



RHB Bank Berhad (6171 - M)

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**RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	4th Quarter Ended		Twelve Months Ended	
		31 December	Restated 31 December	31 December	Restated 31 December
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	A8	1,939,946	2,054,014	7,832,315	8,009,603
Interest expense	A9	(1,079,346)	(1,163,286)	(4,378,846)	(4,602,007)
Net interest income		860,600	890,728	3,453,469	3,407,596
Other operating income	A10	345,807	525,291	1,762,556	1,891,188
Income from Islamic Banking business	A29(b)	271,800	239,000	977,168	875,917
Net income		1,478,207	1,655,019	6,193,193	6,174,701
Other operating expenses	A11	(802,497)	(888,718)	(3,098,687)	(3,629,714)
Operating profit before allowances		675,710	766,301	3,094,506	2,544,987
Allowance for impairment on loans, financing and other losses	A12	(308,731)	(237,568)	(595,162)	(343,452)
Impairment losses (made)/written back on other assets		(22,896)	(10,719)	(268,227)	48,750
		344,083	518,014	2,231,117	2,250,285
Share of results of joint ventures		328	62	724	299
Profit before taxation		344,411	518,076	2,231,841	2,250,584
Taxation	B5	(87,693)	(152,947)	(544,253)	(582,032)
Net profit for the financial period/year		256,718	365,129	1,687,588	1,668,552
Attributable to:					
- Equity holders of the Bank		261,243	363,374	1,681,624	1,664,972
- Non-controlling interests		(4,525)	1,755	5,964	3,580
		256,718	365,129	1,687,588	1,668,552
Basic earnings per share (sen)					
- Per RM1.00 per share	B14	6.5	N/A	43.6	N/A
- Per RM0.50 per share	B14	N/A	5.3	N/A	24.2

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	4th Quarter Ended		Twelve Months Ended	
	31 December 2016	Restated 31 December 2015	31 December 2016	Restated 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period/year	256,718	365,129	1,687,588	1,668,552
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
- Actuarial (loss)/gain on defined benefit plan of subsidiaries	(2,000)	1,335	(1,612)	1,568
(ii) Items that will be reclassified subsequently to profit or loss:				
(a) Foreign currency translation reserves				
- Currency translation differences	259,521	(74,718)	173,014	619,895
- Net investment hedge	(11,510)	(39,244)	3,975	(74,929)
(b) Unrealised net loss on revaluation of financial investments available-for-sale ('AFS')	(506,743)	(1,004)	(64,839)	(28,297)
(c) Net transfer to income statements on disposal or impairment of financial investments AFS	(4,198)	(10,415)	12,686	(62,926)
Income tax relating to components of other comprehensive loss	117,171	4,880	6,757	24,308
Other comprehensive income/(loss), net of tax, for the financial period/year	(147,759)	(119,166)	129,981	479,619
Total comprehensive income for the financial period/year	108,959	245,963	1,817,569	2,148,171
Total comprehensive income/(loss) attributable to:				
- Equity holders of the Bank	112,919	244,141	1,811,423	2,144,241
- Non-controlling interests	(3,960)	1,822	6,146	3,930
	108,959	245,963	1,817,569	2,148,171

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	4th Quarter Ended		Twelve Months Ended	
		Restated		Restated	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	A8	1,898,926	1,966,693	7,625,537	7,649,604
Interest expense	A9	(1,064,285)	(1,093,598)	(4,272,147)	(4,309,741)
Net interest income		834,641	873,095	3,353,390	3,339,863
Other operating income	A10	237,457	220,128	917,224	917,301
Net income		1,072,098	1,093,223	4,270,614	4,257,164
Other operating expenses	A11	(534,063)	(575,316)	(2,039,165)	(2,459,861)
Operating profit before allowances		538,035	517,907	2,231,449	1,797,303
Allowance for impairment on loans, financing and other losses	A12	(246,766)	(204,416)	(405,434)	(240,668)
Impairment losses (made)/written back on other assets		(811)	866	(249,259)	9,635
Profit before taxation		290,458	314,357	1,576,756	1,566,270
Taxation	B5	(39,157)	(108,852)	(351,073)	(432,330)
Net profit for the financial period/year		251,301	205,505	1,225,683	1,133,940

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	4th Quarter Ended		Twelve Months Ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Note	RM'000	RM'000	RM'000	RM'000
Bank				
Net profit for the financial period/year	251,301	205,505	1,225,683	1,133,940
Other comprehensive income/(loss) in respect of:				
(i) Items that will be reclassified subsequently to profit or loss:				
(a) Foreign currency translation reserves				
- Currency translation differences	78,470	(34,529)	51,816	239,123
(b) Unrealised net loss on revaluation of financial investments AFS	(381,350)	(19,045)	(71,863)	(29,068)
(c) Net transfer to income statements on disposal or impairment of financial investments AFS	(2,598)	(12,735)	18,902	(57,351)
Income tax relating to components of other comprehensive loss	92,147	10,013	12,710	23,673
Other comprehensive income/(loss), net of tax, for the financial period/year	(213,331)	(56,296)	11,565	176,377
Total comprehensive income for the financial period/year	37,970	149,209	1,237,248	1,310,317

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group		Bank	
		As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
ASSETS					
Cash and short-term funds		14,682,943	12,881,395	12,430,270	8,213,683
Securities purchased under resale agreements		1,303,589	188,380	1,289,891	165,153
Deposits and placements with banks and other financial institutions		1,362,448	1,199,032	9,641,121	9,782,274
Financial assets at fair value through profit or loss ('FVTPL')	A13	2,324,723	1,626,137	1,095,862	606,428
Financial investments available-for-sale ('AFS')	A14	25,109,662	24,738,796	19,692,075	18,166,278
Financial investments held-to-maturity ('HTM')	A15	21,365,103	20,532,236	17,986,112	18,876,308
Loans, advances and financing	A16	152,350,304	149,579,973	111,953,651	110,991,554
Clients' and brokers' balances		2,090,783	1,654,213	-	-
Reinsurance assets		378,311	371,238	-	-
Other assets	A17	2,916,551	2,478,703	3,127,293	2,219,507
Derivative assets	B8	4,075,418	3,102,389	4,096,153	3,060,699
Statutory deposits		4,241,509	5,272,230	2,829,242	3,719,819
Tax recoverable		246,895	166,052	180,705	116,870
Deferred tax assets		100,611	114,228	55,515	57,991
Investments in subsidiaries		-	-	5,340,659	5,240,659
Investments in associates and joint ventures		49,537	15,764	-	-
Property, plant and equipment		1,032,131	1,041,583	756,899	766,910
Goodwill		2,649,307	2,649,307	905,519	905,519
Intangible assets		399,004	326,691	335,153	261,128
TOTAL ASSETS		236,678,829	227,938,347	191,716,120	183,150,780
LIABILITIES					
Deposits from customers	A18/B7(a)	165,809,367	158,157,840	127,749,052	123,250,716
Deposits and placements of banks and other financial institutions	A19/B7(a)	22,700,616	20,645,860	22,686,846	19,365,704
Obligations on securities sold under repurchase agreements		362,706	4,906,214	2,716,656	4,735,645
Obligations on securities borrowed		-	12,202	-	-
Bills and acceptances payable		476,300	626,399	286,318	482,056
Clients' and brokers' balances		1,743,242	1,348,728	-	-
General insurance contract liabilities		872,183	870,884	-	-
Other liabilities	A20	2,673,032	6,674,454	1,735,520	5,846,654
Derivative liabilities	B8	3,679,020	3,089,781	3,671,822	2,997,719
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		3,554,053	3,127,656	2,738,811	2,144,896
Tax liabilities		57,329	37,238	-	-
Deferred tax liabilities		3,194	11,332	-	-
Borrowings	B7(b)	972,030	788,250	698,651	575,718
Subordinated obligations	B7(c)	5,543,358	5,895,786	4,592,576	4,843,845
Hybrid Tier-I Capital Securities	B7(d)	602,143	601,856	607,155	606,870
Senior debt securities	B7(e)	5,856,389	3,451,380	5,856,389	3,451,380
TOTAL LIABILITIES		214,904,962	210,245,860	173,339,796	168,301,203

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2016

	Note	Group		Bank	
		As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
EQUITY					
Share capital		4,010,045	3,460,585	4,010,045	3,460,585
Reserves		17,734,733	14,207,284	14,366,279	11,388,992
Equity attributable to holders of the Bank		21,744,778	17,667,869	18,376,324	14,849,577
Non-controlling interests ('NCI')		29,089	24,618	-	-
TOTAL EQUITY		21,773,867	17,692,487	18,376,324	14,849,577
TOTAL LIABILITIES AND EQUITY		236,678,829	227,938,347	191,716,120	183,150,780
COMMITMENTS AND CONTINGENCIES	A25(a)	196,190,300	186,077,821	190,735,669	178,724,173
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK (RM)					
- Per RM1.00 per share		5.42	N/A	4.58	N/A
- Per RM0.50 per share		N/A	2.55	N/A	2.15

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RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Attributable to equity holders of the Bank							Total Shareholders' Equity	Non-controlling Interests	Total Equity	
		Share Capital	Share Premium	Statutory Reserves	Regulatory Reserves	AFS Reserves	Translation Reserves	Other Reserves				Retained Profits
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2016		3,460,585	478,517	4,159,330	549,517	115,164	582,755	-	7,862,053	17,207,921	-	17,207,921
- As previously reported												
- Effect of predecessor accounting on acquisition of subsidiaries/assets and liabilities	B12	-	-	368,104	40,120	11,176	129,249	23,331	(112,032)	459,948	24,618	484,566
- As restated		3,460,585	478,517	4,527,434	589,637	126,340	712,004	23,331	7,750,021	17,667,869	24,618	17,692,487
Net profit for the financial year		-	-	-	-	-	-	-	1,681,624	1,681,624	5,964	1,687,588
Foreign currency translation reserves:												
- Currency translation differences		-	-	-	-	-	172,885	-	-	172,885	129	173,014
- Net investment hedge		-	-	-	-	-	3,975	-	-	3,975	-	3,975
Financial investments AFS:												
- Unrealised net (loss)/gain on revaluation		-	-	-	-	(64,901)	-	-	-	(64,901)	62	(64,839)
- Net transfer to income statements on disposal or impairment		-	-	-	-	12,686	-	-	-	12,686	-	12,686
Actuarial loss on defined benefit plan of subsidiaries		-	-	-	-	-	-	-	(1,600)	(1,600)	(12)	(1,612)
Income tax relating to components of other comprehensive loss		-	-	-	-	6,442	-	-	312	6,754	3	6,757
Other comprehensive income/(loss), net of tax, for the financial year		-	-	-	-	(45,773)	176,860	-	(1,288)	129,799	182	129,981
Total comprehensive income/(loss) for the financial year		-	-	-	-	(45,773)	176,860	-	1,680,336	1,811,423	6,146	1,817,569
Shares issued pursuant to:												
- Rights issue via recapitalisation of dividend	A6(a)(ii)	101,618	463,382	-	-	-	-	-	-	565,000	-	565,000
- Rights issue	A6(a)(iii)	447,842	2,042,159	-	-	-	-	-	-	2,490,001	-	2,490,001
Dividends paid:												
- By the Bank		-	-	-	-	-	-	-	(765,502)	(765,502)	-	(765,502)
- By subsidiaries to the former holding company and NCI		-	-	-	-	-	-	-	(23,675)	(23,675)	(1,325)	(25,000)
Transfer to statutory reserves		-	-	403,793	-	-	-	-	(403,793)	-	-	-
Transfer to regulatory reserves		-	-	-	79,864	-	-	-	(79,864)	-	-	-
Dilution of interest in a subsidiary		-	-	-	-	-	-	-	(338)	(338)	338	-
Disposal of a subsidiary		-	-	-	-	-	-	-	-	-	(688)	(688)
Balance as at 31 December 2016		4,010,045	2,984,058	4,931,227	669,501	80,567	888,864	23,331	8,157,185	21,744,778	29,089	21,773,867

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	← Attributable to equity holders of the Bank →							Total Shareholders' Equity	Non-controlling Interests	Total Equity	
	Share Capital	Share Premium	Statutory Reserves	Regulatory Reserves	AFS Reserves	Translation Reserves	Other Reserves				Retained Profits
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				RM'000
Balance as at 1 January 2015											
- As previously reported	3,365,486	136,162	4,031,903	-	190,465	135,471	-	7,575,176	15,434,663	-	15,434,663
- Effect of predecessor accounting on acquisition of subsidiaries/assets and liabilities	-	-	341,104	-	2,491	31,880	23,331	(133,153)	265,653	22,034	287,687
- As restated	3,365,486	136,162	4,373,007	-	192,956	167,351	23,331	7,442,023	15,700,316	22,034	15,722,350
Net profit for the financial year	-	-	-	-	-	-	-	1,664,972	1,664,972	3,580	1,668,552
Foreign currency translation reserves:											
- Currency translation differences	-	-	-	-	-	619,582	-	-	619,582	313	619,895
- Net investment hedge	-	-	-	-	-	(74,929)	-	-	(74,929)	-	(74,929)
Financial investments AFS:											
- Unrealised net (loss)/gain on revaluation	-	-	-	-	(28,330)	-	-	-	(28,330)	33	(28,297)
- Net transfer to income statements on disposal or impairment	-	-	-	-	(62,926)	-	-	-	(62,926)	-	(62,926)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	-	1,563	1,563	5	1,568
Income tax relating to components of other comprehensive loss/(income)	-	-	-	-	24,640	-	-	(331)	24,309	(1)	24,308
Other comprehensive income/(loss), net of tax, for the financial year	-	-	-	-	(66,616)	544,653	-	1,232	479,269	350	479,619
Total comprehensive income/(loss) for the financial year	-	-	-	-	(66,616)	544,653	-	1,666,204	2,144,241	3,930	2,148,171
Shares issued pursuant to:											
- Rights issue via recapitalisation of dividend	95,099	342,355	-	-	-	-	-	-	437,454	-	437,454
Dividends paid:											
- By the Bank	-	-	-	-	-	-	-	(583,272)	(583,272)	-	(583,272)
- By subsidiaries to the former holding company and NCI	-	-	-	-	-	-	-	(30,891)	(30,891)	(1,325)	(32,216)
Transfer to statutory reserves	-	-	154,427	-	-	-	-	(154,427)	-	-	-
Transfer to regulatory reserves	-	-	-	589,637	-	-	-	(589,637)	-	-	-
Accretion of interest in a subsidiary	-	-	-	-	-	-	-	21	21	(21)	-
Balance as at 31 December 2015	3,460,585	478,517	4,527,434	589,637	126,340	712,004	23,331	7,750,021	17,667,869	24,618	17,692,487

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Bank	Note	← Non-Distributable →				Distributable		Total Equity	
		Share Capital	Share Premium	Statutory Reserves	Regulatory Reserves	AFS Reserves	Translation Reserves		Retained Profits
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2016									
-		3,460,585	478,517	3,478,138	385,494	157,184	348,473	6,537,779	14,846,170
-									
-	B12	-	-	-	-	-	-	3,407	3,407
-		3,460,585	478,517	3,478,138	385,494	157,184	348,473	6,541,186	14,849,577
-									
Net profit for the financial year		-	-	-	-	-	-	1,225,683	1,225,683
Foreign currency translation reserves:									
-		-	-	-	-	-	51,816	-	51,816
Financial investments AFS:									
-		-	-	-	-	(71,863)	-	-	(71,863)
-		-	-	-	-	18,902	-	-	18,902
Income tax relating to components of other comprehensive loss									
-		-	-	-	-	12,710	-	-	12,710
Other comprehensive income/(loss), net of tax, for the financial year									
-		-	-	-	-	(40,251)	51,816	-	11,565
Total comprehensive income/(loss) for the financial year									
-		-	-	-	-	(40,251)	51,816	1,225,683	1,237,248
Shares issued pursuant to:									
-	A6(a)(ii)	101,618	463,382	-	-	-	-	-	565,000
-	A6(a)(iii)	447,842	2,042,159	-	-	-	-	-	2,490,001
Dividends paid									
-		-	-	-	-	-	-	(765,502)	(765,502)
Transfer to statutory reserves									
-		-	-	306,420	-	-	-	(306,420)	-
Transfer to regulatory reserves									
-		-	-	-	76,376	-	-	(76,376)	-
Balance as at 31 December 2016									
		4,010,045	2,984,058	3,784,558	461,870	116,933	400,289	6,618,571	18,376,324

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RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	←		Non-Distributable			→		Total Equity
	Share Capital	Share Premium	Statutory Reserves	Regulatory Reserves	AFS Reserves	Translation Reserves	Distributable Retained Profits	
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2015								
- As previously reported	3,365,486	136,162	3,478,138	-	219,930	109,350	6,377,265	13,686,331
- Effect of predecessor accounting on acquisition of subsidiaries/assets and liabilities	-	-	-	-	-	-	(1,253)	(1,253)
- As restated	3,365,486	136,162	3,478,138	-	219,930	109,350	6,376,012	13,685,078
Net profit for the financial year	-	-	-	-	-	-	1,133,940	1,133,940
Foreign currency translation reserves:								
- 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	-	-	-	-	23,673	-	-	23,673
Other comprehensive income/(loss), net of tax, for the financial year	-	-	-	-	(62,746)	239,123	-	176,377
Total comprehensive income/(loss) for the financial year	-	-	-	-	(62,746)	239,123	1,133,940	1,310,317
Shares issued pursuant to:								
- Rights issue via recapitalisation of dividend	95,099	342,355	-	-	-	-	-	437,454
Dividends paid	-	-	-	-	-	-	(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	385,494	157,184	348,473	6,541,186	14,849,577

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Twelve Months Ended	
	31 December 2016 RM'000	Restated 31 December 2015 RM'000
Group		
Cash flows from operating activities		
Profit before taxation	2,231,841	2,250,584
Adjustments for:		
Allowance for impairment on loans, financing and other losses	867,620	608,752
Property, plant and equipment:		
- Depreciation	119,919	121,094
- Gain on disposal	(838)	(7,054)
- Written off	11,285	655
- Impairment losses written back	-	(182)
Intangible assets:		
- Amortisation	69,081	71,760
- Gain on disposal	-	(161)
- Written off	12	2,409
- Impairment losses written back	-	(2,283)
Net impairment losses made/(written back) on financial investments AFS and HTM	255,727	(54,118)
Share of results of joint ventures	(724)	(299)
Net gain arising from sale/redemption of financial assets FVTPL, financial investments AFS and HTM	(141,538)	(33,878)
Net gain on fair value hedges	(2,280)	(680)
Net unrealised gain on revaluation of financial assets FVTPL and derivatives	(9,754)	(43,354)
Net unrealised foreign exchange gain	(359,575)	(484,623)
Gain on disposal of a subsidiary	(434)	-
Dividend income from financial assets FVTPL and financial investments AFS	(47,711)	(48,023)
(Accretion of discount)/Amortisation of premium for borrowings, subordinated obligations and Hybrid Tier-1 Capital Securities	(4,119)	1,211
Impairment losses on investment in an associate	12,500	-
Impairment losses on investment in a joint venture	-	7,833
Interest income from financial assets FVTPL, financial investments AFS and HTM	(1,410,934)	(1,413,360)
Investment income from financial assets FVTPL, financial investments AFS and HTM	(226,141)	(210,711)
Operating profit before working capital changes	<u>1,363,937</u>	<u>765,572</u>
(Increase)/Decrease in operating assets:		
Securities purchased under resale agreements	(1,138,067)	440,182
Deposits and placements with banks and other financial institutions	(148,561)	976,498
Financial assets FVTPL	(675,340)	1,252,664
Loans, advances and financing	(3,246,979)	(9,828,203)
Clients' and brokers' balances	(436,570)	(129,066)
Other assets	(407,652)	(1,081,372)
Statutory deposits	1,045,189	131,250
	<u>(5,007,980)</u>	<u>(8,238,047)</u>
Increase/(Decrease) in operating liabilities:		
Deposits from customers	7,232,284	1,322,059
Deposits and placements of banks and other financial institutions	2,006,694	(659,091)
Obligations on securities sold under repurchase agreements	(4,543,508)	4,397,798
Obligations on securities borrowed	(12,202)	(101,578)
Bills and acceptances payable	(151,419)	13,308
Clients' and brokers' balances	394,514	134,663
Other liabilities	(298,901)	4,143,879
Recourse obligation on loans sold to Cagamas	426,397	(187,679)
	<u>5,053,859</u>	<u>9,063,359</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Twelve Months Ended	
	31 December 2016	Restated 31 December 2015
	RM'000	RM'000
Group		
Cash flows from operating activities (continued)		
Cash generated from operations	1,409,816	1,590,884
Net tax paid	(596,052)	(773,059)
Net cash generated from operating activities	<u>813,764</u>	<u>817,825</u>
Cash flows from investing activities		
Net purchase of financial investments AFS and HTM	(1,269,809)	(5,312,216)
Property, plant and equipment:		
- Purchase	(117,645)	(100,052)
- Proceeds from disposal	4,979	9,429
Intangible assets:		
- Purchase	(140,826)	(142,018)
- Proceeds from disposal	-	242
Financial investments AFS and HTM:		
- Interest received	1,402,217	1,381,997
- Investment income received	215,634	199,806
Dividend income received from financial assets FVTPL and financial investments AFS	47,711	48,023
Net cash outflow arising from internal reorganisation	(3,614,753)	-
Net cash inflow from disposal of a subsidiary	845	-
Net cash used in investing activities	<u>(3,471,647)</u>	<u>(3,914,789)</u>
Cash flows from financing activities		
Proceeds from issuance of subordinated notes	-	700,000
Proceeds from issuance of senior debt securities	2,242,600	-
Redemption of subordinated notes	(350,000)	(900,000)
Drawdown of borrowings	2,404,716	330,407
Repayment of borrowings	(2,246,038)	(568,889)
Net proceeds from issuance of share capital	2,490,001	-
Dividends paid to equity holders of the Bank	(200,502)	(145,818)
Dividends paid by subsidiaries to the former holding company and NCI	(25,000)	(32,216)
Net cash generated from/(used in) financing activities	<u>4,315,777</u>	<u>(616,516)</u>
Net increase/(decrease) in cash and cash equivalents	1,657,894	(3,713,480)
Effects of exchange rate differences	143,654	544,948
Cash and cash equivalents:		
- at the beginning of the financial year	12,881,395	16,049,927
- at the end of the financial year	<u>14,682,943</u>	<u>12,881,395</u>
Cash and cash equivalents comprise the following:		
- Cash and short term funds	<u>14,682,943</u>	<u>12,881,395</u>
	<u>14,682,943</u>	<u>12,881,395</u>
Note:		
Significant non-cash transaction during the financial year is as follows:		
- Recapitalisation of dividend	<u>565,000</u>	437,454

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Twelve Months Ended	
	31 December 2016	Restated 31 December 2015
	RM'000	RM'000
Bank		
Cash flows from operating activities		
Profit before taxation	1,576,756	1,566,270
Adjustments for:		
Allowance for impairment on loans, financing and other losses	663,910	489,141
Property, plant and equipment:		
- Depreciation	85,145	83,899
- Gain on disposal	(697)	(6,616)
- Written off	8,664	493
Intangible assets:		
- Amortisation	51,180	47,645
- Gain on disposal	-	(161)
- Written off	-	121
Net impairment made/(written back) on financial investments AFS and HTM	249,259	(9,635)
Net gain arising from sale/redemption of financial assets FVTPL, financial investments AFS and HTM	(79,058)	(43,934)
Net loss/(gain) on fair value hedges	16	(41)
Net unrealised gain on revaluation of financial assets FVTPL and derivatives	(1,491)	(23,900)
Net unrealised foreign exchange gain	(415,474)	(328,808)
Dividend income from financial investments AFS	(5,481)	(4,489)
Dividend income from subsidiaries	(109,469)	-
Amortisation of premium for borrowings, subordinated obligations and Hybrid Tier-I Capital Securities	1,308	1,369
Interest income from financial assets FVTPL, financial investments AFS and HTM	(1,289,256)	(1,234,418)
Operating profit before working capital changes	<u>735,312</u>	<u>536,936</u>
(Increase)/Decrease in operating assets:		
Securities purchased under resale agreements	(1,121,097)	202,885
Deposits and placements with banks and other financial institutions	142,239	(2,037,615)
Financial assets FVTPL	(481,862)	1,207,318
Loans, advances and financing	(1,301,504)	210,500
Other assets	(884,528)	(1,097,878)
Statutory deposits	894,345	357,874
	<u>(2,752,407)</u>	<u>(1,156,916)</u>
Increase/(Decrease) in operating liabilities:		
Deposits from customers	4,122,333	(6,410,519)
Deposits and placements of banks and other financial institutions	3,288,763	2,712,784
Obligations on securities sold under repurchase agreements	(2,018,989)	4,246,139
Bills and acceptances payable	(197,058)	11,015
Other liabilities	(375,076)	1,825,334
Recourse obligation on loans sold to Cagamas	593,915	(22,763)
	<u>5,413,888</u>	<u>2,361,990</u>
Cash generated from operations	3,396,793	1,742,010
Net tax paid	(399,948)	(558,168)
Net cash generated from operating activities	<u>2,996,845</u>	<u>1,183,842</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Twelve Months Ended	
	31 December 2016	Restated 31 December 2015
	RM'000	RM'000
Bank		
Cash flows from investing activities		
Net purchase of financial investments AFS and HTM	(698,341)	(5,172,432)
Property, plant and equipment:		
- Purchase	(86,529)	(69,794)
- Proceeds from disposal	4,573	8,432
Intangible assets:		
- Purchase	(125,183)	(122,986)
- Proceeds from disposal	-	242
Interest received from financial investments AFS and HTM	1,265,194	1,198,080
Dividend income received from financial investments AFS	5,481	4,489
Dividend income received from subsidiaries	109,469	-
Net cash outflow arising from internal reorganisation	(3,614,753)	-
Additional investments in subsidiaries	(100,000)	(54,375)
Net cash used in investing activities	<u>(3,240,089)</u>	<u>(4,208,344)</u>
Cash flows from financing activities		
Drawdown of borrowings	783,021	323,575
Repayment of borrowings	(669,928)	(533,416)
Proceeds from issuance of share capital	2,490,001	-
Proceeds from issuance of senior debt securities	2,242,600	-
Redemption of subordinated notes	(250,000)	(200,000)
Dividends paid to equity holders of the Bank	(200,502)	(145,818)
Net cash generated from/(used in) financing activities	<u>4,395,192</u>	<u>(555,659)</u>
Net increase/(decrease) in cash and cash equivalents	4,151,948	(3,580,161)
Effects of exchange rate differences	64,639	300,711
Cash and cash equivalents:		
- at the beginning of the financial year	8,213,683	11,493,133
- at the end of the financial year	<u>12,430,270</u>	<u>8,213,683</u>
Cash and cash equivalents comprise the following:		
- Cash and short term funds	<u>12,430,270</u>	8,213,683
	<u>12,430,270</u>	<u>8,213,683</u>
Note:		
Significant non-cash transaction during the financial year is as follows:		
- Recapitalisation of dividend	<u>565,000</u>	437,454

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2015.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A1. Basis Of Preparation

The interim financial statements are audited and has been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, 'Interim Financial Reporting' issued by Malaysian Accounting Standards Board ('MASB') and should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2015.

The Group and the Bank have completed the acquisition of the entire equity interests in, and certain assets and liabilities of, selected subsidiaries from the former holding company, RHB Capital Berhad ('RHB Capital') as disclosed in Note B11.

The Group and the Bank have applied the predecessor accounting to account for the above 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 former holding company of the Bank and adjusted to ensure uniform accounting policies of the Group and the Bank. 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 earnings. No additional goodwill is recognised.

The acquired subsidiaries' results, assets and liabilities are consolidated from the date on which the business combination under common control occurred. Consequently, the consolidated financial statements reflect all subsidiaries' full year results. The corresponding amounts for the previous year reflect the combined results of all subsidiaries.

Certain comparative financial information of the Group and the Bank have been restated arising from the business combination above and the restatement are as disclosed in Note B12.

The accounting policies and presentation adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2015, except for the adoption of the following:

(a) Applicable accounting policies arising from the newly acquired subsidiaries

Arising from the acquisition of subsidiaries as disclosed in Note B11, the following are the applicable accounting policies adopted by the Group during the current financial year:

- MFRS 4 'Insurance Contracts'
- MFRS 118 'Revenue' on revenue recognition for investment banking and insurance related income
- MFRS 128 'Investments in Associates and Joint Ventures'

The adoption of the above applicable accounting policies have been accounted for accordingly in the comparative and current financial information of the Group and the Bank.

(b) Annual improvements to MFRS which are effective for annual periods beginning on or after 1 January 2016:

- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Amendments to MFRS 11 'Joint Arrangements'
- Amendments to MFRS 116 'Property Plant and Equipment' and MFRS 138 'Intangible Assets'
- Amendments to MFRS 127 'Separate Financial Statements'
- Amendments to MFRS 10, 12 and 128 'Consolidated Financial Statements' and 'Investments in Associates'
- Amendments to MFRS 101 'Presentation of Financial Statements'

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



**RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

A2 Auditors' Report

The auditors' report for the financial year ended 31 December 2015 was not subject to any qualification.

A3 Seasonal Or Cyclical Factors

The business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

A4 Exceptional Or Unusual Items

There were no exceptional or unusual items for the financial year ended 31 December 2016.

A5 Changes In Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the financial year ended 31 December 2016.

A6 Changes In Debt and Equity Securities

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial year ended 31 December 2016, other than as disclosed below:

(a) Changes in equity securities

- (i) 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. As a result, the number of issued and paid up ordinary shares of the Bank has reduced from 6,921,170,061 to 3,460,585,030.
- (ii) On 7 April 2016, the Bank has increased its issued and paid-up share capital from RM3,460,585,030 to RM3,562,203,735 via the issuance of 101,618,705 new ordinary shares of RM1.00 each at an issue price of RM5.56 per share pursuant to the recapitalisation of the interim dividend for the financial year ended 31 December 2015 as disclosed in Note A7 (a).
- (iii) On 14 April 2016, the Bank has increased its issued and paid-up share capital from RM3,562,203,735 to RM4,010,045,621 via the issuance of 447,841,886 new ordinary shares of RM1.00 each at an issue price of RM5.56 per share pursuant to the capital injection by the former holding company, RHB Capital of RM2.49 billion as disclosed in Note B11.

(b) Changes in debt securities

- (i) On 15 April 2016, RHB Investment Bank Berhad ('RHB Investment Bank'), the investment bank subsidiary, has fully redeemed its existing subordinated notes of RM100 million in nominal value issued on 15 April 2011.
- (ii) On 6 October 2016, the Bank issued USD500 million senior unsecured notes under the USD5 billion Euro Medium Term Note Programme.
- (iii) On 31 October 2016, the Bank has fully redeemed its existing subordinated notes of RM250 million in nominal value issued on 31 October 2011.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A7. Dividends Paid

During the financial year ended 31 December 2016, the Bank paid the following dividends:

- (a) an interim single-tier dividend of 16.3267 sen per RM1.00 share in respect of the financial year ended 31 December 2015, amounting to RM565,000,000, on 7 April 2016. The entire dividend amount has been recapitalised into the Bank, as disclosed in Note A6(a)(ii), to preserve its capital adequacy for business growth purposes; and
- (b) an interim single-tier dividend of 5.0 sen per share in respect of the financial year ended 31 December 2016, amounting to RM200.5 million on 30 September 2016.

At the forthcoming Annual General Meeting, a single-tier final dividend of 7.0 sen per share in respect of the financial year ended 31 December 2016, amounting to RM280.7 million will be proposed for shareholders' approval.

A8. Interest Income

Group	4th Quarter Ended		Twelve Months Ended	
	31 December 2016	Restated 31 December 2015	31 December 2016	Restated 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,532,614	1,627,807	6,259,442	6,373,256
Money at call and deposits and placements with banks and other financial institutions	37,517	49,472	119,432	188,280
Securities purchased under resale agreements	1,851	296	4,554	2,027
Financial assets FVTPL	10,344	7,774	29,254	47,977
Financial investments AFS	194,031	188,587	708,164	681,801
Financial investments HTM	154,785	168,548	673,516	683,582
Others	8,804	11,530	37,953	32,680
	1,939,946	2,054,014	7,832,315	8,009,603
Of which:				
Interest income accrued on impaired financial assets	33,037	37,020	149,911	164,069
Bank				
Loans and advances	1,433,743	1,525,795	5,858,648	6,007,337
Money at call and deposits and placements with banks and other financial institutions	125,264	110,965	456,220	390,367
Securities purchased under resale agreements	1,851	296	4,554	2,027
Financial assets FVTPL	10,249	7,578	28,887	46,634
Financial investments AFS	175,109	154,616	614,624	536,571
Financial investments HTM	148,072	161,208	645,745	651,213
Others	4,638	6,235	16,859	15,455
	1,898,926	1,966,693	7,625,537	7,649,604
Of which:				
Interest income accrued on impaired financial assets	29,740	36,687	130,037	147,134



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A9. Interest Expense

Group	4th Quarter Ended		Twelve Months Ended	
	31 December 2016	Restated 31 December 2015	31 December 2016	Restated 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	94,391	100,596	367,013	429,724
Deposits from customers	822,649	893,644	3,390,075	3,544,651
Obligations on securities sold under repurchase agreements	3,733	29,188	54,404	61,985
Recourse obligation on loans sold to Cagamas	30,986	24,693	105,826	98,485
Subordinated obligations	61,305	64,466	250,907	260,368
Senior debt securities	41,679	27,465	119,760	101,054
Hybrid Tier-I Capital Securities	11,385	11,378	45,280	45,128
Borrowings	5,329	3,412	17,246	14,936
Others	7,889	8,444	28,335	45,676
	1,079,346	1,163,286	4,378,846	4,602,007
Bank				
Deposits and placements of banks and other financial institutions	94,262	76,837	342,130	321,628
Deposits from customers	793,095	856,449	3,280,413	3,398,829
Obligations on securities sold under repurchase agreements	26,205	29,177	113,116	61,523
Recourse obligation on loans sold to Cagamas	30,986	24,693	105,826	98,485
Subordinated obligations	56,092	57,942	228,674	232,888
Senior debt securities	41,679	27,465	119,760	101,054
Hybrid Tier-I Capital Securities	11,471	11,464	45,619	45,466
Borrowings	3,144	1,484	10,058	5,722
Others	7,351	8,087	26,551	44,146
	1,064,285	1,093,598	4,272,147	4,309,741



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A10. Other Operating Income

Group	4th Quarter Ended		Twelve Months Ended	
	31 December 2016	Restated 31 December 2015	31 December 2016	Restated 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Fee income				
- Service charges and fees	48,307	42,323	192,481	223,275
- Commission	35,185	36,690	136,091	157,138
- Guarantee fees	11,109	14,840	72,937	65,937
- Commitment fees	13,538	15,668	50,012	60,559
- Net brokerage income	68,084	82,193	290,050	336,759
- Fund management fees	49,484	40,805	169,313	128,742
- Unit trust fee income	27,442	39,587	81,306	91,145
- Corporate advisory fees	11,114	14,395	76,156	50,093
- Underwriting and arrangement fees	22,402	55,910	63,577	122,681
- Other fee income	11,691	18,013	56,996	63,697
	298,356	360,424	1,188,919	1,300,026
- Fee and commission expenses	(41,898)	(40,606)	(123,378)	(107,604)
	256,458	319,818	1,065,541	1,192,422
Net gain/(loss) arising from financial assets FVTPL				
- Net gain/(loss) on disposal	(2,181)	(29,319)	75,717	(30,477)
- Unrealised net (loss)/gain on revaluation	(46,280)	16,133	(37,610)	1,554
- Gross dividend income	2,253	1,812	13,125	18,045
	(46,208)	(11,374)	51,232	(10,878)
Net gain on revaluation of derivatives	32,153	38,239	47,248	41,921
Net gain/(loss) on fair values hedges	155	(7,550)	2,280	680
Net gain arising from financial investments AFS				
- Net gain on disposal	3,625	10,692	60,420	60,225
- Gross dividend income	8,283	7,286	34,586	29,978
	11,908	17,978	95,006	90,203
Net gain arising from financial investments HTM				
- Net gain on early redemption	-	-	856	249
Other income				
Foreign exchange gain/(loss):				
- Realised	(573,668)	127,080	(128,457)	(126,322)
- Unrealised	601,673	(20,984)	363,405	494,060
Insurance underwriting surplus before management expenses	53,193	46,467	207,642	141,826
Gain/(Loss) on disposal of property, plant and equipment	(991)	125	838	7,054
Gain on disposal of intangible assets	-	161	-	161
Gain on disposal of a subsidiary	-	-	434	-
Rental income	677	227	3,230	1,222
Other operating income	6,359	13,302	43,153	51,141
Other non-operating income	4,098	1,802	10,148	7,449
	91,341	168,180	500,393	576,591
	345,807	525,291	1,762,556	1,891,188



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A10. Other Operating Income (continued)

	4th Quarter Ended		Twelve Months Ended	
	31 December 2016	Restated 31 December 2015	31 December 2016	Restated 31 December 2015
Bank	RM'000	RM'000	RM'000	RM'000
Fee income				
- Service charges and fees	44,023	40,146	178,943	209,826
- Commission	36,883	39,274	146,412	164,337
- Guarantee fees	10,742	14,663	68,913	61,954
- Commitment fees	12,694	11,715	47,291	48,113
- Other fee income	4,783	4,617	19,015	18,726
	109,125	110,415	460,574	502,956
Net (loss)/gain arising from financial assets FVTPL				
- Net (loss)/gain on disposal	(6,255)	(14,053)	22,256	(13,645)
- Unrealised net (loss)/gain on revaluation	(41,842)	17,867	(43,571)	14,806
	(48,097)	3,814	(21,315)	1,161
Net gain on revaluation of derivatives	37,447	20,088	45,062	9,094
Net (loss)/gain on fair values hedges	(59)	17	(16)	41
Net gain arising from financial investments AFS				
- Net gain on disposal	2,598	12,735	56,144	57,351
- Gross dividend income	1,241	587	5,481	4,489
	3,839	13,322	61,625	61,840
Net gain arising from financial investments HTM				
- Net gain on early redemption	-	-	658	228
Dividend income from subsidiaries	109,469	-	109,469	-
Other income				
Foreign exchange gain/(loss):				
- Realised	(571,484)	141,999	(213,362)	(51,360)
- Unrealised	583,777	(82,669)	415,474	328,808
Gain/(Loss) on disposal of property, plant and equipment	(1,081)	63	697	6,616
Gain on disposal of intangible assets	-	161	-	161
Rental income	2,871	2,398	11,183	9,720
Other operating income	10,689	8,894	43,123	45,122
Other non-operating income	961	1,626	4,052	2,914
	25,733	72,472	261,167	341,981
	237,457	220,128	917,224	917,301



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A11. Other Operating Expenses

Group	4th Quarter Ended		Twelve Months Ended	
	31 December 2016	Restated 31 December 2015	31 December 2016	Restated 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	341,844	404,904	1,413,065	1,619,930
- Defined contribution plan	46,829	56,411	196,932	223,097
- Career transition scheme	-	-	-	308,801
- Other staff related costs	55,160	52,052	157,251	164,246
	<u>443,833</u>	<u>513,367</u>	<u>1,767,248</u>	<u>2,316,074</u>
Establishment costs				
- Property, plant and equipment:				
- Depreciation	29,856	30,389	119,919	121,094
- Written off	11,089	625	11,285	655
- Intangible assets:				
- Amortisation	18,063	17,057	69,081	71,760
- Written off	12	2,409	12	2,409
- Rental of premises	28,941	38,780	146,746	151,503
- Rental of equipment	3,359	4,559	14,171	14,959
- Insurance	6,444	13,371	28,134	48,144
- Water and electricity	9,491	9,477	36,310	39,734
- Repair and maintenance	10,913	9,689	33,235	35,352
- Security and escorting expenses	12,140	13,764	47,309	49,146
- Information technology expenses	58,320	57,822	209,966	186,741
- Others	3,585	3,374	15,080	14,302
	<u>192,213</u>	<u>201,316</u>	<u>731,248</u>	<u>735,799</u>
Marketing expenses				
- Sales commission	17,709	20,136	73,570	68,781
- Advertisement and publicity	22,235	33,155	58,516	78,010
- Others	24,518	16,923	105,575	94,478
	<u>64,462</u>	<u>70,214</u>	<u>237,661</u>	<u>241,269</u>
Administration and general expenses				
- Communication expenses	55,066	48,458	193,481	166,261
- Legal and professional fee	13,094	7,802	28,054	24,722
- Others	33,829	47,561	140,995	145,589
	<u>101,989</u>	<u>103,821</u>	<u>362,530</u>	<u>336,572</u>
	<u>802,497</u>	<u>888,718</u>	<u>3,098,687</u>	<u>3,629,714</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A11. Other Operating Expenses (continued)

	4th Quarter Ended		Twelve Months Ended	
	31 December 2016	Restated 31 December 2015	31 December 2016	Restated 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Bank				
Personnel costs				
- Salaries, allowances and bonuses	224,985	269,953	953,369	1,094,070
- Defined contribution plan	33,175	40,500	144,023	164,745
- Career transition scheme	-	-	-	270,956
- Other staff related costs	41,457	34,404	117,419	106,434
	<u>299,617</u>	<u>344,857</u>	<u>1,214,811</u>	<u>1,636,205</u>
Establishment costs				
- Property, plant and equipment:				
- Depreciation	21,828	21,096	85,145	83,899
- Written off	8,641	486	8,664	493
- Intangible assets:				
- Amortisation	13,266	12,233	51,180	47,645
- Written off	-	121	-	121
- Rental of premises	16,095	26,718	94,820	104,421
- Rental of equipment	3,192	2,701	12,731	8,521
- Insurance	7,954	14,124	30,216	48,816
- Water and electricity	5,982	6,126	23,728	24,804
- Repair and maintenance	8,268	5,833	24,716	23,600
- Security and escorting expenses	12,063	13,789	47,140	50,462
- Information technology expenses	37,821	30,696	129,850	117,572
	<u>135,110</u>	<u>133,923</u>	<u>508,190</u>	<u>510,354</u>
Marketing expenses				
- Sales commission	15,491	15,519	54,775	49,699
- Advertisement and publicity	20,324	26,091	42,001	52,049
- Others	9,414	(1,519)	39,290	31,782
	<u>45,229</u>	<u>40,091</u>	<u>136,066</u>	<u>133,530</u>
Administration and general expenses				
- Communication expenses	35,325	31,752	120,057	102,168
- Legal and professional fee	17,082	12,153	54,185	47,921
- Others	1,700	12,540	5,856	29,683
	<u>54,107</u>	<u>56,445</u>	<u>180,098</u>	<u>179,772</u>
	<u>534,063</u>	<u>575,316</u>	<u>2,039,165</u>	<u>2,459,861</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

**A12. Allowance for Impairment on Loans,
 Financing and Other Losses**

	4th Quarter Ended		Twelve Months Ended	
	31 December 2016	Restated 31 December 2015	31 December 2016	Restated 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for impaired loans and financing:				
- Individual impairment allowance	260,666	151,807	475,332	235,504
- Collective impairment allowance	65,103	99,708	222,739	197,651
Impaired loans and financing recovered	(70,086)	(65,164)	(272,458)	(265,300)
Impaired loans and financing written off	43,038	44,288	154,323	157,947
Allowance made for impairment on other debtors	10,010	6,929	15,226	17,650
	308,731	237,568	595,162	343,452
Bank				
Allowance for impaired loans and advances:				
- Individual impairment allowance	220,351	147,688	342,931	221,883
- Collective impairment allowance	52,110	73,874	175,942	118,634
Impaired loans and financing recovered	(66,844)	(59,643)	(258,476)	(248,473)
Impaired loans and financing written off	41,149	42,497	145,037	148,624
	246,766	204,416	405,434	240,668



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A13. Financial Assets at Fair Value Through Profit or Loss ('FVTPL')

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
(a) Designated as fair value through profit or loss	202,855	170,314	-	-
(b) Held-for-trading	2,121,868	1,455,823	1,095,862	606,428
	2,324,723	1,626,137	1,095,862	606,428
(a) Financial assets designated as fair value through profit or loss				
<u>Quoted securities:</u>				
In Malaysia				
Unit trusts	51,343	51,583	-	-
<u>Unquoted securities:</u>				
Outside Malaysia				
Private equity funds	151,512	118,731	-	-
	202,855	170,314	-	-
(b) Financial assets held-for-trading				
At fair value				
<u>Money market instruments:</u>				
Malaysian Government Securities	479,119	289,532	479,119	289,532
Malaysian Government Investment Issues	499,148	50,583	488,971	30,335
Cagamas bonds	49,992	60,163	49,992	60,163
Sukuk Perumahan Kerajaan (SPK)	-	48,819	-	48,819
Other foreign government securities	-	84,207	-	84,207
<u>Quoted securities:</u>				
In Malaysia				
Shares, exchange traded funds and warrants	111,710	220,526	-	-
Unit trusts	15,989	1,910	-	-
Corporate bond/sukuk	3,287	3,636	3,287	3,636
Outside Malaysia				
Shares, exchange traded funds and warrants	360,421	103,947	-	-
<u>Unquoted securities:</u>				
In Malaysia				
Corporate bond/sukuk	527,709	538,373	-	40,357
Commercial paper	-	49,379	-	49,379
Outside Malaysia				
Corporate bond/sukuk	74,493	4,748	74,493	-
	2,121,868	1,455,823	1,095,862	606,428



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A13. Financial Assets at Fair Value Through Profit or Loss ('FVTPL') (continued)

In 2008, the Group reclassified a portion of its financial assets FVTPL into financial investments AFS. The reclassification has been accounted for in accordance with Bank Negara Malaysia'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 effects of reclassification on the income statements for the period from the date of reclassification to 31 December 2016 were as follows:

	Group	
	As at	Restated
	31 December	31 December
	2016	2015
	RM'000	RM'000
Reclassified from financial assets FVTPL to financial investments AFS:		
- Carrying amount	15,535	30,188
- Fair value	15,478	30,146
Fair value loss that would have been recognised if the financial assets FVTPL had not been reclassified	(57)	(42)



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A14. Financial Investments Available-For-Sale ('AFS')

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government Securities	1,469,989	1,560,326	1,252,917	1,178,334
Malaysian Government Investment Issues	2,227,247	2,757,496	1,387,257	1,635,735
Cagamas bonds	295,161	343,970	255,143	248,670
Khazanah bonds	48,462	60,365	-	-
Wakala Global Sukuk	115,242	102,010	100,524	87,835
Negotiable instruments of deposits	-	349,010	-	-
Singapore Government Treasury Bills	1,612,515	1,184,564	1,612,515	1,184,564
Singapore Government Securities	283,655	286,214	283,655	286,214
Thailand Government bonds	804,706	358,074	804,706	358,074
Bankers' acceptances and Islamic accepted bills	-	58,458	-	-
Sukuk Perumahan Kerajaan	146,827	230,466	77,907	163,426
Malaysia Sovereign Sukuk	55,161	64,572	55,161	64,572
Other foreign government securities	4,592	30,806	4,592	30,806
<u>Quoted securities:</u>				
In Malaysia				
Shares	284	6,014	-	5,146
Unit trusts	14,263	14,752	-	-
Outside Malaysia				
Shares	7,436	10,252	5,171	8,399
Unit trusts	43,539	28,562	-	-
<u>Unquoted securities:</u>				
In Malaysia				
Corporate bond/sukuk	15,768,760	15,404,565	12,338,330	12,086,496
Shares	645,282	672,480	612,217	572,382
Corporate loan stocks	19,037	18,422	3,425	3,425
Prasarana bonds	258,161	145,188	232,919	120,286
Perpetual notes/sukuk	490,103	286,117	187,507	85,530
Outside Malaysia				
Corporate bond/sukuk	1,279,066	1,040,551	865,762	171,721
Shares	408	387	-	-
	25,589,896	25,013,621	20,079,708	18,291,615
Accumulated impairment losses	(480,234)	(274,825)	(387,633)	(125,337)
	25,109,662	24,738,796	19,692,075	18,166,278

Included in financial investments AFS of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM62,120,000 (2015: RM188,814,000) and RM62,120,000 (2015: RM Nil) respectively.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A15. Financial Investments Held-To-Maturity ('HTM')

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government Securities	2,236,862	2,239,247	2,216,567	2,218,877
Malaysian Government Investment Issues	5,037,022	5,366,226	4,388,725	4,478,120
Cagamas bonds	1,097,100	1,357,117	947,006	1,296,497
Khazanah bonds	101,094	106,368	69,103	66,033
Negotiable instruments of deposits	4,702,294	2,222,850	3,807,060	3,073,064
Wakala Global Sukuk	33,663	306,836	23,853	297,683
Sukuk Perumahan Kerajaan	111,125	111,147	101,155	101,190
Singapore Government Securities	62,630	61,267	62,630	61,267
Thailand Government Securities	13,674	163,746	13,674	163,746
Sukuk (Brunei) Incorporation	46,598	45,582	46,598	45,582
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Corporate bond/sukuk	7,644,677	7,737,849	6,000,343	6,231,048
Corporate loan stocks	57,353	62,607	29,849	34,174
Prasarana bonds	254,101	808,227	233,870	767,840
Credit link notes	30,047	30,043	-	-
<u>Outside Malaysia</u>				
Corporate bond/sukuk	146,844	147,959	146,844	147,479
	21,575,084	20,767,071	18,087,277	18,982,600
Accumulated impairment losses	(209,981)	(234,835)	(101,165)	(106,292)
	21,365,103	20,532,236	17,986,112	18,876,308

Included in financial investments HTM of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM300,000,000 (2015: RM4,865,000,000) and RM2,660,000,000 (2015: RM4,865,000,000) respectively.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A16. Loans, Advances and Financing

(a) By type

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
At amortised cost				
Overdrafts	6,340,264	6,311,063	5,637,288	5,779,074
Term loans/financing				
- Housing loans/financing	43,719,962	38,503,221	34,519,131	30,786,626
- Syndicated term loans/financing	7,656,204	7,353,366	3,873,291	3,360,493
- Hire purchase receivables/financing	9,911,076	11,697,202	4,277,547	5,766,195
- Lease receivables	9,653	20,357	-	-
- Other term loans/financing	68,480,261	68,644,288	51,034,477	52,263,715
Bills receivables	2,404,180	2,450,943	1,610,897	2,008,555
Trust receipts	668,038	802,714	653,267	785,100
Claims on customers under acceptance credits	3,641,348	3,687,879	3,641,348	3,687,879
Staff loans/financing	170,933	198,233	153,053	181,641
Credit/charge card receivables	2,032,899	1,978,968	1,758,367	1,727,698
Revolving credits/financing	9,434,578	9,738,150	6,474,842	6,142,802
Gross loans, advances and financing	154,469,396	151,386,384	113,633,508	112,489,778
Fair value changes arising from fair value hedges	13,072	(11,158)	4,112	566
	154,482,468	151,375,226	113,637,620	112,490,344
Allowance for impaired loans, advances and financing:				
- Individual impairment allowance	(999,328)	(593,147)	(817,539)	(545,521)
- Collective impairment allowance	(1,132,836)	(1,202,106)	(866,430)	(953,269)
Net loans, advances and financing	152,350,304	149,579,973	111,953,651	110,991,554

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 RM3,506,645,000 (2015: RM3,057,518,000) and RM2,715,407,000 (2015: RM2,080,525,000) respectively.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A16. Loans, Advances and Financing (continued)

(b) By type of customer

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Domestic non-bank financial institutions:				
- Others	3,996,874	2,096,562	948,135	846,420
Domestic business enterprises:				
- Small medium enterprises	25,154,454	22,598,253	22,411,410	20,114,429
- Others	30,122,281	33,678,193	19,764,225	22,458,712
Government and statutory bodies	5,476,853	5,370,404	2,388,962	2,014,417
Individuals	70,238,753	68,212,126	52,882,295	52,243,895
Other domestic entities	131,022	144,371	27,280	37,924
Foreign entities	19,349,159	19,286,475	15,211,201	14,773,981
	154,469,396	151,386,384	113,633,508	112,489,778

(c) By geographical distribution

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Malaysia	134,338,438	131,237,797	99,351,878	98,968,653
Labuan Offshore	3,282,900	4,246,116	-	-
Singapore	13,025,998	12,715,681	12,942,011	12,493,180
Thailand	1,439,806	1,065,947	1,184,501	881,594
Brunei	155,118	146,351	155,118	146,351
Indonesia	52,511	28,977	-	-
Hong Kong	368,798	358,550	-	-
Cambodia	1,622,419	1,484,137	-	-
Lao	183,408	102,828	-	-
	154,469,396	151,386,384	113,633,508	112,489,778



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A16. Loans, Advances and Financing (continued)

(d) By interest/profit rate sensitivity

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Fixed rate				
- Housing loans/financing	1,289,823	1,515,718	764,614	929,289
- Hire purchase receivables/financing	9,911,076	11,697,202	4,277,547	5,766,195
- Other fixed rate loans/financing	16,441,425	18,021,189	7,760,099	8,404,429
Variable rate				
- Base lending/financing rate plus	73,279,049	70,835,309	52,992,455	54,202,540
- Cost-plus	35,602,267	36,183,664	33,655,563	35,789,522
- Other variable rates	17,945,756	13,133,302	14,183,230	7,397,803
	154,469,396	151,386,384	113,633,508	112,489,778

(e) By purpose

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Purchase of securities	12,222,870	14,440,659	10,238,473	12,251,051
Purchase of transport vehicles	9,181,216	10,853,772	3,369,743	4,608,555
Purchase of landed property:				
- Residential	42,894,096	37,866,118	34,014,640	30,416,766
- Non-residential	15,185,536	12,849,551	12,600,114	10,937,551
Purchase of property, plant and equipment other than land and building	3,533,786	3,951,869	2,554,979	2,986,719
Personal use	8,387,583	8,331,723	6,224,656	6,431,686
Credit card	2,032,899	1,978,968	1,758,367	1,727,698
Purchase of consumer durables	55,829	37,787	22,311	25,174
Construction	6,815,337	5,803,757	5,458,478	4,780,432
Working capital	37,181,494	37,775,816	27,033,966	27,530,495
Merger and acquisition	2,581,065	3,172,991	705,163	1,494,108
Other purposes	14,397,685	14,323,373	9,652,618	9,299,543
	154,469,396	151,386,384	113,633,508	112,489,778



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A16. Loans, Advances and Financing (continued)

(f) By remaining contractual maturities

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	45,740,764	47,115,707	39,006,800	40,535,574
One year to three years	8,781,255	9,240,476	4,736,823	4,985,007
Three years to five years	16,342,012	15,372,854	8,927,185	8,400,252
Over five years	83,605,365	79,657,347	60,962,700	58,568,945
	154,469,396	151,386,384	113,633,508	112,489,778

(g) Impaired loans, advances and financing

(i) Movement in impaired loans, advances and financing

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of financial year				
- As previously reported	2,723,068	2,729,581	2,333,889	2,393,693
- Effect of predecessor accounting on acquisition of subsidiaries	118,143	162,786	-	-
- As restated	2,841,211	2,892,367	2,333,889	2,393,693
Classified as impaired	4,661,442	4,070,140	3,373,527	3,344,473
Reclassified as non-impaired	(2,228,423)	(2,468,834)	(1,875,566)	(2,041,945)
Amount recovered	(1,020,258)	(1,093,995)	(674,421)	(867,658)
Amount written off	(532,350)	(581,340)	(473,573)	(516,278)
Transfer from financial investments HTM	3,589	-	3,589	-
Exchange differences	24,738	22,873	15,876	21,604
Balance as at the end of financial year	3,749,949	2,841,211	2,703,321	2,333,889



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A16. Loans, Advances and Financing (continued)

(g) Impaired loans, advances and financing (continued)

(ii) By purpose

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	220,280	122,487	99,429	90,248
Purchase of transport vehicles	121,974	135,530	67,784	83,268
Purchase of landed property:				
- Residential	761,214	788,011	601,381	655,149
- Non-residential	221,882	181,580	134,710	98,893
Purchase of property, plant and equipment other than land and building	41,685	48,212	28,424	23,014
Personal use	168,615	164,915	163,746	162,115
Credit card	36,182	37,233	30,819	31,469
Purchase of consumer durables	1,387	868	1,387	868
Construction	454,234	108,541	287,346	96,488
Working capital	1,671,782	1,178,142	1,264,066	1,063,770
Other purposes	50,714	75,692	24,229	28,607
	3,749,949	2,841,211	2,703,321	2,333,889

(iii) By geographical distribution

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	2,597,474	2,539,116	2,148,122	2,059,963
Labuan Offshore	481,559	12,728	-	-
Singapore	516,184	235,737	515,828	235,057
Thailand	29,365	25,792	29,365	25,792
Brunei	10,006	13,077	10,006	13,077
Cambodia	39,630	12,853	-	-
Hong Kong	73,007	1,908	-	-
Lao	2,724	-	-	-
	3,749,949	2,841,211	2,703,321	2,333,889



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A16. Loans, Advances and Financing (continued)

(g) Impaired loans, advances and financing (continued)

(iv) Movement in allowance for impaired loans, advances and financing

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Individual impairment allowance				
Balance as at the beginning of financial year				
- As previously reported	580,846	409,674	545,521	382,769
- Effect of predecessor accounting on acquisition of subsidiaries	12,301	7,558	-	-
- As restated	593,147	417,232	545,521	382,769
Net allowance made	475,332	235,504	342,931	221,883
Transfer from impairment of financial investments HTM	2,570	-	2,570	-
Amount written off	(89,043)	(69,249)	(80,445)	(67,231)
Exchange differences	17,322	9,660	6,962	8,100
Balance as at the end of financial year	999,328	593,147	817,539	545,521
Collective impairment allowance				
Balance as at the beginning of financial year				
- As previously reported	1,220,307	1,346,884	953,269	1,130,978
- Effect of predecessor accounting on acquisition of subsidiaries	(18,201)	10,050	-	-
- As restated	1,202,106	1,356,934	953,269	1,130,978
Net allowance made	222,739	197,651	175,942	118,634
Amount written off	(294,093)	(365,182)	(264,621)	(301,043)
Exchange differences	2,084	12,703	1,840	4,700
Balance as at the end of financial year	1,132,836	1,202,106	866,430	953,269

A17. Other Assets

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Other receivables	852,326	681,516	303,092	274,340
Cash collateral in relation to derivative transactions	1,877,347	1,615,589	1,865,918	1,541,069
Deposits	99,186	98,786	52,230	50,968
Prepayments	87,692	80,836	53,930	44,416
Amount due from former holding company	-	1,976	-	1,976
Amounts due from subsidiaries	-	-	852,123	306,738
	2,916,551	2,478,703	3,127,293	2,219,507



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A18. Deposits from Customers

(a) By type of deposits

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Demand deposits	33,165,717	29,472,045	29,370,827	26,018,417
Savings deposits	9,297,898	8,459,822	7,902,328	7,203,311
Fixed/investment deposits	123,240,100	120,193,672	90,373,485	90,004,947
Negotiable instruments of deposits	105,652	32,301	102,412	24,041
	<u>165,809,367</u>	<u>158,157,840</u>	<u>127,749,052</u>	<u>123,250,716</u>

(b) By type of customer

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	8,445,695	10,651,504	4,434,553	5,949,423
Business enterprises	99,882,034	97,023,297	73,015,936	72,253,406
Individuals	52,141,762	45,392,366	45,563,899	40,528,199
Other financial institutions	5,339,876	5,090,673	4,734,664	4,519,688
	<u>165,809,367</u>	<u>158,157,840</u>	<u>127,749,052</u>	<u>123,250,716</u>

(c) By maturity structure of fixed/investment deposits and negotiable instruments of deposits

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Due within six months	102,175,215	102,088,305	73,488,738	75,204,748
Six months to one year	20,565,574	16,572,590	16,526,532	13,293,831
One year to three years	577,235	1,532,750	433,349	1,498,917
Three years to five years	27,728	32,328	27,278	31,492
	<u>123,345,752</u>	<u>120,225,973</u>	<u>90,475,897</u>	<u>90,028,988</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A19. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Licensed banks	16,652,234	15,456,428	21,538,426	18,133,895
Licensed Islamic banks	4,179,222	1,853,985	1,845	-
Licensed investments banks	350,913	1,008,216	563,423	687,169
Bank Negara Malaysia	586,468	545,216	582,578	544,066
Other financial institutions	931,779	1,782,015	574	574
	22,700,616	20,645,860	22,686,846	19,365,704

A20. Other Liabilities

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	1,161,611	1,066,276	534,731	547,102
Deferred income	140,908	170,305	84,000	100,800
Short term employee benefits	345,597	362,078	222,419	225,555
Accrual for operational expenses	186,149	192,396	136,727	104,733
Prepaid instalments	58,814	67,846	58,814	66,197
Cash collateral pledged for derivative transactions	625,396	224,721	625,396	224,721
Remisiers' trust deposits	60,060	62,824	-	-
Amount due to trust funds	25,792	23,783	-	-
Amount due to former holding company	-	4,504,225	-	4,504,225
Amounts due to subsidiaries	-	-	73,433	73,321
Puttable instruments	68,705	-	-	-
	2,673,032	6,674,454	1,735,520	5,846,654



**RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

A21. Segmental 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 its Management Committee as its chief operating decision-maker.

Following the change in the composition of the Group arising from the Internal Reorganisation as disclosed in Note B11, two new business groups have been added to the Group, namely the investment banking and insurance business which have been grouped under the Group Corporate Banking and Group Investment Banking ('CBIB') and Group Retail Banking segment respectively.

With effect from 1 July 2016, the Group has further enhanced its organisational structure with the establishment of Group Wholesale Banking ('GWB'), to enable the Group to serve corporate clients better across all products and strengthen its regional footprint. The business pillars under GWB comprise (i) Group Corporate Banking and Group Investment Banking; and (ii) Group Treasury and Global Markets.

Comparative segment information has been restated accordingly in conformity with the changes to the reportable business segments as mentioned above.

The Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure:

(a) Group Retail Banking

Group 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 general and takaful insurance products.

(b) Group Business Banking

Group Business Banking caters for funding needs as well as deposit collection from small and medium sized enterprises and wholesale clients.

(c) Group Wholesale Banking

(i) Group Corporate Banking and Group Investment Banking

Group Corporate Banking caters to 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 Group 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.

Group Investment Banking provides services for advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, corporate and debt restructuring, mergers and acquisitions, private placements, underwriting and structuring of bilateral lending, project financing, loans syndication, infrastructure financing, initial public offerings of equity related instruments, private placements and underwriting. This segment also covers facilities for equity share trading in local and foreign markets, share margin financing, futures broking products and services, custodian and nominee services, investment cash management and unit trust funds.

This segment also offers stockbroking and investment banking products and services to the Group's regional customers in Singapore, Hong Kong, Indonesia, and Thailand.



**RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

A21. Segmental Reporting (continued)

The Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure (continued):

- (c) Group Wholesale Banking (continued)
 - (ii) Group Treasury and Global Markets

Group Treasury and Global Markets 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.

- (d) 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.

- (e) Support Center and Others

Support Center and 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.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A21. Segmental Reporting (continued)

Twelve months ended 31 December 2016

	←——— GWB ———→							
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Inter- Segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,441,235	970,299	1,537,835	1,063,854	599,525	(419,555)	-	6,193,193
Inter-segment revenue	36,977	-	74,968	(52,615)	12,187	20	(71,537)	-
Segment revenue	<u>2,478,212</u>	<u>970,299</u>	<u>1,612,803</u>	<u>1,011,239</u>	<u>611,712</u>	<u>(419,535)</u>	<u>(71,537)</u>	<u>6,193,193</u>
Other operating expenses	(1,269,503)	(481,707)	(906,413)	(109,314)	(373,404)	(29,883)	71,537	(3,098,687)
Including:								
- Depreciation of property, plant and equipment	(63,767)	(11,747)	(27,721)	(2,327)	(14,050)	(307)	-	(119,919)
- Amortisation of intangible assets	(27,107)	(13,641)	(17,198)	(4,497)	(6,638)	-	-	(69,081)
Allowance for impairment on loans, financing and other losses	(150,518)	(41,970)	(173,542)	(14,072)	(218,228)	3,168	-	(595,162)
Impairment losses made on other assets	-	-	(7,042)	(5,933)	(253,082)	(2,170)	-	(268,227)
Segment profit/(loss)	<u>1,058,191</u>	<u>446,622</u>	<u>525,806</u>	<u>881,920</u>	<u>(233,002)</u>	<u>(448,420)</u>	<u>-</u>	<u>2,231,117</u>
Share of results of joint ventures								724
Profit before taxation								<u>2,231,841</u>
Taxation								<u>(544,253)</u>
Net profit for the financial year								<u><u>1,687,588</u></u>



**RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

A21. Segmental Reporting (continued)

As at 31 December 2016

	←— GWB —→						
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	72,066,503	22,272,314	59,336,499	51,192,526	30,132,007	714,426	235,714,275
Investments in associates and joint ventures							49,537
Tax recoverable							246,895
Deferred tax assets							100,611
Unallocated assets							567,511
Total assets							<u>236,678,829</u>
Segment liabilities	45,139,824	22,611,713	57,013,031	52,719,015	24,084,365	73,379	201,641,327
Tax liabilities							57,329
Deferred tax liabilities							3,194
Borrowings							972,030
Subordinated obligations							5,543,358
Hybrid Tier-I Capital Securities							602,143
Senior debt securities							5,856,389
Unallocated liabilities							229,192
Total liabilities							<u>214,904,962</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A21. Segmental Reporting (continued)

Twelve months ended 31 December 2015 - Restated

	← GWB →							
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Inter- Segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,449,181	937,991	1,723,373	992,268	552,414	(480,526)	-	6,174,701
Inter-segment revenue	41,597	-	5,966	170	11,595	47,765	(107,093)	-
Segment revenue	2,490,778	937,991	1,729,339	992,438	564,009	(432,761)	(107,093)	6,174,701
Other operating expenses	(1,356,989)	(529,794)	(1,035,362)	(131,065)	(355,867)	(327,730)	107,093	(3,629,714)
Including:								
- Depreciation of property, plant and equipment	(63,604)	(7,988)	(26,753)	(2,882)	(12,888)	(6,979)	-	(121,094)
- Amortisation of intangible assets	(27,494)	(12,243)	(20,840)	(4,848)	(6,335)	-	-	(71,760)
- Career transition scheme	-	-	-	-	-	(308,801)	-	(308,801)
Allowance for impairment on loans, financing and other losses	(27,267)	(101,021)	(136,650)	(8,461)	(70,701)	648	-	(343,452)
Impairment losses written back on other assets	12	23	15,427	32,976	312	-	-	48,750
Segment profit/(loss)	1,106,534	307,199	572,754	885,888	137,753	(759,843)	-	2,250,285
Share of results of joint ventures								299
Profit before taxation								2,250,584
Taxation								(582,032)
Net profit for the financial year								1,668,552



**RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

A21. Segmental Reporting (continued)

As at 31 December 2015 - Restated

	←— GWB —→						
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	69,959,066	19,859,869	57,628,793	52,333,839	26,864,016	673,959	227,319,542
Investments in associates and joint ventures							15,764
Tax recoverable							166,052
Deferred tax assets							114,228
Unallocated assets							322,761
Total assets							<u>227,938,347</u>
Segment liabilities	42,179,978	21,905,201	50,772,027	60,357,533	19,464,164	54,916	194,733,819
Tax liabilities							37,238
Deferred tax liabilities							11,332
Borrowings							788,250
Subordinated obligations							5,895,786
Hybrid Tier-I Capital Securities							601,856
Senior debt securities							3,451,380
Unallocated liabilities							4,726,199
Total liabilities							<u>210,245,860</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A22. Valuation of Property, Plant and Equipment

The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

A23. Event Subsequent to Balance Sheet Date

There is no significant event subsequent to the balance sheet date that has not been reflected in the financial statements other than the following:

(a) Proposed transfer of certain businesses of RHB Investment Bank to the Bank

The Bank and its wholly-owned subsidiary, RHB Investment Bank are proposing to undertake an internal reorganisation which includes the following:

- (i) Proposed Transfer of Treasury Business;
- (ii) Proposed Transfer of Structured Lending Business;
- (iii) Proposed Transfer of Private Equity Group; and
- (iv) Proposed Capital Repayment.

(collectively, to be referred to as the "Proposals")

The Proposed Transfer of Treasury Business and Proposed Transfer of Structured Lending Business entail the transfer of certain portion of the treasury business and all assets and liabilities under the structured lending business of RHB Investment Bank to the Bank by way of a business transfer scheme pursuant to Section 100 of the Financial Services Act, 2013 ('FSA') and the Order of the High Court of Malaya pursuant to Sections 102 and 104 of the FSA.

The Proposed Transfer of Private Equity Group entails the transfer of the entire issued and paid-up share capital of RHB Private Equity Holdings Sdn Bhd ('RHBPE'), a wholly-owned subsidiary of RHB Investment Bank to the Bank via a share sale agreement.

Subject to the completion of the Proposed Transfer of Treasury Business, Proposed Transfer of Structured Lending Business, Proposed Transfer of Private Equity Group and RHB Investment Bank having obtained all requisite approvals, RHB Investment Bank shall undertake a capital repayment exercise via a reduction of the issued and paid-up share capital and share premium account pursuant to Sections 60(2) and 64 of the Companies Act, 1965 ('Act').

The rationale for the Proposals are as follows:

- (i) The Proposed Transfer of Treasury Business, Proposed Transfer of Structured Lending Business and Proposed Transfer of Private Equity Group will enable the optimisation of operations of RHB Group and are expected to achieve business and operational synergies, economies of scale in resource utilisation and cost savings;
- (ii) The Proposed Transfer of Structured Lending Business enables the business unit to leverage on the established clientele base and resources in the Bank to market its services;
- (iii) With a larger capital base, the Bank is able to support relatively more capital intensive businesses (i.e. Private Equity). This would provide a greater platform for RHBPE to undertake more investment opportunities in the future; and
- (iv) The Proposed Capital Repayment reflects the continuous effort of the Bank to achieve an efficient capital structure.

The Proposed Transfer of Treasury Business, Proposed Transfer of Structured Lending Business and Proposed Transfer of Private Equity Group are not inter-conditional upon each other and are not conditional upon the Proposed Capital Repayment. However, the Proposed Capital Repayment will only be implemented if at least one of the Proposed Transfer of Treasury Business, Proposed Transfer of Structured Lending Business and Proposed Transfer of Private Equity Group is implemented.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A23. Event Subsequent to Balance Sheet Date (continued)

(a) Proposed transfer of certain businesses of RHB Investment Bank to the Bank (continued)

Approval from Bank Negara Malaysia ('BNM') for the Proposals has been obtained on 6 January 2017. The Proposals are now subject to the following approvals being obtained:

- (i) sanction of the High Court of Malaya pursuant to Sections 102 and 104 of the FSA for the Proposed Transfer of Treasury Business and Proposed Transfer of Structured Lending Business;
- (ii) sanction of the High Court of Malaya pursuant to Sections 60(2) and 64 of the Act for the reduction of RHB Investment Bank's share capital and share premium pursuant to the Proposed Capital Repayment;
- (iii) approvals of the lenders of RHB Investment Bank and RHBPE Group, if required; and
- (iv) approvals, waivers and/or consents of any other relevant authorities and/or parties, if required.

A24. Changes in the Composition of the Group

Changes to the composition of the Group for the financial year ended 31 December 2016 are as follows:

- (a) Following the completion of the acquisition of the identified subsidiaries from the former holding company, RHB Capital on 14 April 2016 under the Group Internal Reorganisation as disclosed in Note B11, the following have effectively become subsidiaries, associates and joint ventures of the Bank on even date:
 - (i) RHB Investment Bank and all its subsidiaries, associates and joint ventures;
 - (ii) RHB Insurance Berhad;
 - (iii) RHB Finexasia.Com Sdn Bhd and its subsidiary, RHB Stock188.Com Sdn Bhd (formerly known as RHB OSK Stock188.Com Sdn Bhd)
 - (iv) RHB Capital (Jersey) Limited and its subsidiary, RHB (Philippines) Inc.;
 - (v) RHB Kawal Sdn Bhd
 - (vi) RHBF Sdn Bhd
 - (vii) RHB Equities Sdn Bhd
 - (viii) Malaysian Trustees Berhad; and
 - (ix) RHB Trustees Berhad.
- (b) RHB Investment Bank has acquired effective control in RHB Entrepreneur Fund ('Fund'), via:
 - (i) injection of capital amounting to SGD5,000,000, equivalent to RM15,325,000 on 22 January 2016; and
 - (ii) additional capital injection of SGD15,000,000, equivalent to RM45,105,000 on 15 March 2016.

The Group has consolidated the Fund as a subsidiary as the Group is deemed to have control in accordance with MFRS 10 'Consolidated Financial Statements'. The effective equity interest held by the Group is at 49.09% as at 31 December 2016.

- (c) RHB Investment Bank has on 12 August 2016, disposed its entire equity interest in RHB Resources Fund, a fund that was deemed as subsidiary in accordance with MFRS 10, for a cash consideration of RM5.5 million.
- (d) The Bank has on 18 November 2016, injected additional capital of RM100 million into its wholly-owned subsidiary, RHB Islamic Bank Berhad ('RHB Islamic Bank'). As a result, the paid up share capital of RHB Islamic Bank increased from RM1,173,424,002 to, RM1,273,424,002.
- (e) RHB Nominees Hong Kong Limited, an indirect wholly-owned subsidiary of the Bank, has been dissolved upon its deregistration on 25 November 2016 pursuant to Section 751(3) of the Hong Kong Companies Ordinance, Chapter 622.
- (f) During the current financial year, RHBPE, a wholly owned subsidiary of RHB Investment Bank has subscribed for RM45 million Redeemable Convertible Preference Shares in Satin Straits Sdn Bhd ('Satin Straits'). The Group has accounted for Satin Straits as an associate as the Group is deemed to have significant influence in accordance with MFRS 128 'Investment in Associates and Joint Ventures'.

Other than the above, there are no significant changes in the composition of the Group for the financial year ended 31 December 2016.

RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A25. Changes In Contingent Liabilities Since The Last Annual Statements Of Financial Position

(a) Commitments and Contingencies

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

The commitments and contingencies comprise the following:

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Direct credit substitutes	1,958,320	2,351,962	2,308,064	2,325,282
Transaction-related contingent items [#]	4,974,915	5,148,273	4,527,903	4,566,341
Short term self-liquidating trade-related contingencies	965,839	1,773,990	955,407	1,757,633
Obligations under underwriting agreements	76,000	76,000	-	-
Lending of banking subsidiaries' securities or the posting of securities as collateral by banking subsidiaries, including instances where these arise out of repo-style transactions	307,856	5,212,499	2,743,442	5,017,446
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	2,821,168	2,903,165	641,526	1,034,773
- Maturity exceeding one year	22,964,647	28,915,696	17,546,299	24,504,613
Foreign exchange related contracts [^]				
- Less than one year	93,465,618	67,040,910	93,922,890	66,657,554
- One year to less than five years	7,442,666	13,240,884	7,442,666	13,251,212
- More than five years	1,175,060	541,189	1,175,060	541,189
Equity related contracts [^]				
- Less than one year	14,368	315	-	-
Interest rate related contracts [^]				
- Less than one year	11,067,109	8,067,611	11,292,108	8,817,611
- One year to less than five years	26,387,742	31,884,672	28,347,742	34,069,672
- More than five years	3,500,545	2,077,995	3,500,545	2,077,995
Any commitments that are unconditionally cancelled at any time by the Bank and the banking subsidiaries without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	19,068,447	16,842,660	16,332,017	14,102,852
	196,190,300	186,077,821	190,735,669	178,724,173

[#] Included in transaction-related contingent items are financial guarantee contract of the Group and the Bank amounting to RM4,974,915,000 (2015: RM5,148,273,000) and RM4,527,903,000 (2015: RM4,566,341,000) 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.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A25. Changes In Contingent Liabilities Since The Last Annual Statements Of Financial Position (continued)

(b) Guarantees Issued by the Group and the Bank

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Corporate guarantee provided to licensed banks for facilities granted to subsidiaries	390,957	207,732	362,037	-
Corporate guarantee issued in favour of Monetary Authority of Singapore in relation to undertaking of subsidiaries	155,302	-	-	-
	546,259	207,732	362,037	-

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

A26. Capital Commitments

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Capital expenditure for property, plant and equipment:				
- Authorised and contracted for	223,849	177,638	188,126	132,303
- Authorised but not contracted for	228,247	300,694	167,843	244,353
	452,096	478,332	355,969	376,656



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A27. Capital Adequacy Ratio

BNM Guidelines on capital adequacy requires the Group, the Bank and the banking subsidiaries 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 Limited ('RHB Indochina Bank'), a wholly owned subsidiary of the Bank is subject to National Bank of Cambodia's capital adequacy requirements.

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank [@]	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Common Equity Tier I ('CET I')/Tier I Capital				
Paid-up ordinary share capital	4,010,045	3,460,585	4,010,045	3,460,585
Share premium	2,984,058	478,517	2,984,058	478,517
Retained profits	7,987,701	7,660,143	7,228,090	7,099,976
Other reserves	5,857,844	5,277,191	4,399,075	3,994,464
AFS reserves	82,091	127,924	113,451	154,358
	20,921,739	17,004,360	18,734,719	15,187,900
Less:				
Goodwill	(2,633,383)	(2,633,382)	(905,519)	(905,519)
Intangible assets (include associated deferred tax liabilities)	(370,192)	(295,381)	(316,088)	(239,193)
Net deferred tax assets	(120,584)	(126,730)	(74,772)	(80,227)
55% of cumulative gains of financial investments AFS	(45,150)	(70,358)	(62,398)	(84,897)
Shortfall of eligible provisions to expected losses under the IRB approach	(308,827)	(92,942)	(300,089)	(124,232)
Investments in subsidiaries*	(91,176)	(47,275)	(3,084,205)	(2,016,137)
Other deductions [#]	(85,550)	(77,466)	(82,630)	(76,619)
Total CET I Capital	17,266,877	13,660,826	13,909,018	11,661,076
Hybrid Tier-I Capital Securities**	360,000	420,000	360,000	420,000
Qualifying non-controlling interests recognised as Tier I Capital	11,677	193	-	-
Total Tier I Capital	17,638,554	14,081,019	14,269,018	12,081,076
Tier II Capital				
Subordinated obligations***	2,400,000	2,800,000	2,400,000	2,800,000
Subordinated obligations meeting all inclusion	1,499,641	1,499,544	1,499,641	1,499,544
Qualifying capital instruments of a subsidiary issued to third parties ⁺	539,456	526,581	-	-
Collective impairment allowance and regulatory reserves [^]	533,379	530,578	277,357	333,007
	4,972,476	5,356,703	4,176,998	4,632,551
Less:				
Investments in subsidiaries*	(60,783)	(70,913)	(2,056,137)	(3,024,206)
Total Tier II Capital	4,911,693	5,285,790	2,120,861	1,608,345
Total Capital	22,550,247	19,366,809	16,389,879	13,689,421



**RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

A27. Capital Adequacy Ratio (continued)

	Group		Bank [@]	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	13.328%	10.711%	13.321%	10.862%
Tier I Capital Ratio	13.614%	11.040%	13.666%	11.253%
Total Capital Ratio	17.406%	15.184%	15.697%	12.752%
After proposed dividends:				
CET I Capital Ratio	13.111%	10.268%	13.052%	10.336%
Tier I Capital Ratio	13.398%	10.597%	13.397%	10.727%
Total Capital Ratio	17.189%	14.741%	15.428%	12.225%

[@] The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.

^{*} 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 37.11 of the BNM's Capital Adequacy Framework (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 37.7 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 37.7 of the BNM's Capital Adequacy Framework (Capital Components).

⁺ Qualifying subordinated sukuk that are recognised as Tier-II capital instruments held by third parties as prescribed under paragraph 17.6 of the BNM's Guidelines on Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.

[^] 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 and the Bank of RM283,467,000 (2015: RM250,478,000) and RM165,135,000 (2015: RM139,361,000) respectively.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A27. Capital Adequacy Ratio (continued)

(b) The capital adequacy ratios of RHB Islamic Bank and RHB Investment Bank are as follows:

	RHB Islamic Bank		RHB Investment Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
CET I/Tier I Capital				
Paid-up ordinary share capital	1,273,424	1,173,424	818,646	818,646
Share premium	-	-	1,515,150	1,515,150
Retained profits	766,058	520,625	351,586	303,449
Other reserves	762,388	681,192	449,208	433,295
AFS reserves	(31,944)	(39,195)	7,850	(5,149)
	2,769,926	2,336,046	3,142,440	3,065,391
Less:				
Goodwill	-	-	(1,118,418)	(1,118,418)
Investments in subsidiaries, associates and joint ventures*	-	-	(915,469)	(588,970)
Intangible assets (include associated deferred tax liabilities)	-	(687)	(27,086)	(25,530)
Net deferred tax assets	(25,748)	(16,840)	(7,919)	(21,063)
55% of cumulative gains of financial investments AFS	-	-	(4,318)	-
Reduction in excess of Tier II Capital due to insufficient Tier II Capital [†]	-	-	(151,853)	(322,564)
Other deductions [#]	(2,891)	(763)	(29)	(84)
Total CET I Capital/Tier I Capital	2,741,287	2,317,756	917,348	988,762
Tier II Capital				
Subordinated sukuk	500,000	500,000	-	-
Subordinated obligations**	-	-	245,000	345,000
Subordinated obligations meeting all relevant criteria	-	-	200,000	200,000
Collective impairment allowance and regulatory reserves [^]	290,408	248,696	13,460	15,890
	790,408	748,696	458,460	560,890
Less:				
Investments in subsidiaries, associates and joint ventures*	-	-	(458,460)	(560,890)
Total Tier II Capital	790,408	748,696	-	-
Total Capital	3,531,695	3,066,452	917,348	988,762
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	10.868%	11.041%	29.623%	22.917%
Tier I Capital Ratio	10.868%	11.041%	29.623%	22.917%
Total Capital Ratio	14.002%	14.608%	29.623%	22.917%
After proposed dividends:				
CET I Capital Ratio	10.868%	11.041%	29.623%	22.917%
Tier I Capital Ratio	10.868%	11.041%	29.623%	22.917%
Total Capital Ratio	14.002%	14.608%	29.623%	22.917%



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A27. Capital Adequacy Ratio (continued)

- * 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 37.11 of the BNM's Capital Adequacy Framework (Capital Components).
- + The remaining portion of regulatory adjustments not deducted in the calculation of Tier II capital shall be deducted in the next higher tier of capital as prescribed under paragraph 31.1 of the BNM's Capital Adequacy Framework (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.
- ** 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 37.7 of the BNM's Capital Adequacy Framework (Capital Components).
- ^ 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 and financing of RHB Islamic Bank and RHB Investment Bank of RM158,516,000 (2015: RM140,615,000) and RM13,008,000 (2015: RM13,405,000) respectively.

(c) The breakdown of risk-weighted assets in the various categories of risk-weights are as follows;

	Group	Bank[@]	RHB Islamic Bank	RHB Investment Bank
	RM'000	RM'000	RM'000	RM'000
31 December 2016				
Credit risk	113,882,724	92,398,972	23,958,399	1,269,201
Market risk	4,846,916	3,733,756	63,426	676,232
Operational risk	10,828,115	8,283,570	1,200,381	1,151,279
Total risk-weighted assets	<u>129,557,755</u>	<u>104,416,298</u>	<u>25,222,206</u>	<u>3,096,712</u>
	Restated Group	Restated Bank[@]	RHB Islamic Bank	RHB Investment Bank
	RM'000	RM'000	RM'000	RM'000
31 December 2015				
Credit risk	113,854,996	96,035,586	19,895,738	2,640,434
Market risk	3,614,236	3,086,116	61,645	469,440
Operational risk	10,076,575	8,233,562	1,032,842	1,204,734
Total risk-weighted assets	<u>127,545,807</u>	<u>107,355,264</u>	<u>20,990,225</u>	<u>4,314,608</u>

[@] The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.

The total risk-weighted assets of the Group and Bank are computed based on BNM's Guideline on Risk Weighted Capital Adequacy Framework: IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

The total risk-weighted assets of RHB Islamic Bank are computed based on BNM's Capital Adequacy Framework for Islamic Banks ('CAFIB'): Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

The total risk-weighted assets of RHB Investment Bank are computed based on BNM's Guideline on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A27. Capital Adequacy Ratio (continued)

(d) The capital adequacy ratios of RHB Indochina Bank are as follows:

	As at 31 December 2016 RM'000	As at 31 December 2015 RM'000
Before proposed dividends:		
Core capital ratio	#	#
Solvency ratio	17.002%	16.884%
After proposed dividends:		
Core capital ratio	#	#
Solvency ratio	17.002%	16.884%

The Solvency Ratio of RHB Indochina Bank 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 RHB Indochina Bank'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.

A28. Credit exposures arising from transactions with connected parties

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

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
Outstanding credit exposures with connected parties (RM'000)	<u>7,094,156</u>	<u>7,825,016</u>	<u>8,472,131</u>	<u>10,575,048</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<u>3.78</u>	<u>4.24</u>	<u>6.02</u>	<u>7.63</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default (%)	<u>0.29</u>	<u>0.05</u>	<u>0.24</u>	<u>0.02</u>

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.



**RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

A29. Operations of Islamic Banking

(a) Statement of Financial Position as at 31 December 2016

	Group	
	As at 31 December 2016 RM'000	As at 31 December 2015 RM'000
ASSETS		
Cash and short-term funds	3,436,482	6,149,135
Deposits and placements with banks and other financial institutions	537,141	618,072
Financial assets held-for-trading	10,177	20,248
Financial investments AFS	3,459,647	3,062,645
Financial investments HTM	2,820,123	1,861,693
Financing and advances	33,834,735	30,902,020
Other assets	171,730	133,284
Derivative assets	356,311	131,758
Statutory deposits	1,051,050	1,168,500
Deferred tax assets	20,929	11,964
Property, plant and equipment	6,576	8,384
Intangible assets	4,750	5,564
Total assets	<u>45,709,651</u>	<u>44,073,267</u>
LIABILITIES		
Deposits from customers	29,419,928	27,928,029
Deposits and placements of banks and other financial institutions	5,287,330	2,750,309
Bills and acceptances payable	9,050	5,549
Recourse obligation on financing sold to Cagamas	815,243	982,760
Other liabilities	187,603	205,023
Derivative liabilities	36,487	1,549
Tax liabilities and zakat	29,451	20,932
Subordinated obligations	503,187	503,119
Total liabilities	<u>36,288,279</u>	<u>32,397,270</u>
Islamic Banking Funds	9,421,372	11,675,997
Total liabilities and Islamic Banking Funds	<u>45,709,651</u>	<u>44,073,267</u>
Commitments and contingencies	<u>20,335,220</u>	<u>11,923,681</u>



**RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

A29. Operations of Islamic Banking (continued)

(b) Income Statement for the Financial Year Ended 31 December 2016

	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds	438,223	385,460	1,691,383	1,576,030
Income derived from investment account funds	78,762	75,860	317,988	139,228
Income derived from investment of shareholders' funds	57,043	45,102	157,106	139,616
Allowance for impairment on financing and advances	(13,490)	(15,031)	(70,168)	(56,173)
Impairment losses on other assets	(549)	-	(549)	-
Total distributable income	559,989	491,391	2,095,760	1,798,701
Income attributable to depositors	(302,228)	(267,422)	(1,189,309)	(978,957)
	257,761	223,969	906,451	819,744
Personnel expenses	(7,607)	(7,687)	(32,307)	(44,145)
Other overheads and expenditures	(57,425)	(49,733)	(219,767)	(183,901)
Profit before taxation	192,729	166,549	654,377	591,698
Taxation	(34,080)	(30,368)	(106,873)	(93,872)
Net profit for the financial period/year	158,649	136,181	547,504	497,826

(c) Statement of Comprehensive Income for the Financial Year Ended 31 December 2016

	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period/year	158,649	136,181	547,504	497,826
Other comprehensive income/(loss) in respect of:				
Items that will be reclassified subsequently to profit or loss				
- Unrealised net gain/(loss) on revaluation of financial investments AFS	(71,316)	2,330	14,889	(7,054)
- Net transfer to income statement on disposal or impairment of financial investments AFS	(149)	(63)	(5,348)	(6,716)
- Income tax relating to components of other comprehensive (income)/loss	17,151	(1,082)	(2,290)	2,927
Other comprehensive income/(loss), net of tax, for the financial period/year	(54,314)	1,185	7,251	(10,843)
Total comprehensive income for the financial period/year	104,335	137,366	554,755	486,983



**RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

A29. Operations of Islamic Banking (continued)

(d) Financing and Advances

	Group	
	As at 31 December 2016 RM'000	As at 31 December 2015 RM'000
At amortised cost		
Cashline	402,800	279,865
Term financing		
- Housing financing	9,057,346	7,605,725
- Syndicated term financing	1,422,695	1,408,554
- Hire purchase receivables	5,633,510	5,930,758
- Other term financing	15,476,386	13,816,396
Bills receivables	793,283	442,388
Trust receipts	14,026	17,614
Staff financing	3,394	4,465
Credit/charge card receivables	274,532	251,270
Revolving financing	1,009,152	1,367,287
Gross financing and advances	<u>34,087,124</u>	<u>31,124,322</u>
Less: Allowance for impaired financing and advances		
- Individual impairment allowance	(15,864)	(22,649)
- Collective impairment allowance	<u>(236,525)</u>	<u>(199,653)</u>
Net financing and advances	<u><u>33,834,735</u></u>	<u><u>30,902,020</u></u>
(i) Movements in impaired financing and advances		
Balance as at the beginning of the financial year	362,736	330,701
Classified as impaired	514,915	627,425
Reclassified as non-impaired	(352,703)	(411,779)
Amount recovered	(78,617)	(121,031)
Amount written off	(53,235)	(62,580)
Balance as at the end of the financial year	<u><u>393,096</u></u>	<u><u>362,736</u></u>
(ii) Movements in allowance for impaired financing and advances		
Individual impairment allowance		
Balance as at the beginning of the financial year	22,649	25,289
Net allowance written back	(3,438)	(2,640)
Amount written off	(3,347)	-
Balance as at the end of the financial year	<u><u>15,864</u></u>	<u><u>22,649</u></u>
Collective impairment allowance		
Balance as at the beginning of the financial year	199,653	187,307
Net allowance made	77,902	65,749
Amount written off	(41,030)	(53,403)
Balance as at the end of the financial year	<u><u>236,525</u></u>	<u><u>199,653</u></u>



**RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

A29. Operations of Islamic Banking (continued)

	Group	
	As at 31 December 2016 RM'000	As at 31 December 2015 RM'000
(e) Other Assets		
Prepayments	11,751	10,777
Deposits	1,305	1,297
Other receivables	158,674	121,210
	<u>171,730</u>	<u>133,284</u>
(f) Deposits from Customers		
Saving Deposits		
- Wadiah	1,221,616	1,129,320
Demand Deposits		
- Wadiah	3,764,386	3,403,515
- Commodity Murabahah	5,926	-
Term Deposits		
- Commodity Murabahah	16,716,463	10,828,229
- Wadiah Corporate Deposit	-	1,249,671
Specific Investment Account		
- Murabahah	7,556,178	11,136,182
General Investment Account		
- Mudharabah	155,359	181,112
	<u>29,419,928</u>	<u>27,928,029</u>



**RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

B1. Review of Group Results

(a) Current Financial Year vs Previous Financial Year

The Group reported a net profit of RM1,681.6 million for the financial year ended 31 December 2016, an increase of 1.0% over the last financial year. Operating profit before allowances grew 21.6% to RM3,094.5 million due to reduced funding cost following the rights issue that was completed in April 2016, healthy growth in CASA, as well as the reduction in personnel cost arising from the Career Transition Scheme ('CTS'). Excluding CTS, operating profit before allowances grew 8.4%. Net profit was higher by 1.0% year-on-year, affected by an increase in allowances for loan impairment and impairment loss on other assets.

Included in the 2016 results was an impairment on a corporate bond in Singapore of RM253.5 million in the second quarter of 2016. Comparatively, in 2015, the Group incurred CTS expenses of RM308.8 million and benefited from collective allowances written back due to model refinement on mortgage portfolio amounting to RM131.4 million. Excluding the effects of these items, normalised net profit increased by 4.2% year-on-year.

Total income increased to RM6,193.2 million, supported by net fund-based income growth of 3.1% to RM4,320.9 million, on the back of a 2.0% growth in loans and financing, offset by a decline in non-fund based income by 5.6%.

Net interest margin improved by three (3) basis points to 2.18% in the fourth quarter due to prudent funding cost management.

Non-fund based income was down by 5.6% at RM1,872.3 million, contributed largely by lower investment banking and securities market related fee income in line with volatility in capital and financial markets as well as lower net foreign exchange gain. This was however partially offset by higher insurance underwriting surplus and an increase in asset management fee income year-on-year.

The Group's efficient cost transformation programme continued to deliver positive results and yielded productivity gains. Excluding the CTS cost last year, normalised operating expenses were lower by 6.7% from a year ago. The decline in expenses was attributed to headcount cost savings, partly offset by higher IT-related expenses as the Group continued to invest in technology capabilities and infrastructure. Cost to income ratio improved to 50.0% compared to 53.8% (normalised excluding CTS expenses) in the previous year.

Allowances for impairment on loans and financing increased to RM595.2 million from RM343.5 million a year ago, primarily due to higher individual allowances for loan impairment on certain corporate accounts relating to oil and gas, and a pre-emptive provision for legacy steel related exposure, coupled with the absence of a one-off collective allowance written back due to model refinement on mortgage portfolio in 2015. Gross impaired loans ratio was higher at 2.43% from 1.88% as at 31 December 2015.

Total impairment losses on other assets were higher at RM268.2 million mainly due to the full impairment made for a corporate bond in Singapore.

Total assets increased by 3.8% to RM236.7 billion as at 31 December 2016, whilst shareholders' funds for the Group increased to RM21.7 billion following the completion of RM2.49 billion rights issue in April 2016 and from higher retained earnings. Net assets per share improved by 6.1% over the year, closing at RM5.42 as at 31 December 2016.

The Group's gross loans and financing grew by 2.0% year-on-year to RM154.5 billion. The increase came mainly from mortgages and SME, negated by a decline in corporate loans which is in line with our strategy to rebalance the Group's loan composition. Mortgages and SME loans and financing growth were resilient with a growth rate of 13.3% and 11.3% respectively, more than offset the 4.6% contraction in corporate loan portfolios. The Group's domestic loan market share stood at 9.0% as at 31 December 2016.

Customer deposits increased by 4.8% to RM165.8 billion, and total current and savings account ('CASA') registered a strong growth of 11.9%. CASA composition improved to 25.6% as at 31 December 2016 from 24.0% recorded in December 2015. The Group's loan-to-deposit ratio remained healthy at 93.2%.



**RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

B1. Review of Group Results (continued)

(b) Performance by Operating Segment

(i) Group Retail Banking

Group Retail Banking reported a pre-tax profit of RM1,058.2 million for the financial year ended 31 December 2016, 4.4% lower from the previous year. Excluding a one-off collective allowance written back on mortgage portfolio in 2015, pre-tax profit increased by 8.5%, underpinned by lower operating expenses and lower allowances for loans and financing.

Retail loans and financing grew by 2.9% to RM70.1 billion, driven by growth in mortgages, partly offset by the contraction in auto financing and loans for purchase of securities. Mortgage loans grew at a strong rate of 13.3% year-on-year, resulting in an increase in domestic market share to 8.6% from 8.2% as at December 2015.

Retail deposits increased by 7.4% over the year due mainly to higher fixed deposits and CASA balances by 7.3% and 7.5% respectively.

(ii) Group Business Banking

Group Business Banking recorded a 45.4% increase in pre-tax profit to RM446.6 million. This was mainly due to higher net funding income, lower operating expenses and reduced allowances for loans and financing.

Gross loans and financing expanded strongly by 12.0%, driven mainly by the SME portfolio growth. Market share for SME continued to improve to 8.8% as at December 2016 from 8.7% in December 2015.

Strong current account and fixed deposits growth contributed to the overall deposits growth of 4.6% from December 2015, reflecting a positive outcome of our SME strategy under the IGNITE 2017 transformation programme.

(iii) GWB

Group Wholesale Banking recorded a pre-tax profit of RM1,407.7 million, a decrease of 3.5% from the previous year.

- (a) Group Corporate Banking and Group Investment Banking registered a 8.2% decrease in pre-tax profit to RM525.8 million due mainly to higher impairment loss on loans and financing, higher impairment losses on other assets and lower fee income, partly offset by lower operating expenses and higher wealth management fee.

Gross loans and financing decreased by 4.6% during the year to RM46.1 billion due to a few large corporate repayments. Deposits recorded a strong 13.5% growth over the year to RM52.4 billion as a result of increases in fixed deposits, partially offset by a decline in current deposits.

- (b) Group Treasury and Global Markets recorded a stable pre-tax profit of RM881.9 million, mainly contributed by a one-off impairment write back on other assets in 2015, partly offset by lower operating expenses.



**RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

B1. Review of Group Results (continued)

(b) Performance by Operating Segment (continued)

(iv) Group International Business

Group International Business recorded a pre-tax loss of RM233.0 million for the financial year ended 31 December 2016. Singapore performance was affected by oil and gas exposure, resulting in a pre-tax loss of RM269.1 million for the financial year ended 31 December 2016. Singapore loans and advances increased by 1.4% to SGD4.2 billion, whilst customer deposits increased by 22.1% to SGD6.0 billion, largely contributed by CASA growth.

International Business excluding Singapore registered a pre-tax profit of RM36.1 million, 2.8% higher over a year ago. This was mainly due to improved profitability in Cambodia which recorded an increase in pre-tax profit by 11.1% to USD7.6 million, whilst Lao recorded a pre-tax profit of USD1.0 million in its second year of operation.

B2. Current Quarter vs Previous Quarter

For the fourth quarter 2016, the Group recorded a pre-tax profit of RM344.4 million, compared to RM662.6 million in the preceding quarter. The decrease was mainly due to higher impairment on loans and financing, lower non-fund based income and higher operating expenses, partly offset by higher net fund based income.

B3. Prospects for Financial Year 2017

Malaysia's GDP is forecasted to grow 4.5% in 2017. Domestic demand is expected to remain resilient in 2017, exports are expected to show a moderate recovery, whilst public spending and private investment is expected to rise, supported by the implementation of major infrastructure projects under the various economic programmes.

The Malaysian banking sector growth is expected to be modest, with slower corporate loans growth and ongoing consolidation of household loans.

The Group remains focused in executing its 2017 IGNITE transformation programme to drive further improvements to its performance.

Against this backdrop, the Group's performance for the financial year 2017 is expected to be better than the previous financial year.

B4. Variance of Actual Profit from Forecast Profit and Profit Guarantee

There were no profit forecast or profit guarantee issued by the Group and the Bank.



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B5. Taxation

	4th Quarter Ended		Twelve Months Ended	
	31 December 2016	Restated 31 December 2015	31 December 2016	Restated 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Group				
Income tax based on profit for the financial period/year				
- Malaysian income tax	124,539	186,252	536,163	602,381
- Overseas tax	5,850	8,255	15,014	29,351
Deferred tax	(22,841)	(53,110)	11,482	(89,985)
	<u>107,548</u>	<u>141,397</u>	<u>562,659</u>	<u>541,747</u>
(Over)/Under provision in respect of prior financial years	(19,855)	11,550	(18,406)	40,285
	<u>87,693</u>	<u>152,947</u>	<u>544,253</u>	<u>582,032</u>

The effective tax rate of the Group for the fourth quarter and the financial year ended 31 December 2016 was higher than the statutory tax rate mainly due to non-deductibility of certain expenses for tax purposes.

	4th Quarter Ended		Twelve Months Ended	
	31 December 2016	Restated 31 December 2015	31 December 2016	Restated 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Bank				
Income tax based on profit for the financial period/year				
- Malaysian income tax	82,611	140,746	367,804	458,993
- Overseas tax	382	2,433	2,038	18,971
Deferred tax	(21,461)	(48,879)	15,507	(78,805)
	<u>61,532</u>	<u>94,300</u>	<u>385,349</u>	<u>399,159</u>
(Over)/Under provision in respect of prior financial years	(22,375)	14,552	(34,276)	33,171
	<u>39,157</u>	<u>108,852</u>	<u>351,073</u>	<u>432,330</u>

The effective tax rate of the Bank for the fourth quarter ended 31 December 2016 was lower than the statutory tax rate mainly due to certain income not subject to tax.

The effective tax rate of the Bank for the financial year ended 31 December 2016 was higher than the statutory tax rate mainly due to non-deductibility of certain expenses for tax purposes.



**RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

B6. Status of Corporate Proposals

(a) Proposed Establishment of a Share Grant Scheme for Eligible Employees and Executive Directors of the Bank and its subsidiaries ('Proposed SGS')

The Bank had on 26 August 2016 announced that it proposed to establish and implement a share grant scheme of up to 5% of the issued and paid-up share capital of the Bank (excluding treasury shares, if any) at any point in time during the duration of the Proposed SGS for employees and Executive Directors of the Bank and its subsidiaries (excluding subsidiaries which are dormant) who fulfil the eligibility criteria ('Eligible Employees').

The Proposed SGS is to allow the Bank to award the grant of ordinary shares of RM1.00 each in the Bank ('RHB Bank Share(s)') ('Grant(s)') to be vested in selected Eligible Employees ('Selected Employees') for the attainment of identified performance objectives. The Proposed SGS serves to attract, retain, motivate and reward valuable Eligible Employees.

The Proposed SGS is to be administered by a committee ('SGS Committee') comprising such persons as may be appointed by the Board from time to time. The SGS Committee will have the discretion in administering the Proposed SGS in accordance with the by-laws governing the Proposed SGS ('By-Laws').

The Proposed SGS shall be in force for a period of eight (8) years commencing from the effective date of implementation of the Proposed SGS, being the date of full compliance with all relevant provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ('Bursa Securities') in relation to the Proposed SGS, more particularly set out in the By-Laws.

In implementing the Proposed SGS, the SGS Committee may at its discretion decide that the vesting of any RHB Bank Shares comprised in a Grant under the Proposed SGS be satisfied by any of the following methods:

- (i) allotment and issuance of new RHB Bank Shares by the Bank to the Selected Employees, who accepted the Grants' offers being made in writing to the Selected Employees ('Offer(s)') ('Grantee(s)');
- (ii) acquisition of existing RHB Bank Shares from the Main Market of Bursa Securities by the trustee, followed by the transfer of such RHB Bank Shares purchased by the trustee to the Grantees;
- (iii) cash payment in lieu of (i) or (ii) above;
- (iv) any other methods as may be permitted by the Companies Act, 1965; or
- (v) any combination of any of the above.

The new RHB Bank Shares to be allotted and issued pursuant to the Proposed SGS shall, upon allotment and issuance, rank equally in all respects with the then existing issued RHB Bank Shares.

The Proposed SGS is subject to approvals being obtained from the following:

- (i) Bursa Securities, for the listing of the new RHB Bank Shares to be issued pursuant to the Proposed SGS on the Main Market of Bursa Securities;
- (ii) Bursa Malaysia Depository Sdn Bhd for the transfer of existing RHB Bank Shares from the Trustee to the Grantees pursuant to the Proposed SGS at any point in time during the duration of the Proposed SGS, if required;
- (iii) BNM for the increase in the issued and paid-up share capital of the Bank pursuant to the Proposed SGS;
- (iv) shareholders of the Bank at an extraordinary general meeting ('EGM') to be convened; and
- (v) any other relevant authorities/parties, if required.

The Proposed SGS is not conditional or inter-conditional upon any other corporate exercise/scheme by the Bank.

BNM has, vide its letter dated 4 October 2016, approved the application by the Bank for the increase of up to 5% of its issued and paid-up ordinary share capital arising from the issuance of new RHB Bank Shares under the Proposed SGS.



**RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

B6. Status of Corporate Proposals (continued)

(a) Proposed Establishment of a Share Grant Scheme for Eligible Employees and Executive Directors of the Bank and its subsidiaries ('Proposed SGS') (continued)

Bursa Securities has, vide its letter dated 15 December 2016, approved the listing of and quotation for the new RHB Bank Shares to be issued pursuant to the Proposed SGS subject to the following conditions:

- (i) RHB Investment Bank, the adviser for the Proposed SGS, is required to submit a confirmation to Bursa Securities of full compliance of the SGS pursuant to paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders approving the Proposed SGS in a general meeting; and
- (ii) the Bank is required to furnish Bursa Securities on a quarterly basis a summary of the total number of RHB Bank Shares listed as at the end of each quarter together with a detailed computation a listing fees payable.

Subsequent thereto, Bursa Securities had, vide its letter dated 5 January 2017, granted the Bank an extension of time until 28 April 2017 to comply with Paragraph 9.33(1)(b) of the Main Market Listing Requirements of Bursa Securities.

(b) Proposed Subscription in Digital Financial Lab Limited ('DFLL'), by RHB Finexasia.Com Sdn Bhd ('RHB Finex') and Silverlake International Capital Market Solution Limited ('Silverlake Capital')

RHB Finex, a company in which the Bank holds a 100% effective equity interest through its 59.95% direct shareholding (following the transfer of the 59.95% shareholding of the former holding company, RHB Capital to the Bank effective 14 April 2016 under the group internal reorganisation) and a 40.05% indirect shareholding through RHB Investment Bank, which in turn is a wholly-owned subsidiary of the Bank, had on 6 August 2015 entered into a subscription agreement ('Agreement') with Silverlake Capital, to each subscribe for 50% redeemable convertible preference shares of USD1.00 each at par in DFLL for RM10 million each. The Agreement is conditional on the fulfilment of certain terms and conditions, including regulatory approval.



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Subordinated Obligations, Hybrid Tier-I Capital Securities and Senior Debt Securities

(a) Deposits from customers and placements of banks and other financial institutions

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- One year or less	165,204,404	156,592,762	127,288,425	121,720,307
- More than one year	604,963	1,565,078	460,627	1,530,409
	<u>165,809,367</u>	<u>158,157,840</u>	<u>127,749,052</u>	<u>123,250,716</u>
Deposits and placements of banks and other financial institutions				
- One year or less	22,698,392	19,779,040	22,684,622	18,855,254
- More than one year	2,224	866,820	2,224	510,450
	<u>22,700,616</u>	<u>20,645,860</u>	<u>22,686,846</u>	<u>19,365,704</u>

(b) Borrowings

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Unsecured				
Revolving credits:				
- United States Dollar ('USD')	-	107,436	-	107,436
- Hong Kong Dollar	185,691	192,778	-	-
- Thai Baht	87,688	-	-	-
Term loans:				
- USD	698,651	468,282	698,651	468,282
- Singapore Dollar	-	19,754	-	-
	<u>972,030</u>	<u>788,250</u>	<u>698,651</u>	<u>575,718</u>
Scheduled repayment of borrowings:				
- Within one year	563,182	460,871	289,803	248,339
- One year to three years	408,848	236,143	408,848	236,143
- Three years to five years	-	91,236	-	91,236
	<u>972,030</u>	<u>788,250</u>	<u>698,651</u>	<u>575,718</u>



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Subordinated Obligations, Hybrid Tier-I Capital Securities and Senior Debt Securities (continued)

(c) Subordinated obligations

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
5.50% RM700 million Tier II Subordinated Notes 2007/2022	703,375	703,376	703,375	703,376
5.60% RM300 million Tier II Subordinated Notes 2010/2025	302,854	302,946	302,854	302,946
4.25% RM250 million Tier II Subordinated Notes 2011/2021	-	251,591	-	251,591
4.30% RM750 million Tier II Subordinated Notes 2012/2022	754,784	754,394	754,784	754,394
4.40% RM1,300 million Tier II Subordinated Notes 2012/2022	1,304,757	1,304,484	1,304,757	1,304,484
4.40% RM245 million Tier II Subordinated Notes 2012/2022	245,561	245,650	-	-
5.20% RM100 million Tier II Subordinated Notes 2011/2021	-	101,112	-	-
4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024	503,187	503,119	-	-
4.99% RM1 billion Tier II Subordinated Notes 2014/2024	1,023,651	1,024,061	1,023,651	1,024,061
4.95% RM200 million Tier II Subordinated Notes 2015/2025	202,034	202,060	-	-
4.75% RM500 million Tier II Subordinated Notes 2015/2025	503,155	502,993	503,155	502,993
	5,543,358	5,895,786	4,592,576	4,843,845

The subordinated obligations comprise unsecured liabilities of the Bank and its investment and islamic bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issuance and qualify as Tier II capital (as disclosed in Note A27) for the purpose of determining the capital adequacy ratios of the respective subsidiaries.

(d) Hybrid Tier-I Capital Securities

	Group		Bank	
	As at 31 December 2016	Restated As at 31 December 2015	As at 31 December 2016	Restated As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
RM370 million 8.00% Hybrid Tier-I Capital Securities due in 2039, callable with step-up coupon rate at 9.00% in 2019	368,818	368,448	368,818	368,448
RM230 million 6.75% Hybrid Tier-I Capital Securities due in 2039, callable with step-up coupon rate at 7.75% in 2019	233,325	233,408	238,337	238,422
	602,143	601,856	607,155	606,870



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Subordinated Obligations, Hybrid Tier-I Capital Securities and Senior Debt Securities (continued)

(e) Senior debt securities

	Group and Bank	
	As at	Restated
	31 December	31 December
	2016	2015
	RM'000	RM'000
USD300 million 3.25% senior debt securities due in 2017	1,350,942	1,291,357
USD200 million 3.25% senior debt securities due in 2017	902,110	866,244
USD300 million 3.088% senior debt securities due in 2019	1,352,808	1,293,779
USD500 million 2.503% senior debt securities due in 2021	2,250,529	-
	5,856,389	3,451,380



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B8. Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts

Group	As at 31 December 2016			Restated As at 31 December 2015		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
By type						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Forwards/swaps	87,708,353	1,980,966	1,390,728	67,057,530	1,164,438	947,415
- Options	1,126,466	6,220	4,257	1,207,428	8,452	6,444
- Cross-currency interest rate swaps	13,333,589	1,909,089	2,170,087	12,746,295	1,765,293	1,977,751
	102,168,408	3,896,275	3,565,072	81,011,253	2,938,183	2,931,610
Interest rate related contracts						
- Swaps	38,605,396	178,605	90,977	39,680,278	154,197	125,923
	38,605,396	178,605	90,977	39,680,278	154,197	125,923
Equity related contracts						
- Options	14,368	123	24	303	-	8
- Index futures	-	-	-	12	1	-
	14,368	123	24	315	1	8
Structured warrants						
	52,380	-	11,817	87,608	-	30,038
	52,380	-	11,817	87,608	-	30,038
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Swaps	2,350,000	415	11,130	2,350,000	10,008	2,202
	2,350,000	415	11,130	2,350,000	10,008	2,202
Total	143,190,552	4,075,418	3,679,020	123,129,454	3,102,389	3,089,781



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B8. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows: (continued)

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued)

Bank	As at 31 December 2016			As at 31 December 2015		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Forwards/swaps	88,232,096	1,994,626	1,393,427	66,858,703	1,114,365	867,828
- Options	974,931	6,224	5,048	740,292	5,036	4,989
- Cross-currency interest rate swaps	13,333,589	1,907,908	2,170,389	12,850,960	1,773,506	1,983,750
	102,540,616	3,908,758	3,568,864	80,449,955	2,892,907	2,856,567
Interest rate related contracts						
- Swaps	40,790,395	186,980	91,828	42,615,278	157,784	138,950
	40,790,395	186,980	91,828	42,615,278	157,784	138,950
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Swaps	2,350,000	415	11,130	2,350,000	10,008	2,202
	2,350,000	415	11,130	2,350,000	10,008	2,202
Total	145,681,011	4,096,153	3,671,822	125,415,233	3,060,699	2,997,719



**RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

B8. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows: (continued)

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued)

Group	As at 31 December 2016			Restated As at 31 December 2015		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
By remaining period to maturity/next re-pricing date						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Less than 1 year	93,550,683	3,020,104	2,497,672	67,229,178	1,156,565	1,082,438
- 1 year to 3 years	5,952,649	715,778	938,839	8,660,732	1,323,734	1,426,311
- More than 3 years	2,665,076	160,393	128,561	5,121,343	457,884	422,861
	102,168,408	3,896,275	3,565,072	81,011,253	2,938,183	2,931,610
Interest rate related contracts						
- Less than 1 year	11,067,111	16,279	4,822	8,067,611	11,851	9,934
- 1 year to 3 years	17,449,051	59,329	46,840	18,393,771	75,574	65,287
- More than 3 years	10,089,234	102,997	39,315	13,218,896	66,772	50,702
	38,605,396	178,605	90,977	39,680,278	154,197	125,923
Equity related contracts						
- Less than 1 year	14,368	123	24	315	1	8
	14,368	123	24	315	1	8
Structured warrants						
- Less than 1 year	52,380	-	11,817	87,608	-	30,038
	52,380	-	11,817	87,608	-	30,038
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- 1 year to 3 years	2,350,000	415	11,130	2,050,000	10,008	1,547
- More than 3 years	-	-	-	300,000	-	655
	2,350,000	415	11,130	2,350,000	10,008	2,202
Total	143,190,552	4,075,418	3,679,020	123,129,454	3,102,389	3,089,781



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B8. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows: (continued)

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued)

Bank	As at 31 December 2016			As at 31 December 2015		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
By remaining period to maturity/next re-pricing date						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Less than 1 year	93,922,890	3,033,760	2,501,162	66,657,554	1,105,135	1,012,764
- 1 year to 3 years	5,952,649	715,742	939,141	8,671,058	1,329,883	1,414,957
- More than 3 years	2,665,077	159,256	128,561	5,121,343	457,889	428,846
	102,540,616	3,908,758	3,568,864	80,449,955	2,892,907	2,856,567
Interest rate related contracts						
- Less than 1 year	11,292,110	16,970	4,640	8,817,611	11,673	14,452
- 1 year to 3 years	19,319,051	66,416	47,862	20,153,771	79,344	72,008
- More than 3 years	10,179,234	103,594	39,326	13,643,896	66,767	52,490
	40,790,395	186,980	91,828	42,615,278	157,784	138,950
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- 1 year to 3 years	2,350,000	415	11,130	2,050,000	10,008	1,547
- More than 3 years	-	-	-	300,000	-	655
	2,350,000	415	11,130	2,350,000	10,008	2,202
Total	145,681,011	4,096,153	3,671,822	125,415,233	3,060,699	2,997,719



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B8. Derivative Financial Instruments (continued)

(b) Related accounting policies

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

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.

(i) Fair value

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.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain and 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 periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, 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.

(iii) 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.

(iv) 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.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B9. Fair Value of Financial Instruments

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 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 December 2016				
<u>Financial assets</u>				
Financial assets FVTPL:	542,750	1,614,072	167,901	2,324,723
- Money market instruments	-	1,028,259	-	1,028,259
- Quoted securities	542,750	-	-	542,750
- Unquoted securities	-	585,813	167,901	753,714
Financial investments AFS:	60,185	23,910,677	1,138,800	25,109,662
- Money market instruments	-	7,063,557	-	7,063,557
- Quoted securities	60,185	-	5,171	65,356
- Unquoted securities	-	16,847,120	1,133,629	17,980,749
Derivative assets	-	4,075,418	-	4,075,418
	<u>602,935</u>	<u>29,600,167</u>	<u>1,306,701</u>	<u>31,509,803</u>
<u>Financial liabilities</u>				
Derivative liabilities	<u>11,817</u>	<u>3,667,203</u>	<u>-</u>	<u>3,679,020</u>
Restated				
31 December 2015				
<u>Financial assets</u>				
Financial assets held-for-trading:	381,602	1,090,672	153,863	1,626,137
- Money market instruments	-	533,304	-	533,304
- Quoted securities	381,602	-	-	381,602
- Unquoted securities	-	557,368	153,863	711,231
Financial investments AFS:	46,649	23,617,443	1,074,704	24,738,796
- Money market instruments	-	7,386,331	-	7,386,331
- Quoted securities	46,649	-	8,399	55,048
- Unquoted securities	-	16,231,112	1,066,305	17,297,417
Derivative assets	-	3,102,389	-	3,102,389
	<u>428,251</u>	<u>27,810,504</u>	<u>1,228,567</u>	<u>29,467,322</u>
<u>Financial liabilities</u>				
Derivative liabilities	<u>30,036</u>	<u>3,059,745</u>	<u>-</u>	<u>3,089,781</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B9. Fair Value of Financial Instruments (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy (continued):

Bank	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2016				
<u>Financial assets</u>				
Financial assets HFT:	3,287	1,092,575	-	1,095,862
- Money market instruments	-	1,018,082	-	1,018,082
- Quoted securities	3,287	-	-	3,287
- Unquoted securities	-	74,493	-	74,493
Financial investments AFS:	-	18,900,866	791,209	19,692,075
- Money market instruments	-	5,834,377	-	5,834,377
- Quoted securities	-	-	5,171	5,171
- Unquoted securities	-	13,066,489	786,038	13,852,527
Derivative assets	-	4,096,153	-	4,096,153
	<u>3,287</u>	<u>24,089,594</u>	<u>791,209</u>	<u>24,884,090</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	3,671,822	-	3,671,822
Restated				
31 December 2015				
<u>Financial assets</u>				
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
	<u>3,636</u>	<u>21,172,000</u>	<u>657,769</u>	<u>21,833,405</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	2,997,719	-	2,997,719



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B9. Fair Value of Financial Instruments (continued)

(i) Valuation techniques

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 is 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. These would include quoted securities and unit trusts.

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 determines 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-traded perpetual notes/sukuk, impaired securities and unquoted corporate loan stocks. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. For unquoted corporate loan stocks, discounted cash flow analysis have been performed to determine the recoverability of the instruments.

(ii) Reconciliation of fair value movements in Level 3

The following represents the changes in Level 3 instruments for the Group and the Bank:

	Group	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Financial assets FVTPL		
Balance as at the beginning of financial year		
- As previously reported	-	-
- Effect of predecessor accounting on acquisition of subsidiaries	153,863	40,000
- As restated	153,863	40,000
Total net loss recognised in income statements	(4,936)	(19,868)
Purchases	252,042	133,731
Settlements	(238,577)	-
Exchange differences	5,509	-
Balance as at the end of the financial year	<u>167,901</u>	<u>153,863</u>

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	As at 31 December 2015 RM'000
Financial investments AFS				
Balance as at the beginning of financial year				
- As previously reported	954,633	867,246	657,769	588,108
- Effect of predecessor accounting on acquisition of subsidiaries	120,071	123,896	-	-
- As restated	1,074,704	991,142	657,769	588,108
Total gains recognised in other comprehensive income	10,388	61,644	30,789	59,780
Total net losses recognised in income statements	(7,135)	(5,519)	-	-
Purchases	74,651	26,724	102,429	10,010
Settlements	(17,766)	(17,034)	-	(144)
Impairment losses	(549)	-	-	-
Exchange differences	4,507	17,747	222	15
Balance as at the end of the financial year	<u>1,138,800</u>	<u>1,074,704</u>	<u>791,209</u>	<u>657,769</u>



RHB BANK BERHAD (6171-M)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B10. Realised and Unrealised Profits

The following analysis of realised and unrealised profits or losses of the Group and the Bank is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

The breakdown of retained profits of the Group and the Bank are as follows:

	Group		Bank	
	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000	As at 31 December 2016 RM'000	Restated As at 31 December 2015 RM'000
Total retained profits of the Bank and its subsidiaries				
- Realised	8,039,282	7,950,326	6,097,608	6,368,199
- Unrealised	553,524	148,004	520,963	172,987
	8,592,806	8,098,330	6,618,571	6,541,186
Total share of retained profits from associates and joint ventures				
- Realised	4,232	3,508	-	-
	8,597,038	8,101,838	6,618,571	6,541,186
Less: Consolidation adjustments	(439,853)	(351,817)	-	-
Total retained profits	8,157,185	7,750,021	6,618,571	6,541,186

The disclosure of realised and unrealised profits or losses above is solely for compliance with the directive issued by the Bursa Securities and should not be used for any other purpose.

On 20 December 2010, the Malaysian Institute of Accountants issued Guidance on Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements. Accordingly, the Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

The disclosure above does not affect or alter the existing divisible profit rule in Malaysia. Likewise, this shall not be applied to address or interpret any legal matters regarding the availability of profit for distribution to shareholders. Listed corporations are required to observe the existing requirements in the Malaysian legal framework in dealing with matters related to distribution of profits to shareholders.



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B11. Significant Events During the Financial Year

(a) Group Internal Reorganisation

On 14 April 2016, the Bank has completed the following acquisitions under the Group Internal Reorganisation:

- (i) the entire equity interests in certain subsidiaries as disclosed in Note A24 ('Identified Assets') from the former holding company, RHB Capital Berhad ('RHB Capital') under a Share Sale Agreement dated 6 April 2016, for a total cash consideration of approximately RM3.32 billion. The 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 Group has adopted predecessor accounting and accordingly the corresponding amounts for previous year are restated to reflect the combined results of both entities.

- (ii) certain assets and liabilities of RHB Hartanah Sdn Bhd, including its subsidiary, RHB Property Management Sdn Bhd under an Asset Purchase Agreement dated 6 April 2016, for a total cash consideration of approximately RM298.37 million.

The assets and liabilities purchased at the Bank level constitute a business and hence predecessor accounting is also applied at the Bank level. Accordingly, the corresponding amounts for the previous year are restated to reflect the combined business.

Following the completion of the Group Internal Reorganisation, RHB Capital has injected an aggregate of approximately RM2.49 billion into the Bank ('Capital Injection'), being proceeds raised from its rights issue exercise, proceeds from the redemption of its investment in RHB Liquid Fund as well as excess cash available (after setting aside adequate cash to defray any expenses of RHB Capital), in exchange for approximately 447.84 million new shares of the Bank of RM1.00 each, which were issued at an issue price of RM5.56 per share.

With the completion of the Group Internal Reorganisation, the Bank is effectively the new group holding company which will spearhead the Group's future growth and is expected to achieve greater synergy and efficiency.

Refer to Note B12 for the effect of predecessor accounting.

(b) Distribution and Capital Repayment

On 13 June 2016, RHB Capital ceased to be the shareholder of the Bank upon the completion of its Distribution and Capital Repayment, which entails the distribution of its entire shareholding in the Bank after the capital injection in (a) above to entitled shareholders of RHB Capital whose names appear in the Record of Depositors of RHB Capital.

(c) Transfer of Listing Status

The Bank has assumed the listing status of RHB Capital, and has been 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 on 28 June 2016.

The Transfer of Listing Status will enable the shareholders to have a direct participation in the equity and envisaged growth of the Group as well as enable the 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 the Group in expanding its customer base.



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B12. Restatement of Comparatives

The Group and the Bank have restated certain comparatives due to the following:

- (a) The adoption of the predecessor accounting at both Group and Bank to reflect the acquisition of certain subsidiaries, assets and liabilities under the Group Internal Reorganisation as disclosed in Note B11; and
- (b) Following the completion of the Group Internal Reorganisation, the former holding company, RHB Capital had utilised the disposal consideration received to repay its entire bank borrowings outstanding, of which included RM1.5 billion financing from the Bank that had been classified as loans, advances and financing previously. In addition, RHB Capital had uplifted the proceeds from its rights issue of RM2.3 billion in December 2015 and injected this amount into the Bank. The proceeds was previously placed with the Bank and was classified as deposits from customers.

The Bank has now restated the outstanding financing to RHB Capital and the placements from the rights issue in 2015 as part of intercompany balances in order to better reflect the overall intercompany, loans and deposits balances of the Group and the Bank subsequent to the Group Internal Reorganisation.

Statements of Financial Position
As at 31 December 2015

	Group				Bank			
	As previously reported RM'000	Effect of predecessor accounting RM'000	Reclassification of loans/deposits as intercompany RM'000	As restated RM'000	As previously reported RM'000	Effect of predecessor accounting RM'000	Reclassification of loans/deposits as intercompany RM'000	As restated RM'000
ASSETS								
Cash and short-term funds	13,530,998	(649,603)	-	12,881,395	8,213,683	-	-	8,213,683
Securities purchased under resale agreements	175,872	12,508	-	188,380	165,153	-	-	165,153
Deposits and placements with banks and other financial institutions	1,456,536	(257,504)	-	1,199,032	9,782,274	-	-	9,782,274
Financial assets FVTPL	626,676	999,461	-	1,626,137	606,428	-	-	606,428
Financial investments AFS	21,325,551	3,413,245	-	24,738,796	18,166,278	-	-	18,166,278
Financial investments HTM	19,931,391	600,845	-	20,532,236	18,876,308	-	-	18,876,308
Loans, advances and financing	149,191,114	1,844,887	(1,456,028)	149,579,973	112,447,582	-	(1,456,028)	110,991,554
Clients' and brokers' balances	-	1,654,213	-	1,654,213	-	-	-	-
Reinsurance assets	-	371,238	-	371,238	-	-	-	-
Other assets	2,238,362	240,341	-	2,478,703	2,222,829	(3,322)	-	2,219,507
Derivative assets	3,060,637	41,752	-	3,102,389	3,060,699	-	-	3,060,699
Statutory deposits	5,128,078	144,152	-	5,272,230	3,719,819	-	-	3,719,819
Tax recoverable	117,359	48,693	-	166,052	117,357	(487)	-	116,870
Deferred tax assets	74,117	40,111	-	114,228	62,139	(4,148)	-	57,991
Investments in subsidiaries	-	-	-	-	1,918,889	3,321,770	-	5,240,659
Investments in associates and joint ventures	-	15,764	-	15,764	-	-	-	-
Property, plant and equipment	671,092	370,491	-	1,041,583	474,881	292,029	-	766,910
Goodwill	1,120,318	1,528,989	-	2,649,307	905,519	-	-	905,519
Intangible assets	271,046	55,645	-	326,691	261,128	-	-	261,128
TOTAL ASSETS	218,919,147	10,475,228	(1,456,028)	227,938,347	181,000,966	3,605,842	(1,456,028)	183,150,780



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B12. Restatement of Comparatives (continued)

Statements of Financial Position (continued)
As at 31 December 2015

	Group				Bank			
	As previously reported	Effect of predecessor accounting	Reclassification of loans/deposits as intercompany	As restated	As previously reported	Effect of predecessor accounting	Reclassification of loans/deposits as intercompany	As restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND EQUITY								
Deposits from customers	159,847,884	655,456	(2,345,500)	158,157,840	125,609,459	(13,243)	(2,345,500)	123,250,716
Deposits and placements of banks and other financial institutions	18,849,105	1,796,755	-	20,645,860	19,365,704	-	-	19,365,704
Obligations on securities sold under repurchase agreements	4,735,645	170,569	-	4,906,214	4,735,645	-	-	4,735,645
Obligations on securities borrowed	-	12,202	-	12,202	-	-	-	-
Bills and acceptances payable	487,604	138,795	-	626,399	482,056	-	-	482,056
Clients' and brokers' balances	-	1,348,728	-	1,348,728	-	-	-	-
General insurance contract liabilities	-	870,884	-	870,884	-	-	-	-
Other liabilities	1,675,473	4,109,509	889,472	6,674,454	1,341,504	3,615,678	889,472	5,846,654
Derivative liabilities	2,977,154	112,627	-	3,089,781	2,997,719	-	-	2,997,719
Recourse obligation on loans sold to Cagamas	3,127,656	-	-	3,127,656	2,144,896	-	-	2,144,896
Tax liabilities	29,768	7,470	-	37,238	-	-	-	-
Deferred tax liabilities	5	11,327	-	11,332	-	-	-	-
Borrowings	575,718	212,532	-	788,250	575,718	-	-	575,718
Subordinated obligations	5,346,964	548,822	-	5,895,786	4,843,845	-	-	4,843,845
Hybrid Tier-I Capital Securities	606,870	(5,014)	-	601,856	606,870	-	-	606,870
Senior debt securities	3,451,380	-	-	3,451,380	3,451,380	-	-	3,451,380
TOTAL LIABILITIES	201,711,226	9,990,662	(1,456,028)	210,245,860	166,154,796	3,602,435	(1,456,028)	168,301,203
Share capital	3,460,585	-	-	3,460,585	3,460,585	-	-	3,460,585
Reserves	13,747,336	459,948	-	14,207,284	11,385,585	3,407	-	11,388,992
	17,207,921	459,948	-	17,667,869	14,846,170	3,407	-	14,849,577
NCI	-	24,618	-	24,618	-	-	-	-
TOTAL EQUITY	17,207,921	484,566	-	17,692,487	14,846,170	3,407	-	14,849,577
TOTAL LIABILITIES AND EQUITY	218,919,147	10,475,228	(1,456,028)	227,938,347	181,000,966	3,605,842	(1,456,028)	183,150,780



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B12. Restatement of Comparatives (continued)

Income Statements
For the financial year ended 31 December 2015

	4th Quarter Ended 31 December 2015			Twelve Months Ended 31 December 2015		
	As previously reported	Effect of predecessor accounting	As restated	As previously reported	Effect of predecessor accounting	As restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Interest income	1,960,692	93,322	2,054,014	7,618,513	391,090	8,009,603
Interest expense	(1,106,804)	(56,482)	(1,163,286)	(4,353,059)	(248,948)	(4,602,007)
Net interest income	853,888	36,840	890,728	3,265,454	142,142	3,407,596
Other operating income	271,011	254,280	525,291	991,508	899,680	1,891,188
Income from Islamic Banking business	237,033	1,967	239,000	872,680	3,237	875,917
Net income	1,361,932	293,087	1,655,019	5,129,642	1,045,059	6,174,701
Other operating expenses	(647,999)	(240,719)	(888,718)	(2,735,793)	(893,921)	(3,629,714)
Operating profit before allowances	713,933	52,368	766,301	2,393,849	151,138	2,544,987
Allowance for impairment on loans, financing and other losses	(241,420)	3,852	(237,568)	(337,764)	(5,688)	(343,452)
Impairment losses (made)/written back on other assets	866	(11,585)	(10,719)	9,635	39,115	48,750
	473,379	44,635	518,014	2,065,720	184,565	2,250,285
Share of results of joint ventures	-	62	62	-	299	299
Profit before taxation	473,379	44,697	518,076	2,065,720	184,864	2,250,584
Taxation	(139,233)	(13,714)	(152,947)	(528,356)	(53,676)	(582,032)
Net profit for the financial period/year	334,146	30,983	365,129	1,537,364	131,188	1,668,552
Attributable to:						
- Equity holders of the Bank	334,146	29,228	363,374	1,537,364	127,608	1,664,972
- Non-controlling interests	-	1,755	1,755	-	3,580	3,580
	334,146	30,983	365,129	1,537,364	131,188	1,668,552



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B12. Restatement of Comparatives (continued)

Income Statements
For the financial year ended 31 December 2015

	4th Quarter Ended 31 December 2015			Twelve Months Ended 31 December 2015		
	As previously reported	Effect of predecessor accounting	As restated	As previously reported	Effect of predecessor accounting	As restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
Interest income	1,966,693	-	1,966,693	7,649,604	-	7,649,604
Interest expense	(1,093,674)	76	(1,093,598)	(4,310,068)	327	(4,309,741)
Net interest income	873,019	76	873,095	3,339,536	327	3,339,863
Other operating income	222,034	(1,906)	220,128	918,900	(1,599)	917,301
Net income	1,095,053	(1,830)	1,093,223	4,258,436	(1,272)	4,257,164
Other operating expenses	(579,262)	3,946	(575,316)	(2,468,761)	8,900	(2,459,861)
Operating profit before allowances	515,791	2,116	517,907	1,789,675	7,628	1,797,303
Allowance for impairment on loans, financing and other losses	(204,416)	-	(204,416)	(240,668)	-	(240,668)
Impairment written back on other assets	866	-	866	9,635	-	9,635
Profit before taxation	312,241	2,116	314,357	1,558,642	7,628	1,566,270
Taxation	(108,309)	(543)	(108,852)	(429,362)	(2,968)	(432,330)
Net profit for the financial period/year	203,932	1,573	205,505	1,129,280	4,660	1,133,940



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

B12. Restatement of Comparatives (continued)

Statements of Cash Flow
For the financial year ended 31 December 2015

	As previously reported	Group Effect of predecessor accounting	As restated	As previously reported	Bank Effect of predecessor accounting	As restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash generated from operating activities	2,027,136	(1,209,311)	817,825	1,496,159	(312,317)	1,183,842
Net cash used in investing activities	(3,557,625)	(357,164)	(3,914,789)	(4,197,086)	(11,258)	(4,208,344)
Net cash used in financing activities	(879,234)	262,718	(616,516)	(879,234)	323,575	(555,659)
Net decrease in cash and cash equivalents	(2,409,723)	(1,303,757)	(3,713,480)	(3,580,161)	-	(3,580,161)
Effects of exchange rate differences	404,081	140,867	544,948	300,711	-	300,711
Cash and cash equivalents carried forward	<u>13,530,998</u>	<u>(649,603)</u>	<u>12,881,395</u>	<u>8,213,683</u>	<u>-</u>	<u>8,213,683</u>



**RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

B13. Dividends

- (a) The Directors have proposed a final single-tier dividend of 7.0 sen per share, amounting to RM280.7 million in respect of the financial year ended 31 December 2016.
- (i) Amount per share: single-tier dividend of 7.0 sen
 - (ii) Entitlement date: To be determined and announced later
 - (iii) Payment date: To be determined and announced later
- (b) Total dividend per share for the current financial year:
- (i) Single-tier interim dividend of 5.0 sen per share paid on 30 September 2016
 - (ii) Proposed final single-tier dividend of 7.0 sen per share
- (c) Total dividend paid for the previous financial year ended 31 December 2015: Interim single-tier dividend of 16.3267 sen per RM1.00 share.

B14. Earnings per Share

	4th Quarter Ended		Twelve Months Ended	
	31 December	Restated 31 December	31 December	Restated 31 December
	2016	2015	2016	2015
Basic earnings per share				
Profit attributable to equity holders of the Bank (RM'000)	<u>261,243</u>	<u>363,374</u>	<u>1,681,624</u>	<u>1,664,972</u>
Weighted average number of ordinary shares in issue ('000)	<u>4,010,045</u>	<u>6,921,169</u>	<u>3,855,858</u>	<u>6,873,229</u>
Earnings per share (sen)				
- Basic per RM1.00 per share	<u>6.5</u>	<u>N/A</u>	<u>43.6</u>	<u>N/A</u>
- Basic per RM0.50 per share	<u>N/A</u>	<u>5.3</u>	<u>N/A</u>	<u>24.2</u>

There were no dilutive potential ordinary shares outstanding as at 31 December 2016. As a result, the diluted earnings per share equal to the basic earnings per share for the financial year ended 31 December 2016.

BY ORDER OF THE BOARD

AZMAN SHAH MD YAMAN
(License No. LS0006901)

Company Secretary
24 February 2017