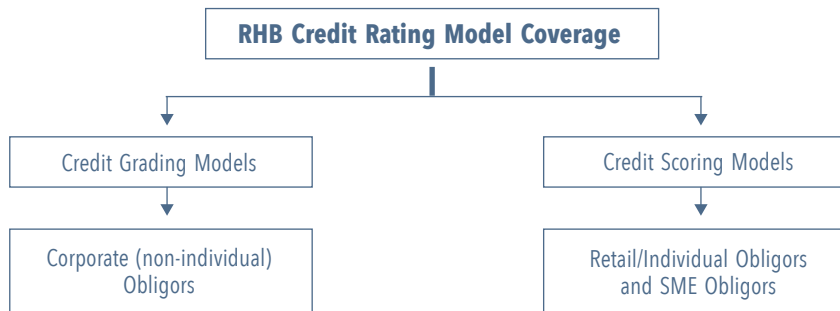
as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Credit risk/rating models can be broadly classified into:

- Credit Grading Models
- Credit Scoring Models



The credit grading models for corporate (or non-individual) obligors are used to risk rate the creditworthiness of the corporate obligors/guarantors/debt issuers based on their financial standing (such as gearing, expenses and profit) and qualitative aspects (such as management effectiveness and industry environment). Different rating models will be applied subject to the obligor's asset and sales volume to create further risk differentiation.

The credit scoring models are for large volume of exposures that are managed on a portfolio basis, which includes program lending/financing for small and medium-sized enterprises (SMEs). These models are developed through statistical modelling and applied onto the portfolio accordingly. For portfolios where data are readily available or when more granular segmentation is required to support business strategy, more models will be developed and deployed.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Application of Internal Ratings

The three components of expected loss, the PD, LGD and EAD are used in variety of applications that measure credit risk across the entire portfolio.

- Credit Approval : PD models are used in the credit approval process in both retail and non-retail portfolios. In high-volume retail portfolios, application scorecard and behaviour scorecard are used as one of the risk management tools.
- Policy : Policies are established to govern the use of ratings in credit decisions and monitoring as well impairment.
- Reporting : Reports are generated to Senior Management on a monthly basis on the performance of the rating models to show the distribution of the credit exposures by risk rating and monitoring of their performance.
- Capital Management : The capital management and allocation plan takes into consideration the projected RWA computed based on internal rating.
- Risk Limits : The internal ratings are used in establishing the Group's various internal limits (such as industry risk limit).
- Risk Reward and Pricing : PD, EAD and LGD metrics are used to assess profitability of deals to allow for risk-informed pricing considerations and strategic decisions.

F-IRB for Non-Retail Portfolios

The major non-retail portfolios of the Bank are on the Foundation Internal Ratings-Based (F-IRB) approach for regulatory capital requirements. Under this approach, internal rating models are used to estimate the PD for each obligor, while the LGD and EAD parameters are prescribed by BNM. The PD rating model is statistically calibrated, with overlay of qualitative factors and notching guide to arrive at the credit rating.

A-IRB for Retail Portfolios

For regulatory capital requirements, the Bank has adopted the Advanced Internal Ratings-Based (A-IRB) approach for the retail portfolios, i.e. residential mortgages, credit cards, auto loans/financing and program lending/financing. The Bank is continuously working on migrating its relevant significant portfolio under the Standardised Approach towards IRB compliance. The risk estimates – PD, LGD and EAD; are calibrated for these retail portfolios/pools. In addition, credit scorecard and behavioural scorecard are developed and implemented for use in credit approval decision support such as limit setting, credit score cut-off and approval, monitoring and reporting.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.3 Internal Credit Rating Models (Continued)

The following tables set out the exposures under IRB Approach by PD bands, expected loss (EL) range, exposure weighted-average LGD and exposure weighted-average risk weight:

Table 5a: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weight as at 31 December 2015

RHB Bank Group	Exposure At Default RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Probability of Default (PD) Range				
Non-Retail Exposures				
Insurance/Takaful Cos, Securities Firms & Fund Managers				
0 to 0.22	-	-	-	-
>0.22 to 1.65	-	-	-	-
>1.65 to 5.57	-	-	-	-
>5.57 to 21.68	-	-	-	-
>21.68 to <100	-	-	-	-
Default or 100	-	-	-	-
Total Insurance/Takaful Cos, Securities Firms & Fund Managers	-			-
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 0.22	11,131,258	44.43	38.03	3,480,026
>0.22 to 1.65	16,943,322	34.04	56.92	5,534,768
>1.65 to 5.57	6,363,132	42.53	116.37	1,636,648
>5.57 to 21.68	1,272,427	36.64	141.99	1,067,670
>21.68 to <100	240,873	42.98	233.75	64,691
Default or 100	1,195,799	42.73	-	-
Total Corporate Exposures (excluding exposures with firm size adjustments)	37,146,811			11,783,803
Corporate Exposures (with firm size adjustments)				
0 to 0.22	2,312,014	41.62	31.37	1,345,917
>0.22 to 1.65	13,069,781	37.93	53.41	5,575,438
>1.65 to 5.57	8,172,482	36.35	81.82	1,720,435
>5.57 to 21.68	2,197,450	38.39	111.59	1,329,616
>21.68 to <100	67,348	38.17	170.50	4,466
Default or 100	365,549	39.41	-	-
Total Corporate Exposures (with firm size adjustments)	26,184,624			9,975,872
Total Non-Retail Exposures	63,331,435			21,759,675

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Table 5a: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weight as at 31 December 2015

RHB Bank Group	Exposure At Default RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Probability of Default (PD) Range				
Retail Exposures				
Residential Mortgages Exposures				
0 to 0.78	15,173,120	16.42	15.43	527,740
>0.78 to 2.48	9,385,903	16.40	24.42	157,775
>2.48 to 28.19	3,056,827	16.57	60.06	31,887
>28.19 to <100	1,999,613	16.51	83.15	14,205
Default or 100	618,493	16.75	109.32	3,082
Total Residential Mortgages Exposures	30,233,956			734,689
Qualifying Revolving Retail Exposures				
0 to 0.78	685,991	61.34	11.80	1,179,765
>0.78 to 2.48	548,754	64.41	33.74	659,288
>2.48 to 4.86	545,377	64.31	62.34	717,080
>4.86 to <100	131,346	68.58	117.12	49,645
Default or 100	17,230	77.87	33.72	-
Total Qualifying Revolving Retail Exposures	1,928,698			2,605,778
Hire Purchase Exposures				
0 to 0.66	5,755,389	43.01	22.58	-
>0.66 to 3.71	2,619,734	44.92	52.18	-
>3.71 to 18.79	719,892	45.18	83.30	-
>18.79 to <100	200,483	46.12	118.39	-
Default or 100	115,807	46.19	190.85	-
Total Hire Purchase Exposures	9,411,305			-
Other Retail Exposures				
0 to 3.71	9,762,754	17.29	13.88	6,157,819
>3.71 to 8.35	4,076,249	20.46	22.81	2,540,020
>8.35 to 24.63	6,485,021	52.84	81.28	3,226,200
>24.63 to <100	218,981	17.20	42.88	74,228
Default or 100	418,459	49.43	52.84	24,196
Total Other Retail Exposures	20,961,464			12,022,463
Total Retail Exposures	62,535,423			15,362,930
Total Non-Retail & Retail Exposures under IRB Approach	125,866,858			37,122,605

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Table 5b: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weight as at 31 December 2014

RHB Bank Group	Exposure At Default RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Probability of Default (PD) Range				
Non-Retail Exposures				
Insurance/Takaful Cos, Securities Firms & Fund Managers				
0 to 0.22	90	0.01	0.01	1,820
>0.22 to 1.65	32,677	45.00	63.65	50,607
>1.65 to 5.57	210	–	–	32
>5.57 to 21.68	2,063	38.41	143.84	2,157
>21.68 to <100	–	–	–	–
Default or 100	–	–	–	–
Total Insurance/Takaful Cos, Securities Firms & Fund Managers	35,040			54,616
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 0.22	9,263,802	44.69	39.44	2,458,274
>0.22 to 1.65	17,108,551	41.75	69.08	6,706,884
>1.65 to 5.57	7,607,337	40.00	113.74	2,043,278
>5.57 to 21.68	3,709,012	8.23	32.51	218,957
>21.68 to <100	110,367	43.12	231.09	5,595
Default or 100	1,251,130	42.14	–	–
Total Corporate Exposures (excluding exposures with firm size adjustments)	39,050,199			11,432,988
Corporate Exposures (with firm size adjustments)				
0 to 0.22	531,223	42.03	32.69	271,912
>0.22 to 1.65	8,240,137	38.99	56.59	5,294,218
>1.65 to 5.57	5,419,585	36.97	80.54	1,191,269
>5.57 to 21.68	1,367,272	36.40	109.71	444,032
>21.68 to <100	24,666	38.54	173.37	10,280
Default or 100	350,296	37.30	–	–
Total Corporate Exposures (with firm size adjustments)	15,933,179			7,211,711
Total Non-Retail Exposures	55,018,418			18,699,315

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Table 5b: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weight as at 31 December 2014

RHB Bank Group	Exposure At Default RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Probability of Default (PD) Range				
Retail Exposures				
Residential Mortgages Exposures				
0 to 2.48	10,580,986	16.46	25.02	347,406
>2.48 to 8.35	5,771,753	14.93	53.90	94,379
>8.35 to 24.63	2,130,091	15.40	76.30	13,999
>24.63 to <100	609,981	15.14	75.87	1,202
Default or 100	523,574	24.71	26.96	-
Total Residential Mortgages Exposures	19,616,385			456,986
Qualifying Revolving Retail Exposures				
0 to 0.78	680,671	60.90	11.38	1,216,087
>0.78 to 2.48	521,662	64.13	33.46	631,693
>2.48 to 4.86	570,473	64.41	62.53	715,427
>4.86 to <100	149,875	68.89	117.62	45,259
Default or 100	19,703	81.04	32.07	-
Total Qualifying Revolving Retail Exposures	1,942,384			2,608,466
Hire Purchase Exposures				
0 to 3.71	3,723,009	30.78	34.14	-
>3.71 to 10.95	876,485	28.97	44.83	-
>10.95 to 18.79	351,203	33.06	68.55	-
>18.79 to <100	161,159	33.45	88.11	-
Default or 100	112,133	64.71	34.06	-
Total Hire Purchase Exposures	5,223,989			-
Other Retail Exposures				
0 to 3.71	3,503,563	25.67	31.15	3,866,005
>3.71 to 8.35	4,265,650	59.46	90.92	2,113,163
>8.35 to 24.63	3,650,395	18.80	31.18	5,606,730
>24.63 to <100	21,038	15.63	41.51	1,946
Default or 100	223,343	62.80	43.70	-
Total Other Retail Exposures	11,663,989			11,587,844
Total Retail Exposures	38,446,747			14,653,296
Total Non-Retail & Retail Exposures under IRB Approach	93,465,165			33,352,611

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Table 6a: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weight as at 31 December 2015

RHB Bank Group	Exposure At Default RM'000	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Expected Losses (EL) Range			
Retail Exposures			
Residential Mortgages Exposures			
0 to 0.5	25,050,856	19.65	690,701
>0.5 to 1.5	1,936,734	58.93	20,175
>1.5 to 2.5	555,018	78.64	8,382
>2.5 to 3.5	597,628	116.74	1,169
>3.5 to 30.0	1,913,391	84.20	14,262
>30.0 to <100	170,527	-	-
100	9,802	-	-
Total Residential Mortgages Exposures	30,233,956		734,689
Qualifying Revolving Retail Exposures			
0 to 0.5	670,981	11.58	1,184,510
>0.5 to 1.5	500,434	31.17	642,748
>1.5 to 2.5	503,200	58.01	714,075
>2.5 to 3.5	103,203	75.66	22,323
>3.5 to 30.0	133,650	116.87	42,122
>30.0 to <100	17,230	33.72	-
100	-	-	-
Total Qualifying Revolving Retail Exposures	1,928,698		2,605,778
Hire Purchase Exposures			
0 to 0.5	6,696,177	25.60	-
>0.5 to 1.5	1,455,380	55.29	-
>1.5 to 2.5	286,205	66.79	-
>2.5 to 3.5	64,341	143.83	-
>3.5 to 30.0	844,504	106.55	-
>30.0 to <100	13,636	159.35	-
100	51,062	-	-
Total Hire Purchase Exposures	9,411,305		-
Other Retail Exposures			
0 to 0.5	13,606,310	16.08	8,540,429
>0.5 to 1.5	1,415,480	45.72	672,711
>1.5 to 2.5	199,560	73.76	364,105
>2.5 to 3.5	2,233,277	68.43	105,879
>3.5 to 30.0	3,164,984	103.71	2,339,339
>30.0 to <100	162,064	43.83	-
100	179,789	4.27	-
Total Other Retail Exposures	20,961,464		12,022,463
Total Retail Exposures	62,535,423		15,362,930

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Table 6b: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weight as at 31 December 2014

RHB Bank Group	Exposure At Default RM'000	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Expected Losses (EL) Range			
Retail Exposures			
Residential Mortgages Exposures			
0 to 0.5	12,557,381	27.25	357,630
>0.5 to 1.5	4,109,289	60.52	83,629
>1.5 to 2.5	1,903,781	78.92	14,197
>2.5 to 3.5	41,643	74.48	309
>3.5 to 30.0	913,985	56.36	1,221
>30.0 to <100	90,306	33.60	-
100	-	-	-
Total Residential Mortgages Exposures	19,616,385		456,986
Qualifying Revolving Retail Exposures			
0 to 0.5	667,386	11.18	1,214,607
>0.5 to 1.5	480,490	31.14	618,213
>1.5 to 2.5	509,753	58.22	708,045
>2.5 to 3.5	112,378	75.69	23,222
>3.5 to 30.0	152,674	117.18	44,379
>30.0 to <100	19,703	32.07	-
100	-	-	-
Total Qualifying Revolving Retail Exposures	1,942,384		2,608,466
Hire Purchase Exposures			
0 to 0.5	1,950,000	26.38	-
>0.5 to 1.5	1,946,421	41.76	-
>1.5 to 2.5	327,065	38.91	-
>2.5 to 3.5	370,618	55.46	-
>3.5 to 30.0	517,751	74.72	-
>30.0 to <100	111,017	34.31	-
100	1,117	8.91	-
Total Hire Purchase Exposures	5,223,989		-
Other Retail Exposures			
0 to 0.5	2,793,558	19.14	3,297,229
>0.5 to 1.5	3,915,906	31.69	5,649,514
>1.5 to 2.5	358,216	67.15	350,494
>2.5 to 3.5	1,566,539	67.70	169,916
>3.5 to 30.0	2,876,345	106.30	2,120,691
>30.0 to <100	131,009	57.28	-
100	22,416	20.35	-
Total Other Retail Exposures	11,663,989		11,587,844
Total Retail Exposures	38,446,747		14,653,296

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Table 7: Exposures under IRB Approach by Actual Losses versus Expected Losses

RHB Bank Group Exposure Class	Actual Losses as at 31 December 2015 RM'000	Expected Losses as at 31 December 2014 RM'000	Actual Losses as at 31 December 2014 RM'000	Expected Losses as at 31 December 2013 RM'000
Insurance/Takaful Cos, Securities Firms & Fund Managers Corporates, of which				
Corporate Exposures (excluding exposures with firm-size adjustments)	11,610	191,590	34,406	252,288
Corporate Exposures (with firm-size adjustments)	28,734	124,924	36,387	118,096
Retail, of which				
Residential Mortgages Exposures	34,323	147,987	64,696	131,947
Qualifying Revolving Retail Exposures	43,497	29,119	57,557	30,595
Hire Purchase Exposures	27,354	81,518	44,729	104,330
Other Retail Exposures	51,685	255,892	52,792	236,606
Total	197,203	831,147	290,567	874,150

Note :

- Actual Losses for year 2015 and 2014 are derived from Individual Impairment Allowances, Impaired Collective Impairment Allowances and Write offs.
- Expected Losses for year 2013 and 2014 were restated measuring the loss expected from non impaired exposures at the start of the year.
- Actual Losses for year 2014 were restated measuring impairment allowances and write offs incurred on the exposures which have turned impaired during the year.

Actual losses are derived from impairment allowances and write-offs during the year, while expected losses (EL) measures the loss expected from the Bank's credit exposures as at 31 December of the preceding year.

A comparison of actual losses and EL provides some insight of the predictive power of the IRB approach models used by the Bank; however the two metrics are not directly comparable due to the differences in methodology. In particular, the EL used in this comparison is the forecast credit loss from the counterparty defaults of the Bank's exposures over a one-year period and is computed as the product of probability of default (PD), loss given default (LGD) and exposure at default (EAD) for the Bank's exposures as at 31 December of the preceding year. For the two years 2014 and 2015, the expected losses are showing higher values as compared to the actual losses.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.4 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The management of the following off-balance sheet exposures of the Bank is in accordance to the credit risk management approach as set out under Section 6.2 of this document:

- Financial guarantees and standby letters of credit, which represent undertakings that the Bank will make payments in the event that its customer cannot meet its obligations to third-parties. These exposures carry the same credit risk as loans/financing even though they are contingent in nature;
- Documentary and commercial letters of credit, which are undertakings by the Bank on behalf of its customers. These exposures are usually collateralised by the underlying shipment of goods to which they relate;
- Commitments to extend financing, which includes the unutilised or undrawn portions of financing facilities;
- Unutilised credit card lines; and
- Principal or notional amount of derivative financial instruments.

Counterparty Credit Risk

Counterparty Credit Risk is the risk that the entity with whom one has entered into a financial contract (the counterparty to the contract) will fail to fulfil their side of the contractual agreement (eg they default). Counterparty risk is typically defined as arising from two broad classes of financial products:

- Over-the-counter derivatives such as interest rate/profit rate swaps, FX forwards and credit default swaps.
- Securities financing transactions such as repos and reverse repos; and securities borrowing and lending/financing.

Derivative financial instruments are primarily entered into for hedging purposes. The Bank (excluding RHB Islamic Bank) may also take trading derivative positions, within pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at the time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

All outstanding financial derivative positions are marked-to-market on a daily basis. The Bank's Treasury Operations Department monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches

The following tables show the credit exposures or Exposure at Default (EAD) as at 31 December 2015 compared with 31 December 2014, segregated by:

- the various types of asset classes, showing details of the exposures by type of approaches, before and after credit risk mitigation (CRM), the corresponding RWA and capital requirements;
- disclosure on off-balance sheet and counterparty credit risk;
- geographical distribution;
- industry sector; and
- residual maturity.

Table 8a: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2015

RHB Bank Group Exposure Class	Gross Exposures/EAD before CRM RM'000	Net Exposures/EAD after CRM RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under Standardised Approach (SA)				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	29,379,333	29,379,333	625,997	50,079
Public Sector Entities	3,851,140	3,846,640	179,093	14,328
Banks, Development Financial Institutions & MDBs	14,009,082	14,009,082	4,170,677	333,654
Insurance/Takaful Cos, Securities Firms & Fund Managers	739,436	739,436	739,436	59,155
Corporates	31,423,208	30,687,964	17,221,194	1,377,695
Regulatory Retail	25,875,925	17,188,011	13,422,658	1,073,812
Residential Mortgages	2,759,421	2,742,568	1,245,329	99,626
Higher Risk Assets	-	-	-	-
Other Assets	4,321,616	4,321,616	1,714,871	137,190
Equity Exposures	574,276	574,276	574,277	45,943
Defaulted Exposures	450,880	418,666	481,933	38,555
Total On-Balance Sheet Exposures	113,384,317	103,907,592	40,375,465	3,230,037
Off-Balance Sheet Exposures				
OTC Derivatives	5,925,996	5,925,996	2,362,340	188,987
Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,732,649	4,816,938	3,470,940	277,675
Defaulted Exposures	124	124	186	15
Total Off-Balance Sheet Exposures	15,658,769	10,743,058	5,833,466	466,677
Total On and Off-Balance Sheet Exposures under SA	129,043,086	114,650,650	46,208,931	3,696,714

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 8a: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2015 (continued)

RHB Bank Group Exposure Class	Gross Exposures/EAD before CRM RM'000	Net Exposures/EAD after CRM RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Insurance/Takaful Cos, Securities Firms & Fund Managers Corporates, of which	-	-	-	-
Corporate Exposures (excluding exposures with firm-size adjustments)	49,982,608	49,983,816	32,467,194	2,597,376
Corporate Exposures (with firm-size adjustments)	29,828,856	29,828,910	19,385,761	1,550,861
Defaulted Exposures	20,153,752	20,154,906	13,081,433	1,046,515
Total On-Balance Sheet Exposures	1,548,146	1,546,938	-	-
Off-Balance Sheet Exposures				
OTC Derivatives	923	923	481	38
Off-balance sheet exposures other than OTC derivatives or credit derivatives	11,785,348	11,785,348	8,143,673	651,494
Defaulted Exposures	14,410	14,410	-	-
Total Off-Balance Sheet Exposures	11,800,681	11,800,681	8,144,154	651,532

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 8a: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2015

RHB Bank Group Exposure Class	Gross Exposures/EAD before CRM RM'000	Net Exposures/EAD after CRM RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	50,638,369	50,638,369	17,828,993	1,426,319
Residential Mortgages Exposures	28,883,856	28,883,856	7,984,029	638,722
Qualifying Revolving Retail Exposures	1,409,018	1,409,018	607,902	48,632
Hire Purchase Exposures	9,295,498	9,295,498	3,503,393	280,271
Other Retail Exposures	11,049,997	11,049,997	5,733,669	458,694
Defaulted Exposures	1,142,704	1,142,704	1,065,279	85,222
Total On-Balance Sheet Exposures	51,781,073	51,781,073	18,894,272	1,511,541
Off-Balance Sheet Exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	10,727,065	10,727,065	2,216,164	177,293
Defaulted Exposures	27,285	27,285	58,809	4,705
Total Off-Balance Sheet Exposures	10,754,350	10,754,350	2,274,973	181,998
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	125,866,858	125,866,858	61,780,593	4,942,447
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			65,487,429	5,238,995
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	254,909,944	240,517,508	111,696,360	8,935,709

Note:

All performing corporate exposures are classified under the broad asset class category of Corporates instead of the five sub-classes of Specialised Lending/Financing.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 8b: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2014

RHB Bank Group Exposure Class	Gross Exposures/EAD before CRM RM'000	Net Exposures/EAD after CRM RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under Standardised Approach (SA)				
<u>On-Balance Sheet Exposures</u>				
Sovereigns & Central Banks	26,997,934	26,997,934	444,641	35,572
Public Sector Entities	3,668,651	3,668,651	143,373	11,470
Banks, Development Financial Institutions & MDBs	18,824,631	18,824,631	5,134,128	410,730
Insurance/Takaful Cos, Securities Firms & Fund Managers	298,428	298,428	298,428	23,874
Corporates	30,595,428	29,627,674	17,487,336	1,398,988
Regulatory Retail	33,941,871	24,535,630	18,826,585	1,506,127
Residential Mortgages	4,531,077	4,520,726	2,378,226	190,258
Higher Risk Assets	200,554	200,554	300,831	24,066
Other Assets	2,918,401	2,918,401	1,359,290	108,743
Equity Exposures	514,315	514,315	514,317	41,146
Defaulted Exposures	555,578	486,961	552,959	44,236
Total On-Balance Sheet Exposures	123,046,868	112,593,905	47,440,114	3,795,210
<u>Off-Balance Sheet Exposures</u>				
OTC Derivatives	4,120,790	4,120,790	2,078,109	166,248
Off-balance sheet exposures other than OTC derivatives or credit derivatives	6,932,135	6,006,594	4,599,161	367,933
Defaulted Exposures	8,381	551	826	66
Total Off-Balance Sheet Exposures	11,061,306	10,127,935	6,678,096	534,247
Total On and Off-Balance Sheet Exposures under SA	134,108,174	122,721,840	54,118,210	4,329,457

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 8b: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2014 (Continued)

RHB Bank Group	Gross Exposures/EAD before CRM RM'000	Net Exposures/EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposure Class				
Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Insurance/Takaful Cos, Securities Firms & Fund Managers	99	99	166	13
Corporates, of which	42,768,648	42,768,648	28,848,543	2,307,883
Corporate Exposures (excluding exposures with firm-size adjustments)	30,886,707	30,886,707	20,565,281	1,645,222
Corporate Exposures (with firm-size adjustments)	11,881,941	11,881,941	8,283,262	662,661
Defaulted Exposures	1,577,846	1,577,846	-	-
Total On-Balance Sheet Exposures	44,346,593	44,346,593	28,848,709	2,307,896
Off-Balance Sheet Exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	10,648,245	10,648,245	7,510,364	600,829
Defaulted Exposures	23,580	23,580	-	-
Total Off-Balance Sheet Exposures	10,671,825	10,671,825	7,510,364	600,829

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 8b: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2014 (Continued)

RHB Bank Group Exposure Class	Gross Exposures/EAD before CRM RM'000	Net Exposures/EAD after CRM RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	34,256,681	34,256,681	15,568,663	1,245,493
Residential Mortgages Exposures	19,031,632	19,031,632	7,819,824	625,586
Qualifying Revolving Retail Exposures	1,446,934	1,446,934	642,093	51,367
Hire Purchase Exposures	5,111,856	5,111,856	2,046,798	163,744
Other Retail Exposures	8,666,259	8,666,259	5,059,948	404,796
Defaulted Exposures	878,753	878,753	283,284	22,663
Total On-Balance Sheet Exposures	35,135,434	35,135,434	15,851,947	1,268,156
Off-Balance Sheet Exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,311,313	3,311,313	1,225,800	98,064
Defaulted Exposures	–	–	–	–
Total Off-Balance Sheet Exposures	3,311,313	3,311,313	1,225,800	98,064
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	93,465,165	93,465,165	53,436,820	4,274,945
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			56,643,029	4,531,442
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	227,573,339	216,187,005	110,761,239	8,860,899

Note:

All performing corporate exposures are classified under the broad asset class category of Corporates instead of the five sub-classes of Specialised Lending/Financing.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 9a: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2015

RHB Bank Group	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Nature of Item				
Direct credit substitutes	2,352,315		2,322,430	1,386,097
Transaction-related contingent items	5,148,273		2,544,856	1,326,749
Short-term self-liquidating trade-related contingencies	1,840,490		366,490	186,916
NIFs & obligations under underwriting agreement	76,000		38,000	38,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	5,017,446		5,017,446	22,221
Foreign exchange related contracts	80,468,048	2,891,796	4,903,308	1,953,531
1 year or less	66,686,218	1,105,996	1,937,228	911,384
Over 1 year to 5 years	13,240,641	1,721,694	2,785,704	968,657
Over 5 years	541,189	64,106	180,376	73,490
Interest/profit rate related contracts	41,990,278	163,191	1,023,611	409,291
1 year or less	7,967,611	8,759	21,479	7,028
Over 1 year to 5 years	31,944,672	135,231	810,664	301,878
Over 5 years	2,077,995	19,201	191,468	100,385
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of over 1 year	29,517,173		21,185,731	10,588,391
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of up to 1 year	1,141,299		156,393	74,461
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	16,858,657		655,535	266,936
Total	184,409,979	3,054,987	38,213,800	16,252,593

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 9b: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2014

RHB Bank Group	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Nature of Item				
Direct credit substitutes	2,659,088		2,628,097	1,656,364
Transaction-related contingent items	4,829,166		2,388,120	1,308,323
Short-term self-liquidating trade-related contingencies	1,822,569		362,511	177,431
NIFs & obligations under underwriting agreement	–		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	517,610		517,610	27,897
Foreign exchange related contracts	40,025,480	1,520,389	3,220,240	1,757,693
1 year or less	28,320,308	459,786	926,671	559,625
Over 1 year to 5 years	11,236,064	571,555	1,696,626	753,543
Over 5 years	469,108	489,048	596,943	444,525
Interest/profit rate related contracts	34,848,945	104,221	900,625	320,526
1 year or less	6,289,805	5,073	14,886	4,557
Over 1 year to 5 years	27,571,220	90,105	812,079	281,569
Over 5 years	987,920	9,043	73,660	34,400
Other commitments, such as formal standby facilities and financing lines, with original maturity of over 1 year	30,645,996		14,277,260	9,875,579
Other commitments, such as formal standby facilities and financing lines, with original maturity of up to 1 year	1,428,561		144,588	50,232
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	15,137,896		605,393	240,215
Total	131,915,311	1,624,610	25,044,444	15,414,260

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 10a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2015

RHB Bank Group Exposure Class	Malaysia (include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Laos RM'000	Total RM'000
Exposures under							
Standardised Approach							
Sovereigns & Central Banks	28,334,533	2,947,040	425,211	59,427	482,427	70,536	32,319,174
Public Sector Entities	3,249,647	429,379	240,748	-	-	-	3,919,774
Banks, Development Financial Institutions & MDBs	14,727,662	5,038,473	80,397	140,748	390,735	12,529	20,390,544
Insurance/Takaful Cos, Securities Firms & Fund Managers	1,160,737	-	-	-	-	-	1,160,737
Corporates	31,028,615	3,287,354	1,300,397	78,235	245,605	9,448	35,949,654
Regulatory Retail	24,626,376	1,423,712	20,176	103,795	1,244,232	93,381	27,511,672
Residential Mortgages	680,849	2,213,372	-	1,418	-	-	2,895,639
Higher Risk Assets	-	-	-	-	-	-	-
Other Assets	3,957,771	246,205	12,604	6,564	85,517	12,955	4,321,616
Total Exposures under Standardised Approach	107,766,190	15,585,535	2,079,533	390,187	2,448,516	198,849	128,468,810

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 10a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2015

RHB Bank Group Exposure Class	Malaysia (include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Laos RM'000	Total RM'000
Exposures under IRB Approach							
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-
Corporates, of which	54,016,774	9,314,661	-	-	-	-	63,331,435
Corporate Exposures (excluding exposures with firm-size adjustments)	31,634,409	5,512,402	-	-	-	-	37,146,811
Corporate Exposures (with firm-size adjustments)	22,382,365	3,802,259	-	-	-	-	26,184,624
Retail, of which	62,535,423	-	-	-	-	-	62,535,423
Residential Mortgages Exposures	30,233,956	-	-	-	-	-	30,233,956
Qualifying Revolving Retail Exposures	1,928,698	-	-	-	-	-	1,928,698
Hire Purchase Exposures	9,411,305	-	-	-	-	-	9,411,305
Other Retail Exposures	20,961,464	-	-	-	-	-	20,961,464
Total Exposures under IRB Approach	116,552,197	9,314,661	-	-	-	-	125,866,858
Total Exposures under Standardised and IRB Approaches	224,318,387	24,900,196	2,079,533	390,187	2,448,516	198,849	254,335,668

Note:

This table excludes equity exposures.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 10b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2014

RHB Bank Group Exposure Class	Malaysia (include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Laos RM'000	Total RM'000
Exposures under Standardised Approach							
Sovereigns & Central Banks	24,506,774	1,809,132	292,674	54,428	257,593	89,844	27,010,445
Public Sector Entities	3,221,468	393,622	140,645	–	–	–	3,755,735
Banks, Development Financial Institutions & MDBs	16,940,745	5,294,437	56,559	135,386	145,434	12,148	22,584,709
Insurance/Takaful Cos, Securities Firms & Fund Managers	314,402	83,031	–	–	–	–	397,433
Corporates	23,463,472	9,930,294	1,156,780	80,300	168,063	9,459	34,808,368
Regulatory Retail	34,769,995	1,636,018	12,797	89,403	599,980	25,850	37,134,043
Residential Mortgages	3,298,630	1,484,066	–	1,434	–	–	4,784,130
Higher Risk Assets	200,554	–	–	–	–	–	200,554
Other Assets	2,661,658	195,871	12,575	4,525	34,291	9,522	2,918,442
Total Exposures under Standardised Approach	109,377,698	20,826,471	1,672,030	365,476	1,205,361	146,823	133,593,859

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 10b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2014
(continued)

RHB Bank Group Exposure Class	Malaysia (include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Laos RM'000	Total RM'000
Exposures under IRB Approach							
Insurance/Takaful Cos, Securities Firms & Fund Managers	35,040	-	-	-	-	-	35,040
Corporates, of which	54,983,378	-	-	-	-	-	54,983,378
Corporate Exposures (excluding exposures with firm-size adjustments)	39,050,199	-	-	-	-	-	39,050,199
Corporate Exposures (with firm-size adjustments)	15,933,179	-	-	-	-	-	15,933,179
Retail, of which	38,446,747	-	-	-	-	-	38,446,747
Residential Mortgages Exposures	19,616,385	-	-	-	-	-	19,616,385
Qualifying Revolving Retail Exposures	1,942,384	-	-	-	-	-	1,942,384
Hire Purchase Exposures	5,223,989	-	-	-	-	-	5,223,989
Other Retail Exposures	11,663,989	-	-	-	-	-	11,663,989
Total Exposures under IRB Approach	93,465,165	-	-	-	-	-	93,465,165
Total Exposures under Standardised and IRB Approaches	202,842,863	20,826,471	1,672,030	365,476	1,205,361	146,823	227,059,024

Note:

This table excludes equity exposures.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 11a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2015

RHB Bank Group	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance, Takaful, Real Estate & Business	Education, Health & Others	Household	Others	Total
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	16,783,838	15,535,336	-	-	32,319,174
Public Sector Entities	-	-	-	12,387	-	-	55,763	160,663	3,690,961	-	-	3,919,774
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	20,390,544	-	-	-	20,390,544
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	1,160,737	-	-	-	1,160,737
Corporates	1,201,885	620,366	2,327,982	3,093,627	3,269,655	1,651,870	3,828,993	17,883,566	1,313,062	758,648	-	35,949,654
Regulatory Retail	55,822	127,342	472,340	9,523	331,253	300,865	233,883	488,999	58,901	25,343,488	89,256	27,511,672
Residential Mortgages	-	-	-	-	-	-	-	-	-	2,895,639	-	2,895,639
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	77,936	-	-	-	4,243,680	4,321,616
Total Exposures under Standardised Approach	1,257,707	747,708	2,800,322	3,115,537	3,600,908	1,952,735	4,196,575	56,868,347	20,598,260	28,997,775	4,332,936	128,468,810
Exposures under IRB Approach												
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	-	-
Corporates, of which	4,383,678	2,085,361	8,613,074	3,210,823	9,109,195	7,823,087	6,867,525	15,763,602	5,475,090	-	-	63,331,435
Corporate Exposures (excluding exposures with firm-size adjustments)	1,529,702	2,010,063	4,740,691	2,056,504	4,091,026	3,241,942	4,999,652	9,772,348	4,704,883	-	-	37,146,811
Corporate Exposures (with firm-size adjustments)	2,853,976	75,298	3,872,383	1,154,319	5,018,169	4,581,145	1,867,873	5,991,254	770,207	-	-	26,184,624
Retail, of which	90,194	17,766	787,937	2,643	729,093	2,778,298	176,084	1,412,205	262,664	56,278,539	-	62,535,423
Residential Mortgages Exposures	-	-	-	-	-	-	-	-	-	30,233,956	-	30,233,956
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	1,928,698	-	1,928,698
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	9,411,305	-	9,411,305
Other Retail Exposures	90,194	17,766	787,937	2,643	729,093	2,778,298	176,084	1,412,205	262,664	14,704,580	-	20,961,464
Total Exposures under IRB Approach	4,473,872	2,103,127	9,401,011	3,213,466	9,838,288	10,601,385	7,043,609	17,175,807	5,737,754	56,278,539	-	125,866,858
Total Exposures under Standardised and IRB Approaches	5,731,579	2,850,835	12,201,333	6,329,003	13,439,196	12,554,120	11,240,184	74,044,154	26,336,014	85,276,314	4,332,936	254,335,668

Note:

This table excludes equity exposures.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 11b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2014

RHB Bank Group	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance/Takaful, Real Estate & Business	Education, Health & Others	Household	Others	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	10,177,473	16,833,272	-	-	27,010,445
Public Sector Entities	-	-	-	11,029	-	21,707	239,369	3,483,630	-	-	-	3,755,735
Banks, Development Financial Institutions & MDIs	-	-	-	-	-	-	-	21,561,396	1,023,313	-	-	22,584,709
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	397,433	-	-	-	397,433
Corporates	491,910	12,551	3,068,499	2,743,509	2,405,213	2,483,203	3,217,390	17,178,628	1,449,829	1,757,656	-	34,808,368
Regulatory Retail	20,272	6,054	131,174	9,169	164,335	221,330	38,284	317,474	40,299	36,185,335	317	37,134,043
Residential Mortgages	-	-	-	-	-	-	-	-	-	4,784,130	-	4,784,130
Higher Risk Assets	-	-	-	-	200,554	-	-	-	-	-	-	200,554
Other Assets	-	-	-	-	-	-	27,035	-	-	-	2,891,407	2,918,442
Total Exposures under Standardised Approach	512,182	18,605	3,199,673	2,763,707	2,770,102	2,704,533	3,304,416	49,871,473	22,830,343	42,727,101	2,891,724	133,593,859
Exposures under IRB Approach												
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	35,040	-	-	-	35,040
Corporates, of which	4,473,452	942,294	8,605,953	2,981,731	6,011,371	5,786,420	6,387,405	17,430,418	2,364,084	113	137	54,983,378
Corporate Exposures (excluding exposures with firm-size adjustments)	2,494,361	800,254	5,994,516	2,961,319	3,990,948	2,400,622	5,322,035	12,913,603	2,172,291	113	137	39,050,199
Corporate Exposures (with firm-size adjustments)	1,979,091	142,040	2,611,437	20,412	2,020,423	3,385,798	1,065,370	4,516,815	191,793	-	-	15,933,179
Retail, of which	107,775	16,552	765,461	2,248	606,375	2,557,967	173,249	913,870	174,478	33,128,743	29	38,446,747
Residential Mortgages Exposures	-	-	-	-	-	-	-	-	-	19,616,385	-	19,616,385
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	1,942,384	-	1,942,384
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	5,223,989	-	5,223,989
Other Retail Exposures	107,775	16,552	765,461	2,248	606,375	2,557,967	173,249	913,870	174,478	6,345,985	29	11,663,989
Total Exposures under IRB Approach	4,581,227	958,846	9,371,414	2,983,979	6,617,746	8,344,387	6,560,654	18,379,328	2,538,562	33,128,856	166	93,465,165
Total Exposures under Standardised and IRB Approaches	5,093,409	977,451	12,571,087	5,747,686	9,387,848	11,048,920	9,865,070	68,250,801	25,368,905	75,855,957	2,891,890	227,059,024

Note:

This table excludes equity exposures.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 12a: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2015

RHB Bank Group Exposure Class	One Year or Less RM'000	More than One to Five Years RM'000	Over Five Years RM'000	Total RM'000
Exposures under Standardised Approach				
Sovereigns & Central Banks	12,156,239	8,388,629	11,774,306	32,319,174
Public Sector Entities	453,048	2,419,459	1,047,267	3,919,774
Banks, Development Financial Institutions & MDBs	13,725,648	6,379,909	284,987	20,390,544
Insurance/Takaful Cos, Securities Firms & Fund Managers	343,495	430,006	387,236	1,160,737
Corporates	8,751,432	16,392,734	10,805,488	35,949,654
Regulatory Retail	3,108,041	4,956,553	19,447,078	27,511,672
Residential Mortgages	308,452	45,498	2,541,689	2,895,639
Higher Risk Assets	-	-	-	-
Other Assets	123,703	-	4,197,913	4,321,616
Total Exposures under Standardised Approach	38,970,058	39,012,788	50,485,964	128,468,810
Exposures under IRB Approach				
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates, of which	40,056,475	9,752,933	13,522,027	63,331,435
Corporate Exposures (excluding exposures with firm-size adjustments)	24,437,417	7,030,729	5,678,665	37,146,811
Corporate Exposures (with firm size adjustments)	15,619,058	2,722,204	7,843,362	26,184,624
Retail, of which	4,666,272	4,928,062	52,941,089	62,535,423
Residential Mortgages Exposures	23,266	354,539	29,856,151	30,233,956
Qualifying Revolving Retail Exposures	1,928,698	-	-	1,928,698
Hire Purchase Exposures	108,236	3,851,183	5,451,886	9,411,305
Other Retail Exposures	2,606,072	722,340	17,633,052	20,961,464
Total Exposures under IRB Approach	44,722,747	14,680,995	66,463,116	125,866,858
Total Exposures under Standardised and IRB Approaches	83,692,805	53,693,783	116,949,080	254,335,668

Note:

This table excludes equity exposures.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 12b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2014

RHB Bank Group Exposure Class	One Year or Less RM'000	More than One to Five Years RM'000	Over Five Years RM'000	Total RM'000
Exposures under Standardised Approach				
Sovereigns & Central Banks	7,878,940	5,867,945	13,263,560	27,010,445
Public Sector Entities	104,591	1,190,807	2,460,337	3,755,735
Banks, Development Financial Institutions & MDBs	14,687,664	5,704,801	2,192,244	22,584,709
Insurance/Takaful Cos, Securities Firms & Fund Managers	165,422	37,353	194,658	397,433
Corporates	9,452,173	15,916,955	9,439,240	34,808,368
Regulatory Retail	3,138,708	5,961,035	28,034,300	37,134,043
Residential Mortgages	419,683	67,139	4,297,308	4,784,130
Higher Risk Assets	–	–	200,554	200,554
Other Assets	16,778	–	2,901,664	2,918,442
Total Exposures under Standardised Approach	35,863,959	34,746,035	62,983,865	133,593,859
Exposures under IRB Approach				
Insurance/Takaful Cos, Securities Firms & Fund Managers	30,879	4,161	–	35,040
Corporates, of which	36,070,554	6,068,111	12,844,713	54,983,378
Corporate Exposures (excluding exposures with firm-size adjustments)	26,880,071	4,350,966	7,819,162	39,050,199
Corporate Exposures (with firm-size adjustments)	9,190,483	1,717,145	5,025,551	15,933,179
Retail, of which	4,656,315	3,365,456	30,424,976	38,446,747
Residential Mortgages Exposures	16,368	281,682	19,318,335	19,616,385
Qualifying Revolving Retail Exposures	1,942,384	–	–	1,942,384
Hire Purchase Exposures	98,350	2,292,779	2,832,860	5,223,989
Other Retail Exposures	2,599,213	790,995	8,273,781	11,663,989
Total Exposures under IRB Approach	40,757,748	9,437,728	43,269,689	93,465,165
Total Exposures under Standardised and IRB Approaches	76,621,707	44,183,763	106,253,554	227,059,024

Note:

This table excludes equity exposures.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Standardised Approach for Other Portfolios

The Standardised Approach is applied to portfolios that are classified as permanently exempted from the IRB approach, and those portfolios that are currently in transition to the IRB approach. Under this Standardised Approach, the risk weights are prescribed by BNM based on the asset class to which the exposure is assigned.

The following tables show RHB Bank Group's credit exposures for its portfolios with the corresponding risk weights and RWA under the Standardised Approach, after credit risk mitigation (CRM):

Table 13a: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2015

RHB Bank Group Exposure Class	Exposure After Credit Risk Mitigation Risk Weight (%)							Total Exposures RM'000
	0% RM'000	20% RM'000	35% RM'000	50% RM'000	75% RM'000	100% RM'000	150% RM'000	
Exposures under Standardised Approach								
Sovereigns & Central Banks	28,633,059	629,986	-	-	-	533,207	-	29,796,252
Public Sector Entities	2,951,176	963,999	-	-	-	-	-	3,915,175
Banks, Development Financial Institutions & MDBs	25,140	11,748,008	-	6,469,008	-	2,752	-	18,244,908
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	1,160,581	-	1,160,581
Corporates	4,345,409	11,902,005	-	1,843,463	-	16,932,556	112,659	35,136,092
Regulatory Retail	51,195	70	-	44,422	16,081,218	2,360,889	85,416	18,623,210
Residential Mortgages	-	-	2,037,902	65,718	706,135	68,785	-	2,878,540
Higher Risk Assets	-	-	-	-	-	-	-	-
Other Assets	2,606,745	-	-	-	-	1,714,871	-	4,321,616
Equity Exposures	-	-	-	-	-	574,273	3	574,276
Total Exposures after Credit Risk Mitigation	38,612,724	25,244,068	2,037,902	8,422,611	16,787,353	23,347,914	198,078	114,650,650
Total Risk-Weighted Assets	-	5,048,814	713,266	4,211,305	12,590,515	23,347,914	297,117	46,208,931

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (Continued)

Table 13b: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2014

RHB Bank Group Exposure Class	Exposure After Credit Risk Mitigation Risk Weight (%)							Total Exposures RM'000
	0% RM'000	20% RM'000	35% RM'000	50% RM'000	75% RM'000	100% RM'000	150% RM'000	
Exposures under Standardised Approach								
Sovereigns & Central Banks	26,027,459	669,804	-	-	-	313,182	-	27,010,445
Public Sector Entities	2,951,785	803,661	-	-	-	-	-	3,755,446
Banks, Development Financial Institutions & MDBs	236,793	15,376,524	-	6,502,092	-	584	-	22,115,993
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	63,325	-	334,108	-	397,433
Corporates	4,282,167	10,229,270	-	565,215	-	18,450,395	175,551	33,702,598
Regulatory Retail	2,802	-	-	41,832	25,359,945	1,817,179	111,850	27,333,608
Residential Mortgages	-	-	2,469,253	719,285	963,135	606,186	15,147	4,773,006
Higher Risk Assets	-	-	-	-	-	-	200,554	200,554
Other Assets	1,559,111	-	-	-	-	1,359,331	-	2,918,442
Equity Exposures	-	-	-	-	-	514,311	4	514,315
Total Exposures after Credit Risk Mitigation	35,060,117	27,079,259	2,469,253	7,891,749	26,323,080	23,395,276	503,106	122,721,840
Total Risk-Weighted Assets	-	5,415,852	864,239	3,945,874	19,742,310	23,395,276	754,659	54,118,210

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.6 Use of External Ratings

For sovereigns, corporate and banking institutions, external ratings from approved external credit assessment institutions (ECAIs), where available, are used to calculate the risk-weighted assets and regulatory capital.

The process used to map ECAIs issuer ratings or comparable ECAIs issue ratings, are in accordance to the standards prescribed by BNM. Approved ECAIs are as follows:

- Standard & Poor's (S&P);
- Moody's Investor Services (Moody's);
- Fitch Ratings (Fitch);
- Malaysian Rating Corporation Berhad (MARC);
- Rating Agency Malaysia (RAM); and
- Rating and Investment Information, Inc (R&I).

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.6 Use of External Ratings (Continued)

The following tables show the Bank's credit exposures for 31 December 2015 compared with 31 December 2014, according to the ratings by ECAIs:

Table 14a: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2015

	Moody's S&P Fitch RAM MARC R&I	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B to D B1 to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000	
RHB Bank Group							
Ratings of Corporates by Approved ECAIs							
Exposure Class							
On and Off-Balance Sheet Exposures							
Public Sector Entities		553,335	2,203,357	-	-	1,158,483	
Insurance/Takaful Cos, Securities Firms & Fund Managers		-	-	-	-	1,160,581	
Corporates		12,971,997	490,965	239,659	-	21,145,335	
Short Term Ratings of Corporates by Approved ECAIs	Moody's S&P Fitch RAM MARC R&I	P-1 A-1 F1+, F1 P-1 MARC-1 a-1+, a-1 RM'000	P-2 A-2 F2 P-2 MARC-2 a-2 RM'000	P-3 A-3 F3 P-3 MARC-3 a-3 RM'000	Others Others B to D NP MARC-4 b, c RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000	
On and Off-Balance Sheet Exposures							
Corporates		186,892	101,244	-	-	-	
Ratings of Sovereigns and Central Banks by Approved ECAIs	Moody's S&P Fitch R&I	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D CCC+ to C RM'000	Unrated Unrated Unrated Unrated RM'000
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		7,958,860	20,799,791	425,211	482,427	- 129,963	
Ratings of Banking Institutions by Approved ECAIs	Moody's S&P Fitch RAM MARC R&I	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D CCC+ to C RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		7,594,132	5,227,417	4,257,638	49,470	- 1,116,251	

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.6 Use of External Ratings (Continued)

Table 14b: Rated Exposures According to Ratings by ECAIs as at 31 December 2014

	Moody's S&P Fitch RAM MARC R&I	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- BBB+ to BBB- RM'000	B1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D CCC+ to C RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000
RHB Bank Group							
Ratings of Corporates by Approved ECAIs							
Exposure Class							
On and Off-Balance Sheet Exposures							
Public Sector Entities		–	2,203,357	–	–	–	1,552,089
Insurance/Takaful Cos, Securities Firms & Fund Managers		–	47,262	–	–	–	350,171
Corporates		9,571,475	560,272	308,660	13,548	–	23,115,543
Short Term Ratings of Corporates by Approved ECAIs							
On and Off-Balance Sheet Exposures							
Corporates		133,100	–	–	–	–	–
Ratings of Sovereigns and Central Banks by Approved ECAIs							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks		1,985,744	24,330,162	292,674	257,593	–	144,272
Ratings of Banking Institutions by Approved ECAIs							
Exposure Class							
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		5,118,585	11,629,921	2,878,394	12,523	–	2,476,570

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control

Credit Risk Mitigation

The Bank generally does not grant credit facilities solely on the basis of collateral provided. All credit facilities are granted based on the credit standing of the borrower/customer, source of repayment and debt/financing servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed, subject to the Bank's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Recognised collaterals where relevant, include both financial and physical assets. Financial collaterals include cash deposits, shares and unit trusts, while physical collateral includes land and buildings and vehicles. Apart from financial collateral and physical collateral, the Bank has defined standards on the acceptance of guarantors as credit risk mitigants.

Collateral is valued in accordance with the Bank's policy on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collaterals/securities pledged is monitored periodically, analysed and updated concurrently with the annual/periodic renewal of facilities, as well as updated into the Bank's collateral system.

The Bank also accepts non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debenture and assignment of contract proceeds, subject to internal guidelines on eligibility. Currently, the Bank does not employ the use of derivative credit instruments and on-balance sheet netting to mitigate its financing exposures. Where possible, the Bank enters into International Swaps and Derivatives Association (ISDA) Master Agreement with its derivative and swap counterparties as the master agreement provides the legal certainty that the credit exposures between counterparties will be netted.

Equity securities or collaterals acquired arising from debt conversions are accounted for as disposal of the loan/financing and acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as impairment of the relevant asset or business rather than as impairment of the original instrument.

The Bank has established mechanism to monitor credit and market concentration within its credit mitigation.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (Continued)

The following tables show the credit risk mitigation of portfolios under the Standardised Approach and IRB Approach respectively as at 31 December 2015 compared with 31 December 2014:

Table 15a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2015

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	29,379,333	-	-
Public Sector Entities	3,851,140	2,951,175	4,500
Banks, Development Financial Institutions & MDBs	14,009,082	25,140	-
Insurance/Takaful Cos, Securities Firms & Fund Managers	739,436	-	-
Corporates	31,423,208	3,577,940	735,246
Regulatory Retail	25,875,925	50,287	8,687,915
Residential Mortgages	2,759,421	-	16,853
Higher Risk Assets	-	-	-
Other Assets	4,321,616	-	-
Equity Exposures	574,276	-	-
Defaulted Exposures	450,880	-	32,212
Total On-Balance Sheet Exposures	113,384,317	6,604,542	9,476,726
Off-Balance Sheet Exposures			
OTC Derivatives	5,925,996	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,732,649	-	4,915,710
Defaulted Exposures	124	-	-
Total Off-Balance Sheet Exposures	15,658,769	-	4,915,710
Total On and Off-Balance Sheet Exposures	129,043,086	6,604,542	14,392,436

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (Continued)

Table 15b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2014

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	26,997,934	–	–
Public Sector Entities	3,668,652	2,951,784	–
Banks, Development Financial Institutions & MDBs	18,824,630	236,793	–
Insurance/Takaful Cos, Securities Firms & Fund Managers	298,428	–	–
Corporates	30,595,428	4,282,167	967,754
Regulatory Retail	33,941,871	1,894	9,406,241
Residential Mortgages	4,531,077	–	10,352
Higher Risk Assets	200,554	–	–
Other Assets	2,918,401	–	–
Equity Exposures	514,315	–	–
Defaulted Exposures	555,578	830	68,617
Total On-Balance Sheet Exposures	123,046,868	7,473,468	10,452,964
Off-Balance Sheet Exposures			
OTC Derivatives	4,120,790	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	6,932,135	–	925,539
Defaulted Exposures	8,381	–	7,831
Total Off-Balance Sheet Exposures	11,061,306	–	933,370
Total On and Off-Balance Sheet Exposures	134,108,174	7,473,468	11,386,334

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (Continued)

Table 16a: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2015

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000	Gross Exposures Covered by Other Eligible Collateral RM'000
On-Balance Sheet Exposures				
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates, of which	49,982,608	1,847,606	5,907,416	10,205,101
Corporate Exposures (excluding exposures with firm-size adjustments)	29,828,856	1,333,525	3,968,892	2,603,014
Corporate Exposures (with firm-size adjustments)	20,153,752	514,081	1,938,524	7,602,087
Retail, of which	50,638,369	96	8,261	19,853,470
Residential Mortgages Exposures	28,883,856	-	-	19,845,880
Qualifying Revolving Retail Exposures	1,409,018	-	-	-
Hire Purchase Exposures	9,295,498	-	-	-
Other Retail Exposures	11,049,997	96	8,261	7,590
Defaulted Exposures	2,690,850	17,139	26,871	750,861
Total On-Balance Sheet Exposures	103,311,827	1,864,841	5,942,548	30,809,432
Off-Balance Sheet Exposures				
OTC Derivatives	923	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	22,512,413	390,455	535,523	1,943,212
Defaulted Exposures	41,695	-	7,077	3,285
Total Off-Balance Sheet Exposures	22,555,031	390,455	542,600	1,946,497
Total On and Off-Balance Sheet Exposures	125,866,858	2,255,296	6,485,148	32,755,929

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (Continued)

Table 16b: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2014

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000	Gross Exposures Covered by Other Eligible Collateral RM'000
On-Balance Sheet Exposures				
Insurance/Takaful Cos, Securities Firms & Fund Managers	99	-	-	-
Corporates, of which	42,768,648	180,767	5,042,644	8,112,508
Corporate Exposures (excluding exposures with firm-size adjustments)	30,886,707	132,070	4,190,918	2,835,241
Corporate Exposures (with firm-size adjustments)	11,881,941	48,697	851,726	5,277,267
Retail, of which	34,256,681	41	8,678	12,895,205
Residential Mortgages Exposures	19,031,632	-	-	12,887,769
Qualifying Revolving Retail Exposures	1,446,934	-	-	-
Hire Purchase Exposures	5,111,856	-	-	-
Other Retail Exposures	8,666,259	41	8,678	7,436
Defaulted Exposures	2,456,599	-	20,239	820,770
Total On-Balance Sheet Exposures	79,482,027	180,808	5,071,561	21,828,483
Off-Balance Sheet Exposures				
OTC Derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	13,959,558	714	427,054	1,293,721
Defaulted Exposures	23,580	-	16,214	2,038
Total Off-Balance Sheet Exposures	13,983,138	714	443,268	1,295,759
Total On and Off-Balance Sheet Exposures	93,465,165	181,522	5,514,829	23,124,242

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (Continued)

Credit Concentration Risk

The risk concentration refers to an exposure with the potential to produce losses that are substantial enough to threaten the financial condition of a banking institution. Risk concentrations can materialise from excessive exposures to a single counterparty or group of connected counterparties, a particular instrument or a particular market segment.

The Bank manages the diversification of its portfolio to avoid undue credit concentration risk. Credit concentration risk exists in lending/financing to single customer groups, borrowers/customers engaged in similar activities, or diverse groups of borrowers/customers that could be affected by similar economic or other factors. To manage this concentration risk, exposure limits are established for single borrowing/financing groups and industry segments. Analysis of any single large exposure and group of exposures is regularly conducted and the lending/financing units undertake regular account updates, monitoring and management of these exposures.

Industry and sector-specific analysis are also incorporated within the overall credit risk management regiment. In this respect, the Bank seeks to continually update lending or financing guidelines based on periodic reviews and updates of industry and sector risk factors and economic outlook. This facilitates better management of credit concentration risk.

Credit Monitoring and Annual Reviews

The Bank regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are generated for Senior Management, GCRC, IRMC, BRC and Board, containing information on key environmental, political and economic trends across portfolios and countries, portfolio delinquency with major credit delinquency, and loan/financing impairment performance.

In addition to the on-going qualitative assessment by the account relationship managers, reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic condition and account conduct. Specific loans/financings may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Bank believes that heightened risk exists in a particular industry, or the borrower/customer has defaulted on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Within Group Risk & Credit Management, there is a mechanism in place for credit monitoring to flag-out problematic loans/financing (watch list accounts) for intensive monitoring under Enhanced Account Management (EAM). These are accounts which may be exhibiting early distress patterns or in the early stages of delinquency but not yet in default.

For these cases, the Bank's Credit Monitoring department will work closely with the Area Relationship Managers (ARMs) to rehabilitate the accounts after discussion with the borrower to determine the root cause of the problem and this may result in rescheduling, restructuring or "exit relationship" strategies to be applied. For the larger accounts, regular position update meetings are held with ARMs to review or revise these strategies. The EAM guidelines were refined in 2014, to better identify, monitor and resolve such accounts. In 2015, dedicated teams were established (at business units as well as credit evaluation) to manage the watch list portfolios. These teams are tasked with identifying and implementing strategies to address lending relationships under EAM.

Group Internal Audit conducts independent post-approval reviews on a sampling basis to ensure that the quality of credit appraisals and approval standards is in accordance with the credit underwriting standards and financing policies established by the Bank's management, and relevant laws and regulations.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing

The Bank adopts BNM's guidelines on Classification and Impairment Provisions for Loans/Financing. The principles in this guidelines are in line with those applicable under the International Financial Reporting Standards compliant framework, the Malaysia Financial Reporting Standards 139.

The borrower/customer assessed under Impairment Allowances (IA) shall be classified as impaired under any one of the following situations:

1. When the principal or interest or both, of any facility(s) of the borrower/customer is past due for more than 90 days or 3 months.
2. In the case of revolving facilities (e.g. overdraft facilities), the borrower/customer of the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months.
3. Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, the loan exhibits weaknesses (refer to impairment trigger) that would render it to be classified as impaired.
4. Where repayments of the loans/financing are scheduled on intervals of 3 months or longer, the borrower/customer is classified as impaired as soon as a default occurs, unless the borrower/customer or the loan/financing does not exhibit any weakness (refer to impairment trigger) that would render it to be classified as impaired.
5. Upon occurrence of any one or more Mandatory Status Triggers (MSTs) or any two or more Ancillary Status Triggers (ASTs). These MSTs and ASTs are pre-defined trigger events approved by the Bank to facilitate impairment classification.

Note:

For R&R facilities, the borrower/customer shall be classified as impaired in accordance with paras 1 to 4 above based on the revised or restructured terms.

Individual Assessment - Impairment Triggers

For borrowers/customers (with threshold of RM5 million and above per borrower/customer) under individual assessment, the Bank performs impairment assessment when any one of the MSTs or any two of the ASTs events occurred. Consequently, these borrowers/customers will be classified as impaired even though no impairment allowance may be required after impairment assessment.

Individual Impairment Allowances

Borrowers/customers under individual assessment and triggered either by any one of the MSTs or any two of the ASTs will be classified as impaired. Consequently, impairment assessment is to be carried out on these impaired borrowers/customers, based on reasonable and well documented estimates of the future cashflows/realisations of collateral that is expected to recover from the impaired borrowers/customers ie net present value of future cashflows are discounted based on original effective interest rates and compared against carrying amount. Any impairment on the shortfalls will be provided in full immediately.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (Continued)

Collective Impairment Allowances

Collective impairment applies to all other accounts (impaired and non-impaired) that do not fall within the threshold of individual assessment. The impairment assessment for accounts under collective assessment are as follows:

1. Segmentation is applied to group of loans/financing, both impaired and non-impaired, based on similar credit risk characteristics, for the purpose of assessing impairment and computing historical default rates and loss rates.
2. Probability of default (PD) model is established with standard loss identification period (by months) and Point of No Return (by months in arrears). PD model adopted could either be migration analysis model or flow rate model. The approaches to migration analysis model could be either by way of outstanding balances or number of accounts.
3. Loss Given Default (LGD) model establishes loss rate at the point in time when the loss event occurred i.e., based on actual incurred loss model.

Re-classification and Recovery of Impaired Borrowers/Customers

An impaired borrower/customer may be re-classified as a non-impaired status under the following situations:

1. When the loan/financing repayment of the impaired borrower/customer has improved with the principal or interest/profit or both of its facilities with the Bank being past due by 90 days or 3 months or less.
2. In the case of revolving facilities (e.g. overdraft facilities), the facility shall be re-classified as non-impaired where the overdue outstanding amount in excess of the approved limit has improved to 90 days or 3 months
3. Where repayments of the loans are scheduled on intervals of 3 months or longer, the loan/financing is re-classified as non-impaired as soon as the overdue scheduled repayments are settled.

Write-Off of Impaired Loans/Financing

All loans/financing that satisfy any one of the following criteria, may be recommended for write-off:

1. Deemed irrecoverable, worthless and with slim prospect of recovery.
2. Waiver/discount already given under approved composite settlement schemes.
3. Abandoned project with no sign of revival. The definition of abandoned project must be in compliance with the definition stated under valuation for abandoned projects.
4. For retail and scored loans/financing, the write off may be expedited for those with ageing of 12 months and above, provided legal action has reached at least writ of summon filed.
5. In the case of credit card and unsecured personal financing, aging is 6 months and above and the write-off is automatic.

Partial write-offs of impaired loans/financing is permitted for the shortfall portion in outstanding balance over the security value which is uncollectible and worthless; and the Bank is in the final stage of realising the security/collateral; or in the case of approved composite settlement arrangement, the waiver portion. Further shortfall if any, arising from the disposal of all securities and upon receipt of the sale proceeds, shall be written off immediately.

This policy of impairment loans/financing write-off is intended to provide a timely and consistent methodology for loans/financing to be written-off and to reflect the true value of assets in the Bank's books.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (Continued)

The following tables show RHB Bank Group's impaired and past due loans/financing and allowances by industry sector as at 31 December 2015 compared with 31 December 2014:

Table 17a: Impaired and Past Due Loans/Financing and Allowances for Impairment by Industry Sector as at 31 December 2015

RHB Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Agriculture	17,099	5,182	–	44,389
Mining & Quarrying	2,148	5,368	–	13,896
Manufacturing	748,201	52,805	416,826	113,377
Electricity, Gas & Water Supply	44,438	26,431	–	22,463
Construction	212,253	61,427	67,892	79,196
Wholesale, Retail Trade, Restaurants & Hotels	222,421	66,498	41,163	152,643
Transport, Storage & Communication	26,675	22,557	3,820	63,041
Finance, Insurance/Takaful, Real Estate & Business	231,761	154,927	4,977	201,136
Education, Health & Others	17,397	13,950	3,902	21,952
Household	1,195,346	6,109,041	41,027	490,028
Others	5,329	–	1,239	18,186
Total	2,723,068	6,518,186	580,846	1,220,307

Table 17b: Impaired and Past Due Loans/Financing and Allowances for Impairment by Industry Sector as at 31 December 2014

RHB Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Agriculture	14,357	11,333	–	49,994
Mining & Quarrying	1,626	5,114	–	11,303
Manufacturing	786,949	64,619	305,099	124,737
Electricity, Gas & Water Supply	525	650	–	27,887
Construction	178,643	54,556	46,056	68,847
Wholesale, Retail Trade, Restaurants & Hotels	266,636	72,971	23,035	149,353
Transport, Storage & Communication	10,997	39,687	182	58,061
Finance, Insurance/Takaful, Real Estate & Business	186,609	105,324	3,389	139,991
Education, Health & Others	16,049	10,393	3,415	29,181
Household	1,264,576	6,143,444	27,335	673,670
Others	2,614	–	1,163	13,860
Total	2,729,581	6,508,091	409,674	1,346,884

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (Continued)

The following table shows the charges/(write-back) and write-offs for impairment by industry sector as at 31 December 2015 compared with 31 December 2014:

Table 18: Net Charges/(Write-back) and Write-Offs for Impairment by Industry Sector

RHB Bank Group Industry Sector	Twelve Months Period Ended 2015		Twelve Months Period Ended 2014	
	Net Charges/ (Write-back) for Individual Impairment Allowances RM'000	Write-Offs RM'000	Net Charges/ (Write-back) for Individual Impairment Allowances RM'000	Write-Offs RM'000
Agriculture	-	299	-	1,781
Mining & Quarrying	-	44,513	-	62
Manufacturing	156,931	18,333	17,857	332,992
Electricity, Gas & Water Supply	-	2,280	-	-
Construction	6,639	16,203	(1,536)	10,462
Wholesale, Retail Trade, Restaurants & Hotels	26,106	27,439	(5,864)	50,923
Transport, Storage & Communication	3,713	1,328	2,330	60,471
Finance, Insurance/Takaful, Real Estate & Business	(209)	2,383	(15,086)	56,613
Education, Health & Others	6	363	3,022	166
Household	14,386	308,629	3,722	303,534
Others	21,581	372	149	3,492
Total	229,153	422,142	4,594	820,496

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (Continued)

The following tables show RHB Bank Group's impaired and past due loans/financing & allowances by geographical distribution as at 31 December 2015 compared with 31 December 2014

Table 19a: Impaired and Past Due Loans/Financing and Allowances for Impairment by Geographical Distribution as at 31 December 2015

RHB Bank Group Geographical Distribution	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Malaysia (include Labuan)	2,436,289	4,854,113	477,299	1,162,701
Singapore	235,057	1,633,738	82,145	30,378
Thailand	25,792	2,771	10,697	10,473
Brunei	13,077	17,025	1,798	1,807
Cambodia	12,853	–	8,907	14,424
Laos	–	10,539	–	524
Total	2,723,068	6,518,186	580,846	1,220,307

Table 19b: Impaired and Past Due Loans/Financing and Allowances for Impairment by Geographical Distribution as at 31 December 2014

RHB Bank Group Geographical Distribution	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Malaysia (include Labuan)	2,594,152	5,375,141	361,203	1,308,184
Singapore	101,577	1,112,173	36,999	18,927
Thailand	21,871	–	9,357	10,655
Brunei	8,245	20,777	499	1,431
Cambodia	3,736	–	1,616	7,687
Laos	–	–	–	–
Total	2,729,581	6,508,091	409,674	1,346,884

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (Continued)

The following tables show the reconciliation of changes to loan/financing impairment allowances as at 31 December 2015 compared with 31 December 2014:

Table 20: Reconciliation of Changes to Loan/Financing Impairment Allowances

RHB Bank Group	2015 RM'000	2014 RM'000
Individual Impairment Allowance		
Balance as at the beginning of financial year	409,674	891,294
Net allowance/(written-back) made during the year	229,153	4,594
Reclassification (to)/from collective impairment allowance	-	(64)
Transfer to impairment of financial investments HTM	-	(9,871)
Amount written off	(67,231)	(481,317)
Exchange differences	9,250	5,038
Balance as at the end of financial year	580,846	409,674
RHB Bank Group	2015 RM'000	2014 RM'000
Collective Impairment Allowances		
Balance as at the beginning of financial year	1,346,884	1,272,637
Net allowance/(written-back) made during the year	215,631	410,921
Reclassification from/(to) individual impairment allowance	-	64
Amount written off	(354,911)	(339,179)
Exchange differences	12,703	2,441
Balance as at the end of financial year	1,220,307	1,346,884

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

7.0 MARKET RISK

Market risk is the risk of loss arising from adverse movements in market indicators, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices.

Market risk is segregated into trading market risk and non-trading market risk. Trading market risk arises from changes in interest/profit rates, foreign exchange rates, equity prices and credit spreads on the value of assets held for trading, while non-trading market risk arises from changes in interest/profit rates, foreign exchange rates and equity prices, of which the main non-trading market risk is interest/profit rate risk arising from re-pricing mismatches of its assets and liabilities from its banking activities.

The Bank transacts into financial instruments such as investment papers and financial derivative instruments. Derivative instruments are contracts whose characteristics and value are derived from underlying financial instruments, interest/profit rates, exchange rates, or indices. They include futures, forwards, swaps, and options transactions in the foreign exchange and interest/profit rate markets. Derivative contracts entered into by the Bank are primarily over the counter derivatives.

The Bank has an established Group Trading Book Policy Statement as guidance for market risk management. This is reviewed regularly at least once a year, and/or upon change in strategy or significant event that has a material impact on policy compliance.

The Group Asset and Liability Committee (Group ALCO) performs a critical role in the management of market risk and supports the IRMC and BRC in the overall market risk management. Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of market risk; this includes the development of the Bank's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

The Group Market Risk Management within Group Risk Management is the working level that forms a centralised function to support Senior Management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.

Market Risk Assessment

The Bank applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk (VaR), sensitivity analysis and stress testing.

The Bank adopts a systematic approach in managing these risks by types of instruments and nature of exposure. Market risk is primarily monitored and controlled via a structure of limits and triggers i.e. cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.

In addition, the Bank conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities may be undertaken by the specific business units within the allocated limits. All trading positions are monitored independently on a daily basis and in accordance to the established escalation procedures and the key actions to be undertaken.

Hedging Activities

Hedging activities designated for hedge accounting are governed by the Bank's Hedging Policy that prescribes the overall hedge activities that can be executed by the Bank and the subsequent control procedures such as effectiveness measurement and reporting to Group ALCO.

A hedge is defined as a position that materially or entirely offsets the component risk elements of another position or portfolio.

Hedging instruments used to mitigate these risks include derivatives such as options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through the Bank's treasury functions with the approval of Group ALCO.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

7.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk

The Bank applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank and RHB Islamic as at 31 December 2015 and 31 December 2014 are shown in the tables below:

Table 21a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2015

RHB Bank Group	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Market Risk				
Interest Rate Risk/Profit Rate Risk	126,805,184	125,448,039	1,517,788	121,423
Foreign Currency Risk	1,600,401	72,554	1,612,128	128,970
Total			3,129,916	250,393

RHB Bank	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Market Risk				
Interest Rate Risk/Profit Rate Risk	123,773,693	122,445,606	1,492,817	119,425
Foreign Currency Risk	1,581,572	33,157	1,593,299	127,464
Total			3,086,116	246,889

RHB Islamic Bank	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Market Risk				
Profit Rate Risk	3,031,492	3,002,434	27,828	2,226
Foreign Currency Risk	3,239	33,817	33,817	2,706
Total			61,645	4,932

Note:

For year 2015, RHB Bank Group, RHB Bank and RHB Islamic Bank did not have any exposure under

- equity risk, commodity risk, inventory risk and options risk, and
- market risk exposure absorbed by PSIA.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

7.0 MARKET RISK (CONTINUED)

Table 21b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2014

RHB Bank Group	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Market Risk				
Interest Rate Risk/Profit Rate Risk	73,816,399	71,550,774	2,016,745	161,340
Foreign Currency Risk	1,479,058	33,303	1,491,704	119,336
Total			3,508,449	280,676

RHB Bank	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Market Risk				
Interest Rate Risk/Profit Rate Risk	71,191,331	69,276,262	1,874,705	149,977
Foreign Currency Risk	1,482,146	33,402	1,494,792	119,583
Total			3,369,497	269,560

RHB Islamic Bank	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Market Risk				
Profit Rate Risk	2,625,070	2,274,513	119,500	9,560
Foreign Currency Risk	1,785	(4,857)	4,857	388
Total			124,357	9,948

Note:

For year 2014, RHB Bank Group, RHB Bank and RHB Islamic Bank did not have any exposure under

- equity risk, commodity risk, inventory risk and options risk, and
- market risk exposure absorbed by PSIA.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

8.0 EQUITY EXPOSURES IN THE BANKING BOOK

Equity risk is the risk of decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to the investment itself. The Bank holds positions as a result of debt equity conversions and for socio-economic and non socio-economic purposes, which are deemed as non-trading instruments.

Holding of publicly traded equity investments comprise quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures are stated at fair value. Privately held equities are unquoted investments and stated at cost-adjusted for impairment loss, if any.

For debt equity conversions, the Bank has established a Policy on Debt & Equity Instruments that governs the management of such exposures to ensure that these exposures are effectively managed and accounted for in the Bank's books.

For regulatory capital purpose, the Bank adopts the Standardised Approach to calculate the risk-weighted exposures.

The risk-weighted assets of equity investments of the Bank as at 31 December 2015 and 31 December 2014 are shown in the tables below:

Table 22: Equity Exposures in the Banking Book

RHB Bank Group Equity Type	Gross Credit Exposures		Risk-Weighted Assets	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Publicly traded				
– Holdings of equity investments	9,327	10,719	9,327	10,719
Privately held				
– For socio economic purposes	563,979	502,732	563,979	502,732
– For non socio economic purpose	110	4	111	6
Other equity	860	860	860	860
Total	574,276	514,315	574,277	514,317
Total Net Unrealised Gains/(Loss)	367,451	313,399		

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

9.0 LIQUIDITY RISK

Liquidity risk is the risk of the Group being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the Group is unable to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group. Market liquidity risk is the risk that the Group cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

The primary role of a bank in terms of financial intermediation is the transformation of short-term deposits into long-term financing. By fulfilling the role of maturity transformation, banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risk.

Through the Group's Liquidity Risk Policy, the Bank manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objective that underpins the Group's Liquidity Risk Policy includes maintaining financial market confidence at all times, protecting key stakeholders' interests and meeting regulatory liquidity requirements.

The Group ALCO supports the IRMC and BRC by performing the critical role in the management of liquidity risk, and is responsible for establishing strategies that assist in controlling and reducing any potential exposure to liquidity risk. The Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risk and the Bank's balance sheet profile. Global and domestic economic data, information and events are deliberated at the Group ALCO meetings which enables the Bank to determine its actions and reactions in the capital markets. The Group ALCO is also the governance body which sets interest/profit rates for liabilities products as well as reference rates for financing products and services. Group ALCO is supported by Group Asset and Liability Management (Group ALM) at the working level. Group ALM monitors liquidity risk limits/Management Action Triggers (MATs) and reports to Group ALCO the liquidity risk profile on monthly basis.

The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions. Some of the key liquidity risk management tools are top depositors' mixture, funding source mixture, maturity profile of funding sources, and contingency funding lines.

The Group has adopted the BNM's liquidity standards on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. The Group continues to report NSFR under the Basel III observation reporting to BNM.

The Group's Liquidity Incident Management Procedure establishes guidelines for managing liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure. In addition, it also identifies the individuals responsible for formulating and executing the Bank's response to a liquidity event. The Group's Liquidity Incident Management Procedure also covers the entire Group's operations including foreign branch operations.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book refers to the risk to the Group's earnings and economic value of equity due to the adverse movements in interest rate/benchmark rate. The risk may arise from the mismatches in the timing of repricing of assets and liabilities from both on and off-balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

Interest rate risk/rate of return risk in the banking book comprises:

- Re-pricing risk (mismatch risk) – Arises from timing differences in the maturity (for fixed-rate) and re-pricing (for floating-rate) of bank assets, liabilities, and off-balance sheet positions. While such re-pricing mismatches are fundamental to the business of banking, they can expose a bank's income and underlying economic value to unanticipated fluctuations as interest/benchmark rates vary;
- Basis risk – Arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics. When interest/benchmark rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or re-pricing frequencies;
- Yield curve risk – Arises when unanticipated shifts of the yield curve have adverse effects on the Group's income or underlying economic value; and
- Embedded optionality – Arises primarily from options that are embedded in many banking book positions (e.g. some fixed rate mortgage products give borrowers/customers the option to prepay the loan/financing early without penalty, call deposit, where customers have the option of withdrawing the deposit funds at any time).

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk/rate of return risk in the banking book. They are computed based on the re-pricing gap profile of the banking book using BNM's standard template. Assets and liabilities are bucketed based on their remaining tenure to maturity or next re-price dates. The measurement of EaR and EVE is conducted on a monthly basis.

The Group ALCO supports IRMC and BRC in establishing policies, strategies and limits for the management of balance sheet risk exposure. The Group ALM within Group Risk Management supports the Group ALCO in the monthly monitoring and reporting of the interest rate/rate of return risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest/profit income and economic value of equity, as well as to ensure that interest rate risk/rate of return risk exposures in the banking book are maintained within defined risk tolerances.

In addition, the Group ALM Policy is established to provide the governance of interest rate risk/rate of return risk in the banking book. Interest/benchmark rate sensitivity triggers are applied on earnings for the respective profit centres within the Group. The Group regularly considers the economics and necessity of increasing or reducing its interest rate risk/rate of return risk hedges.

In line with the Group ALM Policy to achieve a balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest/benchmark rates, interest rate risk/rate of return risk to earnings is controlled using MATs and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest/benchmark rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate risk/rate of return risk in the banking book in an environment of rapid financial market changes.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

The impact of changes in interest/benchmark rates to net earnings and economic value as at 31 December 2015 and 31 December 2014 are shown in the following tables:

Table 23a: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2015

RHB Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings RM'000		Increase/(Decline) in Economic Value RM'000	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
Currency				
MYR – Malaysian Ringgit	106,390	(106,390)	(1,070,397)	1,070,397
USD – US Dollar	(22,586)	22,586	75,661	(75,661)
Others ¹	23,074	(23,074)	(47,077)	47,077
Total	106,878	(106,878)	(1,041,813)	1,041,813

Notes:

1. Inclusive of GBP, EUR, SGD, etc.
2. The EaR and EVE exposures are additive and do not take into account any correlation impact in the aggregation.
3. The earnings and economic values were computed based on the standardised approach adopted by BNM.

Table 23b: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2014

RHB Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings RM'000		Increase/(Decline) in Economic Value RM'000	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
Currency				
MYR – Malaysian Ringgit	32,722	(32,722)	(1,101,162)	1,101,162
USD – US Dollar	11,101	(11,101)	45,238	(45,238)
Others ¹	9,341	(9,341)	(45,861)	45,861
Total	53,164	(53,164)	(1,101,785)	1,101,785

Notes:

1. Inclusive of GBP, EUR, SGD, etc.
2. The EaR and EVE exposures are additive and do not take into account any correlation impact in the aggregation.
3. The earnings and economic values were computed based on the standardised approach adopted by BNM.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:

- Interest/benchmark rate sensitive assets and liabilities with residual maturity or re-pricing tenure of up to one year that is not captured in the trading portfolio are slotted into time bands based on the maturity or re-pricing tenure whichever is earlier.
- A set of risk weights with its respective time band is used to project the applicable basis point interest/benchmark rate change impact.
- For assets and liabilities with non-fix maturity, e.g., current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of interest/benchmark rate bearing items.

Economic value is characterised by the impact of interest/benchmark rates changes on the value of all net cash flows, i.e., the effect on the economic value of the Group's assets, liabilities and off-balance sheet positions. This provides a more comprehensive view of the potential long-term effects of changes in interest/benchmark rates than is offered by the earnings perspective.

The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables.

11.0 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk. Operational risk is inherent in the Bank's operations and can never be eliminated entirely. The impact can be in the form of actual financial loss as well as non-financial loss such as loss of reputation, non-compliance and unsatisfactory service level to customers.

One of the Bank's primary safeguards against operational risk is the existence of a sound internal control system, based on the principle of dual control checks and balances, segregation of duties, independent checks and verification processes, and a segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business and operation level.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified into:

- Analysis and Enhancement – The Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
- Education and Awareness – The Group undertakes change management activities to improve risk management knowledge, culture and practices of the Bank personnel. This is aligned with the principle and requirement that the front-line business and support units of the Group, are by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence.
- Monitoring and Intervention – This is where the principal head office risk control units, including the risk management function, compliance function and the internal audit function, actively manage operational non-compliances and incidences as a second and third line of defence respectively. The second line of defence also undertakes recovery actions, including business continuity measures in cases of incidents causing disruption to business activities.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

11.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Function and Organisation

The Group Operational Risk Management within Group Risk Management has functional responsibility for the development of operational risk framework, policy and methodologies, and providing guidance and information to the business units on operational risk areas. Its responsibility also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risks from new products, processes and systems are adequately managed and mitigated. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

Regular operational risk reporting is made to the Senior Management, the GCRC, IRMC, BRC and the Board. These reports include various operational risk aspects such as reporting of significant operational loss and Shariah non-compliance events. Such reporting enables Senior Management to identify adverse operational lapses, take prompt corrective actions, and ensure appropriate risk mitigation decision making and action plans.

Operational Risk Management Processes and Tools

The Bank applies a defined operational risk management process in managing operational risk to enable an institutional and transparent operational risk management practice. The five (5) processes are as follows:

1. Establish the context;
2. Risk identification;
3. Risk analysis;
4. Risk mitigating; and
5. Risk monitoring.

The Bank uses relevant operational risk tools and methodologies to support and ensure an effective operational risk management process. The following ORM tools are being used:

- **Risk and Control Self-Assessment (RCSA)**

RCSA is a methodology to build risk profile for each business and support unit. RCSA sets out a structured process for the identification and assessment of inherent operational risk, the effectiveness of the control environment, and the adequacy of the risk mitigation in place. The RCSA process is facilitated by the business and support units themselves jointly with personnel from Group Operational Risk Management.

- **Key Risk Indicators (KRI)**

KRI is a measurable indicator utilised to track and monitor key operational risk exposures. KRI serves as an early warning signal; once a risk indicator exceeds the predefined threshold, a warning message is sent to a predefined list of users. Business and support units are required to monitor their risk exposures via KRIs and are required to develop specific and concrete plans to address those where indicators are unfavourable. KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up frequencies of events as a mechanism for continuous risk assessment and monitoring.

- **Incident Management and Loss Data Collection (IMLDC)**

IMLDC provides structured process for the management of operational risk incidents that have occurred, from the point of discovery until resolution. Business and functional units are required to report all incidences within defined reporting timeline operational losses for further analysis of root cause to avoid further recurrence. This is also be useful for reviewing the effectiveness of the RCSA and KRIs.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

11.0 OPERATIONAL RISK (CONTINUED)

Risk Mitigation and Controls

Risk mitigation strategies are used to minimise risk to an acceptable level and aim to decrease the likelihood of an undesirable event and the impact on the business, should it occur. The control tools and techniques, amongst others, are as follows:

- **Business Continuity Management**

To mitigate the impact of unforeseen operational risk events, the Bank has on-going and actively managed Business Continuity Planning (BCP) programmes for its major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCP programmes are subject to regular testing to ensure efficacy, reliability and functionality, and come under the responsibility of the Business Continuity Management Department.

The Board of Directors has an oversight function through the BRC and GMC. The Group Business Continuity Steering Committee (GBCSC) is the committee that oversees the Bank's business continuity framework, policies, budget and plans. The GBCSC reports to the GCRC.

- **Outsourcing**

With the increasing need to outsource for cost and operational efficiency, the Group's Policy on Outsourcing of Operations and Services ensures that the risk arising from outsourcing activities is adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

- **Insurance/Takaful Management**

The Bank considers risk transfer by means of insurance/Takaful to mitigate operational risk. The Bank has a programme of insurance/Takaful designed to reduce its exposure to liability and to protect its assets. The Bank purchases insurance/Takaful from leading insurers/Takaful providers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible. These are provided by third-party insurers/Takaful providers and will financially mitigate the economic consequences of risks.

Technology Risk

Technology Risk refers to the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise.

The Bank recognises the risk arising from the advancement and reliance upon information technology to support business operations through the deployment of advance technology and online systems to provide customers with convenient and reliable products and services. The Group's Technology Risk Management Framework ensures that a governance structure is in place for the identification, assessment and management of technology risks within existing IT operations as well as prior to deployment of applications and systems for internal as well as external customers.

New Product and Services Approval Process

The Bank has established a Policy on Product Development and Approval and Guidelines on Introduction of New/Variation of Products & Services Lifecycle which governs the risk management of new products, services, or significant changes thereto. The responsible units have a duty to assess the operational risk for new product launches and/or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times.

Legal Risk

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Bank's legal counsel and external legal counsel to ensure that legal risk is effectively managed.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

11.0 OPERATIONAL RISK (CONTINUED)

Capital Treatment for Operational Risk

Currently, the Bank adopts the Basic Indicator Approach for the calculation of regulatory operational risk capital requirements. The operational risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, and RHB Islamic Bank as at 31 December 2015 and 31 December 2014, are shown below:

Table 24a: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2015

Operational Risk	RHB Bank Group RM'000	RHB Bank Berhad RM'000	RHB Islamic Bank RM'000
Risk-Weighted Assets	9,388,516	8,233,562	1,032,842
Minimum Capital Requirements	751,081	658,685	82,627

Table 24b: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2014

Operational Risk	RHB Bank Group RM'000	RHB Bank Berhad RM'000	RHB Islamic Bank RM'000
Risk-Weighted Assets	8,949,426	7,957,062	918,886
Minimum Capital Requirements	715,954	636,565	73,511

12.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that the Bank will be unable to obtain payment from customers or third-parties on their contractual obligations as a result of certain actions taken by foreign governments.

Cross-border assets comprise loans/financing and advances, interest/profit bearing deposits/placements with other banks, trade and other bills, acceptances, derivatives, certificates of deposit and other negotiable instruments, investment securities and other formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency.

The Bank is guided by the Group Guidance on Cross-Border Business, particularly on ethics in business practices, key success factors in managing such business, and the internal control measures which are essential to provide adequate protection to its customers as well as the Bank's interest, thus reducing the risks associated with business activities.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

13.0 REPUTATIONAL RISK

Reputational risk is the risk that negative publicity regarding the conduct of the Bank or any of the entities within the Group, and its business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures. It also undermines public confidence in the Group, affecting the share price.

Reputation, being largely based on people's perception and expectations, is intangible in nature and thus cannot be easily analysed or quantified. Hence, an integral component of reputational risk management is to understand and meet the expectations of stakeholder.

The stakeholders who are critical to the Group are mainly our customers, employees, and shareholders; others may include regulators, strategic partners, suppliers, outsourced service providers, and counterparties. The ability to maintain the expectations of these stakeholders would contribute significantly in the dynamic context of future strategy towards managing competition and achieving corporate goals.

Reputational risk in the Bank is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. Towards this end, the Group has developed and implemented a Reputational Risk Management Policy.

The key elements for management of reputational risk include:

- Prompt and effective communication with all stakeholders;
- Strong and consistent enforcement of controls relating to governance, business and legal compliance;
- Continuous monitoring of threats to reputation;
- Ensuring ethical practices throughout the Group; and
- Establishing crisis management plans and ensuring these are continuously updated.

For the Bank's overseas operations, it is the responsibility of the Country Heads to promote awareness and application of the Bank's policy and procedures regarding reputational risk, in all dealings with customers, potential investors and host regulators.

14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE

Shariah non-compliance risk is the risk of loss arising from the failure to comply with the Shariah rules and principles as determined by the Shariah Committee of RHB Islamic Bank or any other relevant body, such as BNM's Shariah Advisory Council.

A Shariah Framework has been developed with the objective of governing the entire Shariah compliance process within Islamic banking operations, and to:

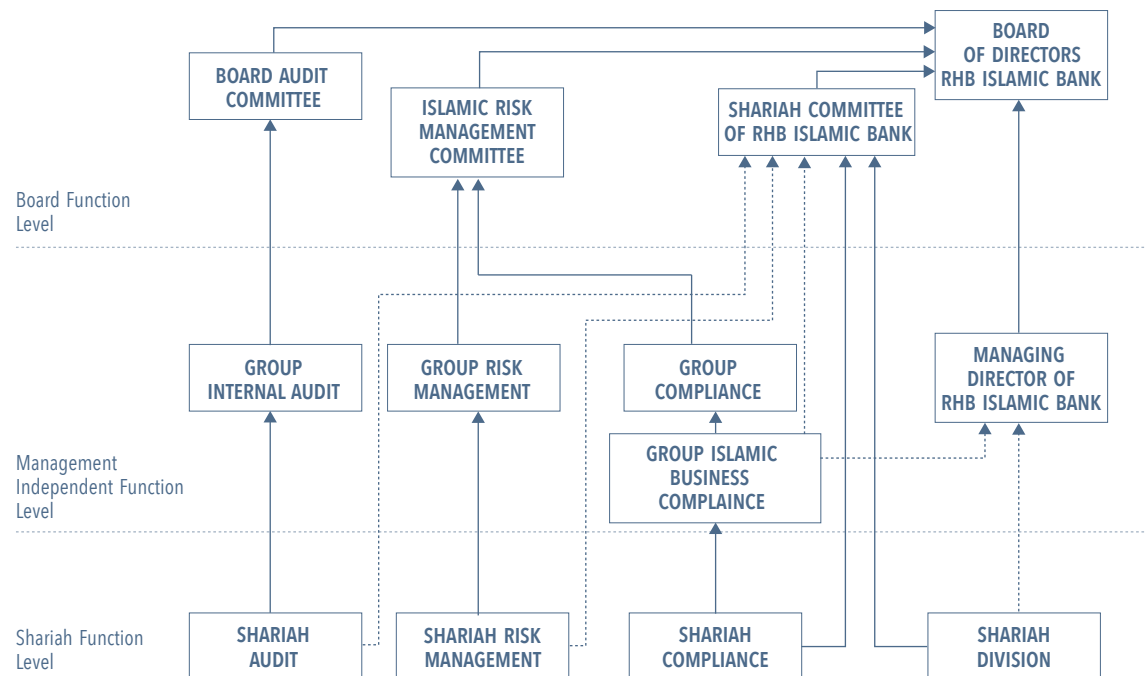
- Ensure that the planning, development, and implementation of the Islamic Bank's products, services and conduct of business are in accordance with Shariah principles;
- Ensure that the Bank's operations do not contravene any of the Shariah principles and authorities' regulations related to the Shariah; and
- Act as a guide on the Bank's expectations to all personnel engaged in the Bank's activities; to ensure that all such functions are based on the Shariah principles, practices and prudence.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE (CONTINUED)

The reporting structure of Shariah governance is as follows:



The Shariah Committee of RHB Islamic Bank (SCR) was established under BNM's Shariah Governance Framework.

The main duties and responsibilities of SCR are to advise the Board of Directors on Shariah matters in relation to Islamic Banking business and operations, to endorse Shariah compliance manuals, to endorse and validate relevant documents as well as to provide written Shariah opinion on new products and RHB Islamic Bank's financial statements.

On a functional basis, RHB Islamic Bank is supported by Shariah Division, Group Shariah Risk Management, Shariah Compliance and Shariah Audit.

The Head of Shariah Division reports functionally to the SCR and administratively to the Managing Director of RHB Islamic Bank. The key functions of the Shariah Division are undertaken by two sub-units, i.e. Shariah Advisory, Development and Secretariat; and Shariah Research and Training.

The main duties and responsibilities of Shariah Advisory, Development & Secretariat are to conduct reviews on the Islamic products and services, provide internal Shariah advisory support to the management of RHB Islamic Bank in its daily business and operational matters, and to represent RHB Islamic Bank in any Shariah-related matters. Meanwhile, the main duties and responsibilities of Shariah Research and Training function are to assist SCR in elaborating and discussing on pertinent Shariah issues, to provide in-depth research on competitive analysis in order to help SCR in making decision, and to conduct Shariah-related training.

The key role and responsibilities of Group Shariah Risk Management is to facilitate the identifying, measuring, monitoring and controlling of Shariah non-compliance risks inherent in the Islamic business and operations to mitigate any potential Shariah non-compliance events. Group Shariah Risk Management also performs independent assessment and provides support relating to Shariah non-compliance risk.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE (CONTINUED)

Shariah Compliance conducts review and assists the SCR in providing opinions from Shariah perspective in relation to the status of Shariah compliance of products, services and operations of the Islamic business operations. Shariah Audit provides independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the Islamic business operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance.

Any incidences of Shariah non-compliance are reported to the SCR, the IRMC, the Board of Directors of RHB Islamic Bank and BNM. Remedial actions may include the immediate termination of the Shariah non-compliant products or services and de-recognition of Shariah non-compliant income.

There is no major Shariah non-compliant event or income arising from the Islamic products or services during the financial year 2015.

15.0 FORWARD LOOKING STATEMENTS

This document could or may contain forward looking statements that are based on current expectations as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts, and often use words such as anticipate, target, expect, estimate, intend, plan, believe, will, may, should, would, could or other words of similar expressions.

Undue reliance should not be placed on any of such statements. By their nature, forward looking statements are subject to risks and uncertainty because they relate to future events and circumstances, including, but not limited to domestic and global economic and business conditions, the effects of continued volatility in the credit markets, market-related risks such as changes in interest/profit rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, the Bank's actual future results may differ materially from the plans, goals, and the expectations contained in the forward looking statements.

The Bank undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether these statements are affected as a result of new information, future events or otherwise.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

TABLE 25	GLOSSARY OF TERMS
A-IRB Approach	Advanced Internal Ratings-Based Approach
AMA	Advanced Measurement Approach
ARMs	Area Relationship Managers
BCC	Board Credit Committee
BCM	Business Continuity Management
BCP	Business Continuity Planning
BIA	Basic Indicator Approach
BNM	Bank Negara Malaysia
Board/BOD	Board of Directors
BRC	Board Risk Committee
CAFIB	Capital Adequacy Framework for Islamic Banks
CCR	Counterparty Credit Risk
CET	Common Equity Tier
CRM	Credit Risk Mitigation
DFIs	Development Financial Institutions
EAD	Exposure at Default
EAM	Enhanced Account Management
EaR	Earnings-at-Risk
ECAIs	External Credit Assessment Institutions
EL	Expected Loss
EUR	Euro Dollar
EVE	Economic Value of Equity
F-IRB Approach	Foundation Internal Ratings-Based Approach
Fitch	Fitch Ratings
GBCSC	Group Business Continuity Steering Committee
GBP	Pound Sterling
GCPM	Group Credit Procedures Manual
GCRC	Group Capital and Risk Committee
GMC	Group Management Committee
GRM	Group Risk Management
Group ALCO	Group Asset and Liability Committee
Group ALM	Group Asset and Liability Management
ICAAP	Internal Capital Adequacy Assessment Process
IMA	Internal Models Approach

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

TABLE 25	GLOSSARY OF TERMS
IMLDC	Incident Management and Loss Data Collection
IRB Approach	Internal Ratings-Based Approach
IRMC	Islamic Risk Management Committee
ISDA	International Swaps and Derivatives Association
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MARC	Malaysian Rating Corporation Berhad
MATs	Management Action Triggers
MDBs	Multilateral Development Banks
MFRS 139	Malaysia Financial Reporting Standards 139
Moody's	Moody's Investors Service
MYR	Malaysian Ringgit
NIFs	Notes Issuance Facilities
NSFR	Net Stable Funding Ratio
OTC	Over-the-Counter
PD	Probability of Default
PSIA	Profit Sharing Investment Accounts
R&I	Rating and Investment Information, Inc
RAM	Rating Agency Malaysia
RCSA	Risk and Control Self-Assessment
RM'000	Malaysian Ringgit in nearest thousand
RWCAF	Risk-Weighted Capital Adequacy Framework
RWA	Risk-Weighted Assets
SA	Standardised Approach
SCR	Shariah Committee of RHB Islamic
SBU	Strategic Business Units
SFUs	Strategic Functional Units
SGD	Singapore Dollar
S&P	Standard & Poor's
SMEs	Small-and medium-sized enterprises
TSA	The Standardised Approach
VaR	Value-at-Risk

GROUP BRANCH NETWORK

BRANCH NETWORK

KLANG VALLEY NORTH REGION

Regional Director:

Bernadette Sun Fui Ling

Level 8, Tower Three
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 9206 8118

Branches

Ampang Point

37 & 38, Jalan Memanda 7
Taman Dato' Ahmad Razali
Jalan Ampang, 68000 Ampang
Selangor
Tel : 603 9206 8118
Fax : 603 4252 1898

Bandar Baru Ampang

27G - 29G & 29A First Floor
Jalan Wawasan Ampang 2/3
Bandar Baru Ampang
68000 Ampang
Selangor
Tel : 603 9206 8118
Fax : 603 4270 2060

Bandar Baru Sungai Buloh

391 & 392, Jalan 1A/1
Bandar Baru Sungai Buloh
47000 Sungai Buloh
Selangor
Tel : 603 9206 8118
Fax : 603 6156 7803

Bandar Sri Damansara

1 & 2, Jalan Tanjung SD 13/1
52200 Bandar Sri Damansara
Selangor
Tel : 603 9206 8118
Fax : 603 6274 2917

KLANG VALLEY NORTH REGION (continued)

Dataran Wangsa Melawati

58, 58-1 & 58-2
Jalan Dataran Wangsa Melawati
Wangsa Melawati
53300 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 281 9271

First Avenue, Bandar Utama

G.01A, 1 First Avenue Bandar Utama
47800 Petaling Jaya
Selangor
Tel : 603 9206 8118
Fax : 603 7728 3496

Jalan Bukit Bintang

58 - 60, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 2143 0645

Jalan Ipoh

14 - 16, Jalan Ipoh
51200 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 4041 1411
603 4043 0653

Jalan Pasar

50 - 52, Jalan Pasar
55100 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 2142 8390
603 2148 8967

Jinjang Utara

3471-A, Jalan Besar Jinjang Utara
52000 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 6252 7158

KLANG VALLEY NORTH REGION (continued)

Kenanga Wholesale City

LGF 019-021, Kenanga Wholesale
City 28, Jalan Gelugor off Jalan
Kenanga, 52250 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 9222 6466

Kepong

321, Batu 7
Jalan Kepong, Kepong Baru
52100 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 6272 6521

Kampung Baru Sungai Buloh

25, Jalan Public Kampung Baru
Sungai Buloh
47000 Sungai Buloh
Selangor
Tel : 603 9206 8118
Fax : 603 6156 8645

Kota Damansara

27-G & 27-I, Jalan PJU 5/3
Dataran Sunway, Kota Damansara
47810 Petaling Jaya
Tel : 603 9206 8118
Fax : 603 6141 8838

Kuala Lumpur Main

Level 1, Tower Two RHB Centre
426 Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 281 9271

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

KLANG VALLEY NORTH REGION (continued)

Menara Shell

Menara Shell, 348 Sentral
KL Sentral
50470 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 2274 7000

KLCC

Lot LC – C03
Concourse Floor, Suria KLCC
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 2164 6213

Pandan Indah

7 & 9, Jalan Pandan Indah 4/2
55100 Pandan Indah
Selangor
Tel : 603 9206 8118
Fax : 603 4295 7127

Plaza Damas 3

B2 – 08 & B2 – 09
Block B, Plaza Damas 3
No.63, Jalan Sri Hartamas 1
50480 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 6143 8863

Plaza OSK

Ground and Mezzanine Floor
Podium Block, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 2161 2972
603 2164 3679

KLANG VALLEY NORTH REGION (continued)

Rawang

10 & 11, Jalan Maxwell
48000 Rawang, Selangor
Tel : 603 9206 8118
Fax : 603 6092 4788

Segambut

42 & 42A,
Jalan Segambut Tengah, Segambut
51200 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 6252 2801

Selayang

53 & 55, Jalan 2/3A
Off KM 12, Jalan Ipoh
68100 Batu Caves
Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 6136 3243

Setapak

257 & 259, Jalan Genting Kelang
53300 Setapak
Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 4024 1353

Taman Shamelin

38-1-5, Shamelin Business Center
Jalan 4/91, Taman Shamelin Perkasa
56100 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 9282 7380

Taman Tun Dr Ismail

15 & 17, Jalan Tun Mohd Fuad 3
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 7729 4077

KLANG VALLEY SOUTH REGION

Regional Director:

Ahmad Zaini bin Sofian

Level 7, Tower One
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 9280 5690

Branches

Bandar Mahkota Cheras

Ground & 1st Floor, 2
Jalan Mahkota Residence 2
Bandar Mahkota Cheras
43200 Kajang, Selangor
Tel : 603 9206 8118
Fax : 603 3324 9869

Bandar Sri Permaisuri

No. 63, Jalan Dwtasik 1
Bandar Sri Permaisuri
56000 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 9171 0130

Bangsar Shopping Centre

G-01, Bangsar Shopping Centre
Office Tower, Jalan Ma'arof Bangsar
59100 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 2284 6896

Bangsar South

Unit G-1, Ground Floor
Vertical Podium Avenue 3
Bangsar South, No. 8
Jalan Kerinchi
59200 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 2240 0092

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

KLANG VALLEY SOUTH REGION (continued)

Damansara Jaya

22 & 24, Jalan SS 22/25
Damansara Jaya
47400 Petaling Jaya
Selangor
Tel : 603 9206 8118
Fax : 603 7729 9169

Damansara Utama

2M & 2G Jalan SS 21/39
Damansara Utama
47400 Petaling Jaya
Selangor
Tel : 603 9206 8118
Fax : 603 7726 2305

IOI Resort City

LG-83, Level LG, IOI City Mall
62502 Putrajaya
Tel : 603 9206 8118
Fax : 603 8938 9048

Kajang

25, Jalan Raja Harun
Taman Hijau, 43000 Kajang
Selangor
Tel : 603 9206 8118
Fax : 603 8733 8570

Mid Valley

17-G and 17-1
The Boulevard Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 2284 4350

Mines Shopping Fair

G20, The Mines Shopping Fair
Jalan Dulang, Off Jalan Balakong
Mines Resort City
43300 Seri Kembangan
Tel : 603 9206 8118
Fax : 603 8942 5218

KLANG VALLEY SOUTH REGION (continued)

Overseas Union Garden

140 & 142, Jalan Mega Mendung
Bandar Complex, Batu 41/2
Jalan Kelang Lama
58200 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 7980 8081

Paradigm

CF-17 (Concourse Level)
Paradigm Mall, No.1 Jalan SS7/26A
Kelana Jaya
47301 Petaling Jaya
Selangor
Tel : 603 9206 8118
Fax : 603 7887 1550

PJ New Town

1, 3 & 5, Jalan 52/18
New Town Centre
46200 Petaling Jaya
Selangor
Tel : 603 9206 8118
Fax : 603 7957 8984

Putrajaya (Precint 8)

Blok C – T.00 – U.02 & U.03 1
Jalan P 8 D, 62250 Putrajaya
Tel : 603 9206 8118
Fax : 603 8889 2900

Seri Kembangan

1484A & B, Jalan Besar
43300 Seri Kembangan
Selangor
Tel : 603 9206 8118
Fax : 603 8943 0441

KLANG VALLEY SOUTH REGION (continued)

Section 14, Petaling Jaya

1, Jalan 14/20
46100 Petaling Jaya
Selangor
Tel : 603 9206 8118
Fax : 603 7955 6219

Bandar Sri Petaling

Ground & 1st Floor
No. 5 & 7
Jalan Radin Anum
Bandar Baru Sri Petaling
57000 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 9058 3322

SS2, Sg. Way Subang

157 & 159, Jalan SS2/24
Sg Way Subang
47300 Petaling Jaya
Selangor
Tel : 603 9206 8118
Fax : 603 7875 6600

Taman Connaught

134 -136, Jalan Cerdas
Taman Connaught
56000 Cheras
Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 9100 1208

Taman Indah

7 & 9, Jalan SS 2/1
Off Jalan Balakong Taman Indah
Batu 11, 43200 Cheras
Selangor
Tel : 603 9206 8118
Fax : 603 9074 1344

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

KLANG VALLEY SOUTH REGION (continued)

Taman Megah

11 - 15, Jalan SS 24/11
Taman Megah, 47301 Petaling Jaya
Selangor
Tel : 603 9206 8118
Fax : 603 7804 1629

Taman Midah

18 & 20, Jalan Midah Satu
Taman Midah
56000 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 9130 0588

Taman Sungai Besi

30, Jalan 7/108C
Taman Sungai Besi
57100 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 7981 8875

Taman Suntex

5 & 6, Jalan Kijang 1
Taman Suntex, Batu 9
43200 Cheras, Selangor
Tel : 603 9206 8118
Fax : 603 9074 7879

Taman Taming Jaya

1, Jalan Taming Kanan 2
Taman Taming Jaya
43300 Balakong, Selangor
Tel : 603 9206 8118
Fax : 603 8961 1197
603 8961 0589

Jalan Tun H.S. Lee, KL

75, Jalan Tun H.S. Lee
50000 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 2072 7591

KLANG VALLEY WEST REGION

Regional Director:

Suhana binti Sulaiman

2nd Floor, No. 48-50
Jalan SS 15/4D
47500 Subang Jaya, Selangor
Tel : 603 9206 8118
Fax : 603 5631 6233

Branches

Alam Avenue 2

B23 & B25, Alam Avenue 2
Jalan Serai Wangi K-16/5, Seksyen 16
40000 Shah Alam
Selangor
Tel : 603 9206 8118
Fax : 603 5510 0820

Bandar Baru Klang

Unit A6, No. 22A
Jalan Tiara 2A/KU1
Pusat Perniagaan BBK
41150 Kelang, Selangor
Tel : 603 9206 8118
Fax : 603 3392 4504

Bandar Bukit Tinggi

53, Jalan Batu Nilam 1
Bandar Bukit Tinggi
41200 Klang
Tel : 603 9206 8118
Fax : 603 281 9271

Utropolis Mall Glenmarie

Lot B6, Ground Floor
Utrapolis, Jalan Kontraktor U1/14
Glenmarie Shah Alam
40150 Shah Alam, Selangor
Tel : 603 9206 8118
Fax : 603 5033 9662

KLANG VALLEY WEST REGION (continued)

IOI Boulevard Puchong

B-G-5 & B-1-5, & 1st Floor IOI
Boulevard, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong, Selangor
Tel : 603 9206 8118
Fax : 603 8070 8563

Jalan Niaga, Shah Alam

11, 13 & 15, Jalan Niaga 16/3A
Section 16, 40000 Shah Alam
Selangor
Tel : 603 9206 8118
Fax : 603 5519 6166

Jalan Stesen, Kelang

24 & 26, Jalan Stesen
41000 Kelang, Selangor
Tel : 603 9206 8118
Fax : 603 3372 9613

Jalan Tengku Ampuan Zabedah

16 & 18, Ground & First Floor
Jalan Tengku Ampuan Zabedah D9/D
Section 9, 40100 Shah Alam
Selangor
Tel : 603 9206 8118
Fax : 603 5513 1834

Jenjarom

M38 & M40, Jalan Besar
42600 Jenjarom, Selangor
Tel : 603 9206 8118
Fax : 603 3191 4328

Kota Kemuning

1 Jalan Anggerik Vanilla
X31/X, Kota Kemuning
Seksyen 31, 40460 Shah Alam
Selangor
Tel : 603 9206 8118
Fax : 603 5120 1121

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

KLANG VALLEY WEST REGION (continued)

Meru

31 & 33, Jalan Batu 6
Pekan Meru, 41050 Meru
Klang
Tel : 603 9206 8118
Fax : 603 3344 2755

Persiaran Sultan Ibrahim

33, Persiaran Sultan Ibrahim
41300 Kelang, Selangor
Tel : 603 9206 8118
Fax : 603 3344 6405

Port Klang

Persiaran Raja Muda Musa
42000 Pelabuhan Kelang
Selangor
Tel : 603 9206 8118
Fax : 603 3166 1351

Setia Alam

Medan Setia Alam
No. 2, Persiaran Setia Impian
Precint 8, Setia Alam
Seksyen U13
40710 Shah Alam
Tel : 603 9206 8118
Fax : 603 3341 2517

Sg. Pelek

76 & 77, Jalan Besar
43950 Sungai Pelek
Selangor
Tel : 603 9206 8118
Fax : 603 281 9271

Subang Jaya

48-50 Jalan SS15/4D
Subang Jaya, 47500 Selangor
Tel : 603 9206 8118
Fax : 603 5634 4848

KLANG VALLEY WEST REGION (continued)

Tanjong Karang

1 & 3, Jalan Satu
Taman Tanjong Karang Baru
45500 Tanjong Karang
Selangor
Tel : 603 9206 8118
Fax : 603 3269 8078

Tanjung Sepat

1 & 3, Jalan Senangin Satu
Taman Tanjung, P. O. Box No. 201
42809 Tanjung Sepat
Selangor
Tel : 603 9206 8118
Fax : 603 3197 4568

UEP Subang Jaya

47 & 49, Jalan USJ 10/1
UEP Subang Jaya
47620 Petaling Jaya
Selangor
Tel : 603 9206 8118
Fax : 603 5637 3941

EAST COAST REGION

Regional Director:

Shaharuddin Ming

East Coast Regional Director's Office

Lot 2, 4 & 6 (Level 2)
Jalan Putra Square 1, Putra Square
25200 Kuantan, Pahang
Tel : 603 9206 8118
Fax : 609 505 7003

Branches

Bentong

13 & 14, Jalan Loke Yew
28700 Bentong, Pahang
Tel : 603 9206 8118
Fax : 609 790 2292

Jalan Air Puteh, Kuantan

A237 & A239, Jalan Air Putih
25300 Kuantan, Pahang
Tel : 603 9206 8118
Fax : 609 566 0214

Jalan Tok Hakim

782-786, Jalan Tok Hakim
15000 Kota Bharu
Kelantan
Tel : 603 9206 8118
Fax : 609 748 1788

Jerantut

4360 & 4361, Jalan Kuantan
27000 Jerantut, Pahang
Tel : 603 9206 8118
Fax : 609 266 5899

Kemaman

11289 & 11290
Bandar Cukai Utama
Phase 3, Jalan Kubang Kurus
24000 Kemaman
Terengganu
Tel : 603 9206 8118
Fax : 609 859 9003

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

EAST COAST REGION (continued)

Kerteh

10B, Bandar Baru Kerteh
24300 Kerteh
Terengganu
Tel : 603 9206 8118
Fax : 609 826 2171

Ketereh

PT 383 & PT 384
Kedai Ketereh, Bandar Ketereh
16450 Ketereh
Kelantan
Tel : 603 9206 8118
Fax : 609 788 8721

Kuala Dungun

K231, Jalan Besar
Kuala Dungun
23000 Dungun
Terengganu
Tel : 603 9206 8118
Fax : 609 790 2292

Kuala Terengganu

59, Jalan Sultan Ismail,
20200, Kuala Terengganu
Terengganu
Tel : 603 9206 8118
Fax : 609 622 9379

Kuantan

2, 4, & 6 (Malay Town)
Jalan Putra Square 1
Putra Square, 25000 Kuantan
Pahang
Tel : 603 9206 8118
Fax : 609 517 3501

Mentakab

No. 50 & 51, Jalan Tun Razak
28400 Mentakab, Pahang
Tel : 603 9206 8118
Fax : 609 278 2034

EAST COAST REGION (continued)

Pasir Mas

18A, Jalan Tengku Ahmad
17000 Pasir Mas
Kelantan
Tel : 603 9206 8118
Fax : 609 790 2292

Raub

PT 16477 & 16478
Pusat Perniagaan Indrapura
Jalan Tras, 27600 Raub
Pahang
Tel : 603 9206 8118
Fax : 609 355 2929

Triang

40 & 42, Jalan Dagangan 7
Pusat Dagangan Triang
28300 Triang
Pahang
Tel : 603 9206 8118
Fax : 609 255 7013

NORTHERN REGION

Regional Director:

Alex Lim Eng Kang

Level 5, No. 44
Lebuh Pantai
10300 Georgetown, Penang
Tel : 603 9206 8118
Fax : 604 263 2112

Branches

Jalan Chain Ferry, Prai

2784 & 2785, Jalan Chain Ferry
Taman Inderawasih
13600 Prai
Pulau Pinang
Tel : 603 9206 8118
Fax : 604 390 3976

Ayer Itam

15, Jalan Pasar
11500 Ayer Itam
Pulau Pinang
Tel : 603 9206 8118
Fax : 604 828 8554

Bayan Baru

42 A, B, C, Jalan Tengah
11950 Bayan Baru
Pulau Pinang
Tel : 603 9206 8118
Fax : 604 642 1884

Bukit Mertajam

No. 21, 23 & 25
Jalan Lembah Permai
Taman Lembah Permai
14000 Bukit Mertajam
Tel : 603 9206 8118
Fax : 604 539 4148

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

NORTHERN REGION (continued)

Jalan Burma

No. 380 – A, Jalan Burma
10350 Pulau Tikus
Tel : 603 9206 8118
Fax : 604 227 4361

Butterworth

6774, 6775 & 6776
Jalan Kg Gajah
12200 Butterworth
Pulau Pinang
Tel : 603 9206 8118
Fax : 604 332 3328

Jalan Bakar Arang

27 & 28, Jalan Bakar Arang
08000 Sungai Petani
Kedah
Tel : 603 9206 8118
Fax : 604 421 6632

Jalan Raja Uda

Ground & Mezzanine Floor
6957 & 6958, Jalan Raja Uda
Raja Uda Light Industrial Park
12300 Butterworth
Tel : 603 9206 8118
Fax : 604 332 4946

Jalan Tunku Ibrahim

1519, Jalan Tunku Ibrahim
05700 Alor Setar
Kedah
Tel : 603 9206 8118
Fax : 604 733 3843

Jelutong

112 & 114
Jalan Tan Sri Teh Ewe Lim
11600 Pulau Pinang
Tel : 603 9206 8118
Fax : 604 282 6930

NORTHERN REGION (continued)

Jitra

242, Jalan PJ 2/2
Pekan Jitra 2
06000, Jitra, Kedah
Tel : 603 9206 8118
Fax : 604 917 0888

Kangar

41 & 43, Persiaran Jubli Emas
Taman Suriani, 01000 Kangar
Perlis
Tel : 603 9206 8118
Fax : 604 977 6863

Kuala Kedah

Ground & First Floor
262 & 263, Block C
Bangunan Peruda
06600 Kuala Kedah
Kedah
Tel : 603 9206 8118
Fax : 604 762 5393

Lebuh Pantai

44, Lebuh Pantai
Georgetown
10300 Pulau Pinang
Tel : 603 9206 8118
Fax : 604 261 8019
604 762 5393

Mergong

97], Seberang Jalan Putra
05150 Alor Setar
Kedah
Tel : 603 9206 8118
Fax : 604 731 6059

NORTHERN REGION (continued)

Padang Serai

18 & 19, Jalan Taman Damai II
Taman Damai, 09400 Padang Serai
Kedah
Tel : 603 9206 8118
Fax : 604 485 0982

Pulau Langkawi

13 & 15, Jalan Pandak Mayah Satu
07000 Langkawi, Kedah
Tel : 603 9206 8118
Fax : 604 966 7513

Sungai Bakap

1433-1434, Jalan Besar Sungai Bakap
Seberang Prai Selatan
14200 Sungai Jawi
Pulau Pinang
Tel : 603 9206 8118
Fax : 604 582 3580

Sungai Dua

4H & 4J
Desa Universiti Commercial Complex
Jalan Sungai Dua
11700 Gelugor
Pulau Pinang
Tel : 603 9206 8118
Fax : 604 658 5609

Kulim

No. 8 & 9, Jalan KLC 1
09000 Kulim
Kedah
Tel : 603 9206 8118
Fax : 604 491 5916

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

NORTHERN REGION (continued)

Taman Pekan Baru

104, 105 & 106
Jalan Pengkalan, Tmn Pekan Baru
Sg Petani Baru
08000 Sungai Petani
Kedah
Tel : 603 9206 8118
Fax : 604 421 3401
604 423 0485

PERAK REGION

Regional Director:

Ali bin Mohamed
1st Floor, No. 2, 4, 6 & 8
Jalan Tun Sambanthan
30000 Ipoh, Perak
Tel : 603 9206 8118
Fax : 605 243 2809

Branches

Air Tawar
33A & B, Jalan Besar
32400 Air Tawar
Perak
Tel : 603 9206 8118
Fax : 605 672 2168

Bagan Serai

243, Jalan Besar
34300 Bagan Serai
Perak
Tel : 603 9206 8118
Fax : 605 721 2486

Gopeng

67 & 69, High Street
31600 Gopeng
Perak
Tel : 603 9206 8118
Fax : 605 359 3291

Gunung Rapat

57 & 59, Medan Gopeng 1
Jalan Gopeng, Gunung Rapat
31350 Ipoh, Perak
Tel : 603 9206 8118
Fax : 605 312 6570

Ipoh Garden South

12 & 14 Tingkat, Taman Ipoh 6
Ipoh Garden South
31400 Ipoh, Perak
Tel : 603 9206 8118
Fax : 605 547 8899

PERAK REGION (continued)

Jalan Tun Sambanthan

2, 4, 6 & 8
Jalan Tun Sambanthan
30000 Ipoh, Perak
Tel : 603 9206 8118
Fax : 605 255 0050

Jelapang

433 & 435, Jalan Silibin
Taman Silibin, P. O Box No. 585
30760 Ipoh, Perak
Tel : 603 9206 8118
Fax : 605 526 2418

Kampar

81, 83 & 85, Jalan Gopeng
31900 Kampar, Perak
Tel : 603 9206 8118
Fax : 605 465 2216

Kuala Kurau

19, Jalan Besar
34350 Kuala Kurau
Perak
Tel : 603 9206 8118
Fax : 605 727 7155

Kuala Kangsar

6 & 7, Jalan Daeng Selili
33000 Kuala Kangsar
Perak
Tel : 603 9206 8118
Fax : 605 776 6836

Menglembu

Ground & First Floor
50 & 52 Jalan Besar
31450 Menglembu
Perak
Tel : 603 9206 8118
Fax : 605 281 6010

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

PERAK REGION (continued)

Parit Buntar

1 & 3, Jalan Wawasan Jaya
Taman Wawasan Jaya
34200, Parit Buntar
Perak
Tel : 603 9206 8118
Fax : 605 716 2019

Persiaran Greenhill

62, Persiaran Greenhill
30450 Ipoh, Perak
Tel : 603 9206 8118
Fax : 605 253 5053

Simpang Empat

P.T 1374 & 1375
Jalan Hutan Melintang
Taman Seri Perak
Simpang Empat
36400 Hutan Melintang
Perak
Tel : 603 9206 8118
Fax : 605 641 3310

Sitiawan

25C, Jalan Datuk Ahmad Yunus
32000 Sitiawan
Perak
Tel : 603 9206 8118
Fax : 605 691 9012

Sungai Siput

139 & 140, Jalan Besar
31100 Sungai Siput
Perak
Tel : 603 9206 8118
Fax : 605 598 4094

Sungkai

18 & 19, Jalan Besar
35600 Sungkai, Perak
Tel : 603 9206 8118
Fax : 605 438 6720

PERAK REGION (continued)

Taiping

68 & 70, Jalan Kota
34000 Taiping
Perak
Tel : 603 9206 8118
Fax : 605 806 3275

Tasek

699 & 701, Jalan Tasek
Taman Musim Bunga
31400 Ipoh, Perak
Tel : 603 9206 8118
Fax : 605 548 7566

Teluk Intan

31 & 33, Jalan Intan 2
Bandar Baru Teluk Intan
36000 Teluk Intan, Perak
Tel : 603 9206 8118
Fax : 605 621 1228

SOUTHERN REGION

Regional Director:

Asoka Balan Sinnadurai

1st Floor, No. 14 & 16
Jalan Padi Emas 6/1, Bandar Baru
Uda, Johor Bahru
81200 Johor
Tel : 603 9206 8118
Fax : 607 235 0616

Branches

Bandar Baru Uda

14 & 16, Jalan Padi Emas 6/1
Bandar Baru UDA, 81200 Johor
Bahru, Johor
Tel : 603 9206 8118
Fax : 607 234 0680

Pasir Gudang

10A, Pusat Perdagangan
Jalan Bandar
81700 Pasir Gudang, Johor
Tel : 603 9206 8118
Fax : 607 251 1584
607 252 7719

Taman Ungku Tun Aminah

62, 64 & 66, Jalan Bendahara 12
Taman Ungku Tun Aminah
81300 Sekudai, Johor
Tel : 603 9206 8118
Fax : 607 557 1553

Kluang

18 & 20, Jalan Dato' Rauf
86000 Kluang, Johor
Tel : 603 9206 8118
Fax : 607 772 4094

Taman Johor Jaya

7 & 9, Jalan Dedap 18
Taman Johor Jaya
81100 Johor Bahru
Johor
Tel : 603 9206 8118
Fax : 607 355 5004

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

SOUTHERN REGION (continued)

Johor Bahru City Square

J1-22 & J2-31, Level 1 & 2
Johor Bahru City Square
Jalan Wong Ah Fook
80000 Johor Bahru
Johor
Tel : 603 9206 8118
Fax : 607 224 1264

Kota Tinggi

1, Kota Heritage Commercial Centre
Jalan Seri Warisan
81900 Kota Tinggi, Johor
Tel : 603 9206 8118
Fax : 607 882 6505

Kulai

4 & 5, Taman Seraya
Kulai Besar, 81000 Kulai
Johor
Tel : 603 9206 8118
Fax : 607 663 2159

Permas Jaya

35 & 37, Jalan Permas 10/2
Bandar Baru Permas Jaya
81750 Johor Bahru, Johor
Tel : 603 9206 8118
Fax : 607 388 6749

Plentong

G-03, G-05 & 01-05
Jalan Masai Jaya 1, 81750 Masai
Johor Bahru, Johor
Tel : 603 9206 8118
Fax : 607 352 7689

Pontian Kecil

192, Jalan Bakek Pontian Kechil
82000 Pontian, Johor
Tel : 603 9206 8118
Fax : 607 687 9107

SOUTHERN REGION (continued)

Senai

180 & 181, Jalan Belimbing 1
81400 Senai, Johor
Tel : 603 9206 8118
Fax : 607 599 6913

Simpang Renggam

8 & 9, Jalan Kijang
86200 Simpang Renggam
Johor
Tel : 603 9206 8118
Fax : 607 755 8262

Taman Molek

56 & 58, Jalan Molek 2/2
Taman Molek
81100 Johor Bahru
Johor
Tel : 603 9206 8118
Fax : 607 351 4649

Taman Mount Austin

87 & 89, Jalan Austin Heights 3
Austin Heights, Taman Mount Austin
81100 Johor Bahru
Tel : 603 9206 8118
Fax : 607 353 9566

Taman Nusa Bestari

22 & 24, Jalan Bestari 2/2
Taman Nusa Bestari
81300 Johor Bahru
Tel : 603 9206 8118
Fax : 607 236 9029

Taman Pelangi

Suite 1-2, Level 1 Menara Pelangi 2
Jalan Kuning, Taman Pelangi
80400, Johor Bahru
Johor
Tel : 603 9206 8118
Fax : 607 334 3482

SOUTHERN REGION (continued)

Taman Sentosa

9 & 11, Jalan Sutera
Taman Sentosa
80150 Johor Bahru, Johor
Tel : 603 9206 8118
Fax : 607 332 7251
607 334 9441

Ulu Tiram

1 & 2, Jalan Raya
81800 Ulu Tiram, Johor
Tel : 603 9206 8118
Fax : 607 861 4088

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

SOUTHERN WEST REGION

Regional Director:

Amir bin Abdul Aziz

1st Floor, 19, 21, 23
Jalan Merdeka
Taman Melaka Raya, Melaka
Tel : 603 9206 8118
Fax : 606 281 7842

Branches

1 Lagenda

2, Jalan Lagenda 2
Taman 1 Lagenda
75400 Melaka
Tel : 603 9206 8118
Fax : 606 282 8515

Bahau

Ground & First Floor
982 & 983, Wisma UMNO Jempol
Jalan Gurney, 72100 Bahau
Negeri Sembilan
Tel : 603 9206 8118
Fax : 606 454 4015

Bandar Baru Nilai

PT 7460 & 7461
Jalan Bandar Baru Nilai 1/1A
Putra Point, Bandar Baru Nilai
71800 Nilai, Negeri Sembilan
Tel : 603 9206 8118
Fax : 606 799 6095

Batu Pahat

89, Jalan Rahmat
83000 Batu Pahat
Johor
Tel : 603 9206 8118
Fax : 607 431 1077

SOUTHERN WEST REGION (continued)

Bekok

G34 & G36, Jalan Wijaya
86500 Bekok, Johor
Tel : 603 9206 8118
Fax : 607 922 1525

Bukit Baru

5 & 6, Jalan DR 1
Taman Delima Raya Bukit Baru
75150 Melaka
Tel : 603 9206 8118
Fax : 606 232 1319 232 1319

Jalan Hang Tuah

477, Plaza Melaka
Jalan Hang Tuah
75300 Melaka
Tel : 603 9206 8118
Fax : 606 284 4699

Jementah

MCA Building Jalan Muar
85200 Jementah
Johor
Tel : 603 9206 8118
Fax : 607 947 2404

Kuala Pilah

P.T. 9 & 10, Jalan Melewar
72000 Kuala Pilah
Negeri Sembilan
Tel : 603 9206 8118
Fax : 606 481 6478

Malim

3 & 4, Jalan MP3
Taman Merdeka Permai
75350 Malim, Melaka
Tel : 603 9206 8118
Fax : 606 337 1318

SOUTHERN WEST REGION (continued)

Melaka Raya

19, 21 & 23, Jalan Merdeka
Taman Melaka Raya
75000 Melaka
Tel : 603 9206 8118
Fax : 606 282 5076

Muar

9, Jalan Abdullah
84000 Muar, Johor
Tel : 603 9206 8118
Fax : 606 952 9503

Rantau

158 & 159, Jalan Besar
71200 Rantau, Negeri Sembilan
Tel : 603 9206 8118
Fax : 606 694 2690

Segamat

110 & 111, Jalan Genuang
85000 Segamat, Johor
Tel : 603 9206 8118
Fax : 607 932 3901

Seremban

10 & 11
Jalan Dato' Abdul Rahman
70000 Seremban
Negeri Sembilan
Tel : 603 9206 8118
Fax : 606 762 0192

Seremban 2

25, Jalan S2 B15
Centrio Seremban 2
70300 Seremban
Negeri Sembilan
Tel : 603 9206 8118
Fax : 606 601 5211

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

SOUTHERN WEST REGION (continued)

Simpang Pertang

15, Jalan Helang
Taman Sri Pertang
72300 Simpang Pertang
Tel : 603 9206 8118
Fax : 606 6288 9633

Taipan Senawang

163G & 164G Taipan Senawang
Jalan Tmn Komersil Senawang 1
Tmn Komersil Senawang
70450 Seremban
Tel : 603 9206 8118
Fax : 606 678 1477

Tangkak

351 & 352, Jalan Muar
84900 Tangkak, Johor
Tel : 603 9206 8118
Fax : 606 978 6592

Yong Peng

106, Jalan Besar
83700 Yong Peng, Johor
Tel : 603 9206 8118
Fax : 607 467 5137

SABAH REGION

Regional Director:

Siaw Kok Chee

Regional Office Sabah

C-03-05/08, 3rd Floor
Block C, Warisan Square
Jalan Tun Fuad Stephens
88000 Kota Kinabalu, Sabah
Tel : 603 9206 8118
Fax : 6088 528 779

Branches

1 Borneo Hypermall

G-203, 1-Borneo Hypermall
Jalan Sulaman
88450 Kota Kinabalu
Tel : 603 9206 8118
Fax : 6088 488 678

Inanam

Blok L DBKK No. 1, 2 & 3
Lorong KK Taipan 3
Inanam New Township
88450 Inanam, Kota Kinabalu
Sabah
Tel : 603 9206 8118
Fax : 6088 658 5609

Jalan Gaya

81/83, Jalan Gaya
88000 Kota Kinabalu
Sabah
Tel : 603 9206 8118
Fax : 6088 235 871

Jalan Tun Mustapha, Labuan

1 & 2, Jati Shop Houses
Off Jalan Tun Mustapha
87007 Labuan
Wilayah Persekutuan Labuan
Tel : 603 9206 8118
Fax : 6087 414 449

SABAH REGION (continued)

Keningau

27, 28 & 29
Adnan Shopping Complex
Jalan O.K.K. Sedomon
89008 Keningau, Sabah
Tel : 603 9206 8118
Fax : 6087 334 382

Lahad Datu

1 & 2, Block A
Metro Commercial Complex
91100 Lahad Datu, Sabah
Tel : 603 9206 8118
Fax : 6089 886 163

Lintas Station Complex

6-19, Lintas Station Complex
Jalan Lintas, Luyang
88300 Kota Kinabalu
Tel : 603 9206 8118
Fax : 6088 233 690

Metro Town

5, 6, 7 & 8, Block M, Metrotown
Jalan Lintas Off Jalan Tuaran
88300 Kota Kinabalu
Sabah
Tel : 603 9206 8118
Fax : 6088 393 653

Prima Square

Block 7, 64, 65 & 66
Phase 1 Prima Square
Mile 4, Jalan Utara
90000 Sandakan, Sabah
Tel : 603 9206 8118
Fax : 6089 228 101

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

SABAH REGION (continued)

Tawau

5 Block 27 Fajar Complex
Jalan Mahkamah Town Extension II
91000 Tawau, Sabah
Tel : 603 9206 8118
Fax : 6089 764 684
6089 765 254

Wisma Khoo

Sub 1 – 7, Wisma Khoo Siak Chiew
Lebuh Tiga, Jalan Sim Sim
Mail Bag No 4
90009 Sandakan, Sabah
Tel : 603 9206 8118
Fax : 6089 271 246

SARAWAK REGION

Regional Director:

Hjh Johanna binti Abdullah

1st Floor
Kuching Regional Office
Lot 363, Jalan Kulas
93400 Kuching
Tel : 603 9206 8118
Fax : 6082 274 854

Branches

Sibu

31, Jalan Tuanku Osman
P O Box 26 96007 Sibu
Sarawak
Tel : 603 9206 8118
Fax : 6084 310 546

Batu Kawah

Bd 104/204 & 105/205
Batu Kawah New Township
Jalan Batu Kawa, 93250 Kuching
Sarawak
Tel : 603 9206 8118
Fax : 6082 459 790

Boulevard Centre

2469 & 2470
Boulevard Commercial Centre
Jalan Boulevard Utama
98000 Miri, Sarawak
Tel : 603 9206 8118
Fax : 6085 429 881

Dalat

Pejabat Daerah Dalat
96300 Dalat, Sarawak
Tel : 603 9206 8118
Fax : 6084 864 824

SARAWAK REGION (continued)

Jalan Kulas, Kuching

363 Section Jalan Kulas
P.O Box 2049
93740 Kuching
Sarawak
Tel : 603 9206 8118
Fax : 6082 426 160

Bintulu

Ground & 1st Floor
258 Taman Sri Dagang
Jalan Masjid
97000 Bintulu
Sarawak
Tel : 603 9206 8118
Fax : 6086 331 692

Jalan Nakhoda Gampar

362, Block 9
Jalan Nakhoda Gampar
P O Box 1142, 98008 Miri
Sarawak
Tel : 603 9206 8118
Fax : 6085 415 682

Jalan Pandungan

256, Jalan Padungan
93100 Kuching, Sarawak
Tel : 603 9206 8118
Fax : 6082 415 453
6082 428 717

Kanowit

127 & 128, No 65-66
Jalan Kubu Kanowit Town District
96700 Kanowit
Sarawak
Tel : 603 9206 8118
Fax : 6084 752 711

GROUP BRANCH NETWORK (continued)

BRANCH NETWORK

SARAWAK REGION (continued)

Kapit

504, Jalan Temenggong Jugah
96800 Kapit
Sarawak
Tel : 603 9206 8118
Fax : 6084 797 775

Lawas

355, Jalan Punang
98850 Lawas
Tel : 603 9206 8118
Fax : 6085 285 529

Limbang

1563, Jalan Buangsiol
98700 Limbang
Sarawak
Tel : 603 9206 8118
Fax : 6085 211 022

Lundu

249-250
Jalan Blacksmith Pekan Lundu
94500 Lundu
Sarawak
Tel : 603 9206 8118
Fax : 6082 735 220

Marudi

29, Jalan Kapitan Lim Ching Kiat
Marudi, 98050 Baram
Sarawak
Tel : 603 9206 8118
Fax : 6085 756 724

Matang Jaya

25, 26 & 27, Section 65
Kuching Town Land District
Tmn Lee Ling Comm. Centre
93050 Matang Jaya
Kuching
Tel : 603 9206 8118
Fax : 6082 647 900

SARAWAK REGION (continued)

Mukah

1, Blok 68
Mukah Shopping Mall
96400 Mukah
Sarawak
Tel : 603 9206 8118
Fax : 6084 873 878

Sarikei

1468, Repok Road
P.O Box 738
96108 Sarikei, Sarawak
Tel : 603 9206 8118
Fax : 6084 657 036

Siburan

12 & 13, Eastern Commercial Centre
17th Mile, Kuching Serian Road
94200 Siburan, Sarawak
Tel : 603 9206 8118
Fax : 6082 862 880

Simpang Tiga

11, Jalan Simpang Tiga
P.O Box 3000, 93758 Kuching
Sarawak
Tel : 603 9206 8118
Fax : 6082 420 975

Sri Aman

839, Jalan Sabu
95000 Sri Aman
Sarawak
Tel : 603 9206 8118
Fax : 6083 320 975

Sungai Merah

1 & 3, Lorong Sungei Merah 2C
96000 Sibu, Sarawak
Tel : 603 9206 8118
Fax : 6084 331 869

SARAWAK REGION (continued)

Tabuan Jaya

891-892, Lorong Bayor Bukit 2A
Tabuan Jaya Shopping Centre
Jalan Wan Alwi, 93350 Kuching
Sarawak
Tel : 603 9206 8118
Fax : 6082 233 690

UNISQUARE, Kota Samarahan

12 & 13, 5608 & 5609 Unisquare
94300 Kota Samarahan
Kuching, Sarawak
Tel : 603 9206 8118
Fax : 6082 233 690

Wisma Mahmud

Level 1, Wisma Mahmud
Jalan Sungei Sarawak
93100 Kuching
Sarawak
Tel : 603 9206 8118
Fax : 6082 338 358/
6082 342 327

GROUP BRANCH NETWORK (continued)

COMMERCIAL BANKING

INTERNATIONAL

SINGAPORE

Country Head:
Jason Wong

Cecil Branch
Ground Floor 90 Cecil Street
Singapore 069531
Tel : 65 6320 0602/0603
Fax : 65 6225 5296

Branches

- ◆ Bukit Timah
- ◆ Geylang
- ◆ Jalan Besar
- ◆ Katong
- ◆ Tai Seng Street
- ◆ Westgate Mall

THAILAND

Country Head:
Wong Kee Poh

Bangkok
18th Floor M. Thai Tower
All Seasons Place
87 Wireless Road Pathumwan
Lumpini, Bangkok
10330 Thailand
Tel : 662 126 8600
Fax : 662 126 8601/8602

Branches

- ◆ Ayutthaya
- ◆ Sri Racha

CAMBODIA

Country Head:
Lim Loong Seng

Phnom Penh
No. 263
Ang Duong Street (St. 110)
Phnom Penh, Cambodia
Tel : 855 23 992 833
Fax : 855 23 991 822

Branches

- ◆ Battambang
- ◆ City Mall Olympic
- ◆ Kampong Cham
- ◆ Kbal Thnal
- ◆ Pet Lok Song
- ◆ Preah Sihanouk
- ◆ Siem Reap
- ◆ Stoeung Meanchey
- ◆ Toul Kork
- ◆ Boeung Kang Kang
(opening 2016)
- ◆ Mao Tse Toung
(opening 2016)

LAOS

Country Head: Danny Ling Chii Hian

Vientiane
Unit No. 01, House No. 008
Kaysone Phomvihane Road
Phonxay Village, Vientiane, Lao PDR
Tel : 856 2145 5118/5119
Fax : 856 21455112

Branch

- ◆ Khunta Village
(opening 2016)

BRUNEI

Country Head: Ishak Othman

Bandar Seri Bagawan
Unit G 02, Ground Floor, Block D
Yayasan Sultan Haji Hassanal Bolkiah Complex
Jalan Pretty, Bandar Seri Begawan
BS 8711, Brunei Darussalam
Tel : 673 222 2515/2516
Fax : 673 223 7487/3687

VIETNAM

Country Representative: Wilson Cheah Hui Pin

Ho Chi Minh City
Room 1208, 12th Floor, Sunwah Tower
115 Nguyen Hue, Dist 1
Ho Chi Minh City, Vietnam
Tel : 848 3827 8498
Fax : 848 3827 8499

MYANMAR

Country Representative: Wilson Cheah Hui Pin

RHB Bank Berhad
#411, 412, 415 Level 4, Strand Square
No.53, Strand Road, 6 Story Offices BLD
Pabedan Township, Yangon
The Republic of the Union of Myanmar

GROUP BRANCH NETWORK (continued)

ISLAMIC BANKING

MALAYSIA

KUALA LUMPUR

Cawangan Utama – Kuala Lumpur

No. 19A-1-1 & 19A-1-2
Level 1 UOA Centre
No. 19 Jalan Pinang
50450 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 2161 0599

Cawangan Jalan Raja Laut

Lot G-04, Ground Floor
Bangunan KWSP
No. 5, Jalan Raja Laut
50350 Kuala Lumpur
Tel : 603 9206 8118
Fax : 603 2693 7300

SELANGOR

Cawangan Bandar Baru Bangi

No. 39-G-1, Jalan Medan
Pusat Bandar 4
43650 Bandar Baru Bangi, Selangor
Tel : 603 9206 8118
Fax : 603 8926 3343

Cawangan Taman Bayu Tinggi, Klang

No. 1, Jalan Bayu Tinggi 6
Taman Bayu Tinggi
41200 Klang, Selangor
Tel : 603 9206 8118
Fax : 603 3325 9522

Cawangan Kelana Jaya

A-G-03, Jalan SS6/5A
Dataran Glomac
Pusat Bandar Kelana Jaya
47301 Petaling Jaya, Selangor
Tel : 603 9206 8118
Fax : 603 7805 7600

Cawangan Laman Seri, Shah Alam

Lot 17-1 & 17-2
No. 1, Laman Seri Business Park
Seksyen 13
40100 Shah Alam, Selangor
Tel : 603 9206 8118
Fax : 603 5511 2422

KEDAH

Cawangan Sungai Petani

Lot No. 41
Jalan Perdana Heights 2/2
Perdana Heights
08000 Sungai Petani, Kedah
Tel : 604 422 8088
Fax : 604 422 7088

PULAU PINANG

Cawangan Auto City, Prai

1808-B, Jalan Perusahaan Auto-City
North South Highway
Juru Interchange
13600 Prai, Pulau Pinang
Tel : 604 508 0500
Fax : 604 501 6700

JOHOR

Cawangan Taman Flora Utama

Ground Floor, No. 1 & 2
Jalan Flora Utama 1
Taman Flora Utama
83000 Batu Pahat, Johor
Tel : 607 433 6777
Fax : 607 433 4848

Cawangan Taman Setia Tropika

No. 1, Jalan Setia Tropika 1/30
Taman Setia Tropika
81200 Johor Bahru, Johor
Tel : 607 238 0078
Fax : 607 238 0012

KELANTAN

Cawangan Kubang Kerian

Lot 1679
Jalan Raja Perempuan Zainab 2
Bandar Baru Kubang, Kerian
16150 Kota Bharu, Kelantan
Tel : 609 764 0221/0222/0223
Fax : 609 764 0700

TERENGGANU

Cawangan Kuala Terengganu

No. 20, Pusat Niaga Paya Keladi
20000 Kuala Terengganu, Terengganu
Tel : 609 630 5577
Fax : 609 630 5533

SABAH

Cawangan Kota Kinabalu

Lot BG-01, Ground Floor Block B
Bangunan KWSP No. 49
Jalan Karamuning
88100 Kota Kinabalu, Sabah
Tel : 6088 245 777
Fax : 6088 234 499

SARAWAK

Cawangan Jalan Satok

Ground Floor, 474 & 475, Section 6
KTLD, 192-E & 192-F, Jalan Satok
93400 Kuching
Sarawak
Tel : 6082 258 800
Fax : 6082 243 900

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RHB Bank Berhad (6171-M)

Level 9, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Tel : 603-9287 8888 Fax : 603-9281 9314