



RHB Bank Berhad (6171 - M)

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**RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	Note	1st Quarter Ended		Three Months Ended	
		31 March	31 March	31 March	31 March
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	A8	1,913,770	2,019,634	1,913,770	2,019,634
Interest expense	A9	(1,062,176)	(1,128,150)	(1,062,176)	(1,128,150)
Net interest income		851,594	891,484	851,594	891,484
Other operating income	A10	448,060	458,441	448,060	458,441
Income from Islamic Banking business	A28(b)	255,768	232,100	255,768	232,100
Net income		1,555,422	1,582,025	1,555,422	1,582,025
Other operating expenses	A11	(761,217)	(746,689)	(761,217)	(746,689)
Operating profit before allowances		794,205	835,336	794,205	835,336
Allowance for impairment on loans, financing and other losses	A12	(132,369)	(80,331)	(132,369)	(80,331)
Impairment losses (made)/written back on other assets		(3,660)	411	(3,660)	411
		658,176	755,416	658,176	755,416
Share of results of joint ventures		96	56	96	56
Profit before taxation		658,272	755,472	658,272	755,472
Taxation	B5	(156,682)	(188,832)	(156,682)	(188,832)
Net profit for the financial period		501,590	566,640	501,590	566,640
Attributable to:					
- Equity holders of the Bank		500,277	564,885	500,277	564,885
- Non-controlling interests		1,313	1,755	1,313	1,755
		501,590	566,640	501,590	566,640
Earnings per share (sen)					
- Basic	B12	12.5	16.3	12.5	16.3
- Diluted	B12	12.5	16.3	12.5	16.3

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 2016.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	1st Quarter Ended		Three Months Ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period	501,590	566,640	501,590	566,640
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
- Actuarial gain on defined benefit plan of subsidiaries	394	348	394	348
(ii) Items that will be reclassified subsequently to profit or loss:				
(a) Foreign currency translation reserves				
- Currency translation differences	3,421	(310,018)	3,421	(310,018)
- Net investment hedge	(3,824)	38,124	(3,824)	38,124
(b) Unrealised net gain on revaluation of financial investments available-for-sale ('AFS')	82,290	184,612	82,290	184,612
(c) Net transfer to income statements on disposal or impairment of financial investments AFS	(8,450)	(16,613)	(8,450)	(16,613)
Income tax relating to components of other comprehensive income	(16,773)	(40,465)	(16,773)	(40,465)
Other comprehensive income/(loss), net of tax, for the financial period	57,058	(144,012)	57,058	(144,012)
Total comprehensive income for the financial period	558,648	422,628	558,648	422,628
Total comprehensive income attributable to:				
- Equity holders of the Bank	557,334	423,480	557,334	423,480
- Non-controlling interests	1,314	(852)	1,314	(852)
	558,648	422,628	558,648	422,628

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 2016.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Note	1st Quarter Ended		Three Months Ended	
		31 March	31 March	31 March	31 March
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	A8	1,875,768	1,955,891	1,875,768	1,955,891
Interest expense	A9	(1,038,655)	(1,080,382)	(1,038,655)	(1,080,382)
Net interest income		837,113	875,509	837,113	875,509
Other operating income	A10	183,726	245,811	183,726	245,811
Net income		1,020,839	1,121,320	1,020,839	1,121,320
Other operating expenses	A11	(491,104)	(500,212)	(491,104)	(500,212)
Operating profit before allowances		529,735	621,108	529,735	621,108
Allowance for impairment on loans, financing and other losses	A12	(88,886)	(34,589)	(88,886)	(34,589)
Impairment losses written back on other assets		-	411	-	411
Profit before taxation		440,849	586,930	440,849	586,930
Taxation	B5	(110,625)	(150,431)	(110,625)	(150,431)
Net profit for the financial period		330,224	436,499	330,224	436,499

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 2016.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	1st Quarter Ended		Three Months Ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	RM'000	RM'000	RM'000	RM'000
Bank				
Net profit for the financial period	330,224	436,499	330,224	436,499
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	16,651	(108,248)	16,651	(108,248)
(b) Unrealised net gain on revaluation of financial investments AFS	51,864	128,993	51,864	128,993
(c) Net transfer to income statements on disposal or impairment of financial investments AFS	(7,639)	(15,461)	(7,639)	(15,461)
Income tax relating to components of other comprehensive income	(10,614)	(27,248)	(10,614)	(27,248)
Other comprehensive income/(loss), net of tax, for the financial period	50,262	(21,964)	50,262	(21,964)
Total comprehensive income for the financial period	380,486	414,535	380,486	414,535

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 2016.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	Group		Bank	
		As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
ASSETS					
Cash and short-term funds		15,121,924	14,682,943	11,696,088	12,430,270
Securities purchased under resale agreements		154,197	1,303,589	129,595	1,289,891
Deposits and placements with banks and other financial institutions		2,148,363	1,362,448	10,127,224	9,641,121
Financial assets at fair value through profit or loss ('FVTPL')	A13	2,551,496	2,324,723	1,032,256	1,095,862
Financial investments available-for-sale ('AFS')	A14	26,850,104	25,109,662	21,681,745	19,692,075
Financial investments held-to-maturity ('HTM')	A15	18,069,440	21,365,103	15,802,014	17,986,112
Loans, advances and financing	A16	152,282,388	152,350,304	110,568,785	111,953,651
Clients' and brokers' balances		2,472,937	2,090,783	-	-
Reinsurance assets		397,600	378,311	-	-
Other assets	A17	2,710,760	2,916,551	2,896,733	3,127,293
Derivative assets	B8	2,670,598	4,075,418	2,679,796	4,096,153
Statutory deposits		3,653,191	4,241,509	2,412,677	2,829,242
Tax recoverable		196,807	246,895	137,388	180,705
Deferred tax assets		99,998	100,611	61,746	55,515
Investments in subsidiaries		-	-	5,358,360	5,340,659
Investments in associates and joint ventures		49,422	49,537	-	-
Property, plant and equipment		1,026,626	1,032,131	751,285	756,899
Goodwill		2,649,307	2,649,307	905,519	905,519
Intangible assets		414,620	399,004	354,029	335,153
TOTAL ASSETS		233,519,778	236,678,829	186,595,240	191,716,120
LIABILITIES					
Deposits from customers	A18/B7(a)	165,849,803	165,809,367	125,316,059	127,749,052
Deposits and placements of banks and other financial institutions	A19/B7(a)	20,230,354	22,700,616	21,433,388	22,686,846
Obligations on securities sold under repurchase agreements		-	362,706	2,182,382	2,716,656
Investment account from customers		100	-	-	-
Bills and acceptances payable		369,439	476,300	215,043	286,318
Clients' and brokers' balances		2,147,120	1,743,242	-	-
General insurance contract liabilities		920,871	872,183	-	-
Other liabilities	A20	2,374,121	2,673,032	1,334,403	1,735,520
Derivative liabilities	B8	3,007,923	3,679,020	2,986,983	3,671,822
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		3,450,656	3,554,053	2,749,787	2,738,811
Tax liabilities		43,592	57,329	-	-
Deferred tax liabilities		4,347	3,194	-	-
Borrowings	B7(b)	786,378	972,030	574,715	698,651
Subordinated obligations	B7(c)	5,583,678	5,543,358	4,621,694	4,592,576
Hybrid Tier-1 Capital Securities	B7(d)	598,522	602,143	603,617	607,155
Senior debt securities	B7(e)	5,820,359	5,856,389	5,820,359	5,856,389
TOTAL LIABILITIES		211,187,263	214,904,962	167,838,430	173,339,796

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 2016.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2017

	Note	Group		Bank	
		As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
EQUITY					
Share capital		6,994,103	4,010,045	6,994,103	4,010,045
Reserves		15,308,021	17,734,733	11,762,707	14,366,279
Equity attributable to holders of the Bank		22,302,124	21,744,778	18,756,810	18,376,324
Non-controlling interests ('NCI')		30,391	29,089	-	-
TOTAL EQUITY		22,332,515	21,773,867	18,756,810	18,376,324
TOTAL LIABILITIES AND EQUITY		233,519,778	236,678,829	186,595,240	191,716,120
COMMITMENTS AND CONTINGENCIES	A25(a)	202,311,283	196,190,300	198,227,010	190,735,669
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK (RM)		5.56	5.42		

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 2016.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2017

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 2017	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
Net profit for the financial period	-	-	-	-	-	-	-	500,277	500,277	1,313	501,590
Foreign currency translation reserves:											
- Currency translation differences	-	-	-	-	-	3,425	-	-	3,425	(4)	3,421
- Net investment hedge	-	-	-	-	-	(3,824)	-	-	(3,824)	-	(3,824)
Financial investments AFS:											
- Unrealised net gain on revaluation	-	-	-	-	82,288	-	-	-	82,288	2	82,290
- Net transfer to income statements on disposal or impairment	-	-	-	-	(8,450)	-	-	-	(8,450)	-	(8,450)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	-	390	390	4	394
Income tax relating to components of other comprehensive income	-	-	-	-	(16,671)	-	-	(101)	(16,772)	(1)	(16,773)
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	-	57,167	(399)	-	289	57,057	1	57,058
Total comprehensive income/(loss) for the financial period	-	-	-	-	57,167	(399)	-	500,566	557,334	1,314	558,648
Transfer pursuant to Companies Act 2016	2,984,058	(2,984,058)	-	-	-	-	-	-	-	-	-
Accretion of interest in a subsidiary	-	-	-	-	-	-	-	12	12	(12)	-
Transfer from regulatory reserves	-	-	-	(19,622)	-	-	-	19,622	-	-	-
Balance as at 31 March 2017	6,994,103	-	4,931,227	649,879	137,734	888,465	23,331	8,677,385	22,302,124	30,391	22,332,515

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 2016.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2017

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	RM'000	RM'000	RM'000
Balance as at 1 January 2016	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 period	-	-	-	-	-	-	-	564,885	564,885	1,755	566,640
Foreign currency translation reserves:											
- Currency translation differences	-	-	-	-	-	(307,448)	-	-	(307,448)	(2,570)	(310,018)
- Net investment hedge	-	-	-	-	-	38,124	-	-	38,124	-	38,124
Financial investments AFS:											
- Unrealised net gain/(loss) on revaluation	-	-	-	-	184,652	-	-	-	184,652	(40)	184,612
- Net transfer to income statements on disposal or impairment	-	-	-	-	(16,613)	-	-	-	(16,613)	-	(16,613)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	-	344	344	4	348
Income tax relating to components of other comprehensive income	-	-	-	-	(40,378)	-	-	(86)	(40,464)	(1)	(40,465)
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	-	127,661	(269,324)	-	258	(141,405)	(2,607)	(144,012)
Total comprehensive income/(loss) for the financial period	-	-	-	-	127,661	(269,324)	-	565,143	423,480	(852)	422,628
Transfer from regulatory reserves	-	-	-	(34,310)	-	-	-	34,310	-	-	-
Dilution of interest in a subsidiary	-	-	-	-	-	-	-	(173)	(173)	173	-
Balance as at 31 March 2016	3,460,585	478,517	4,527,434	555,327	254,001	442,680	23,331	8,349,301	18,091,176	23,939	18,115,115

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RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	←		Non-Distributable			→		Total Equity
	Share Capital	Share Premium	Statutory Reserves	Regulatory Reserves	AFS Reserves	Translation Reserves	Distributable Retained Profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Balance as at 1 January 2017	4,010,045	2,984,058	3,784,558	461,870	116,933	400,289	6,618,571	18,376,324
Net profit for the financial period	-	-	-	-	-	-	330,224	330,224
Foreign currency translation reserves:								
- Currency translation differences	-	-	-	-	-	16,651	-	16,651
Financial investments AFS:								
- Unrealised net gain on revaluation	-	-	-	-	51,864	-	-	51,864
- Net transfer to income statements on disposal or impairment	-	-	-	-	(7,639)	-	-	(7,639)
Income tax relating to components of other comprehensive income	-	-	-	-	(10,614)	-	-	(10,614)
Other comprehensive income, net of tax, for the financial period	-	-	-	-	33,611	16,651	-	50,262
Total comprehensive income for the financial period	-	-	-	-	33,611	16,651	330,224	380,486
Transfer pursuant to Companies Act 2016	2,984,058	(2,984,058)	-	-	-	-	-	-
Transfer from regulatory reserves	-	-	-	(11,090)	-	-	11,090	-
Balance as at 31 March 2017	6,994,103	-	3,784,558	450,780	150,544	416,940	6,959,885	18,756,810

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 2016.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	←		Non-Distributable				→	Distributable Retained Profits	Total Equity
	Share Capital	Share Premium	Statutory Reserves	Regulatory Reserves	AFS Reserves	Translation Reserves	RM'000		
Bank	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	3,478,138	385,494	157,184	348,473	6,541,186	14,849,577	
Net profit for the financial period	-	-	-	-	-	-	436,499	436,499	
Foreign currency translation reserves:									
- Currency translation differences	-	-	-	-	-	(108,248)	-	(108,248)	
Financial investments AFS:									
- Unrealised net gain on revaluation	-	-	-	-	128,993	-	-	128,993	
- Net transfer to income statements on disposal or impairment	-	-	-	-	(15,461)	-	-	(15,461)	
Income tax relating to components of other comprehensive income	-	-	-	-	(27,248)	-	-	(27,248)	
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	-	86,284	(108,248)	-	(21,964)	
Total comprehensive income/(loss) for the financial period	-	-	-	-	86,284	(108,248)	436,499	414,535	
Transfer from regulatory reserves	-	-	-	(20,632)	-	-	20,632	-	
Balance as at 31 March 2016	3,460,585	478,517	3,478,138	364,862	243,468	240,225	6,998,317	15,264,112	

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 2016.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Three Months Ended	
	31 March 2017	31 March 2016
	RM'000	RM'000
Group		
Cash flows from operating activities		
Profit before taxation	658,272	755,472
Adjustments for:		
Allowance for impairment on loans, financing and other losses	196,116	150,843
Property, plant and equipment:		
- Depreciation	30,045	29,954
- Gain on disposal	(35)	(1,627)
- Written off	318	84
Intangible assets:		
- Amortisation	17,899	16,650
Net impairment losses made/(written back) on financial investments AFS and HTM	3,660	(411)
Share of results of joint ventures	(96)	(56)
Net gain on financial instruments	(64,990)	(46,652)
Dividend income	(12,004)	(10,772)
Other non-cash items	182,418	145,755
Operating profit before working capital changes	<u>1,011,603</u>	<u>1,039,240</u>
(Increase)/Decrease in operating assets:		
Securities purchased under resale agreements	1,147,387	(242,004)
Deposits and placements with banks and other financial institutions	(784,008)	(247,535)
Financial assets FVTPL	(194,299)	(286,835)
Loans, advances and financing	147,564	820,190
Clients' and brokers' balances	(382,154)	(900,326)
Other assets	229,465	671,816
Statutory deposits	591,735	1,088,273
	<u>755,690</u>	<u>903,579</u>
Increase/(Decrease) in operating liabilities:		
Deposits from customers	(346,132)	152,981
Deposits and placements of banks and other financial institutions	(2,484,741)	(3,112,928)
Obligations on securities sold under repurchase agreements	(363,926)	(3,145,121)
Obligations on securities borrowed	100	(4,364)
Bills and acceptances payable	(107,563)	9,037
Clients' and brokers' balances	403,878	836,631
Other liabilities	(189,521)	306,517
Recourse obligation on loans sold to Cagamas	(103,397)	(27,476)
	<u>(3,191,302)</u>	<u>(4,984,723)</u>
Cash used in operations	<u>(1,424,009)</u>	<u>(3,041,904)</u>
Net tax paid	<u>(133,523)</u>	<u>(184,985)</u>
Net cash used in operating activities	<u>(1,557,532)</u>	<u>(3,226,889)</u>

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RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Three Months Ended	
	31 March 2017	31 March 2016
	<u>RM'000</u>	<u>RM'000</u>
Group		
Cash flows from investing activities		
Net proceeds from disposal of financial investments AFS and HTM	1,797,420	4,000,382
Property, plant and equipment:		
- Purchase	(20,978)	(7,895)
- Proceeds from disposal	35	4,173
Intangible assets:		
- Purchase	(33,036)	(40,681)
Financial investments AFS and HTM:		
- Interest received	367,634	350,740
- Investment income received	56,507	39,697
Dividend income received from financial assets FVTPL and financial investments AFS	12,004	10,772
Net cash generated from investing activities	<u>2,179,586</u>	<u>4,357,188</u>
Cash flows from financing activities		
Drawdown of borrowings	694,420	866,189
Repayment of borrowings	(894,311)	(657,173)
Net cash (used in)/generated from financing activities	<u>(199,891)</u>	<u>209,016</u>
Net increase in cash and cash equivalents	422,163	1,339,315
Effects of exchange rate differences	16,818	(200,190)
Cash and cash equivalents:		
- at the beginning of the financial period	14,682,943	12,881,395
- at the end of the financial period	<u>15,121,924</u>	<u>14,020,520</u>
Cash and cash equivalents comprise the following:		
- Cash and short term funds	15,121,924	14,020,520
	<u>15,121,924</u>	<u>14,020,520</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 2016.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Three Months Ended	
	31 March 2017	31 March 2016
	<u>RM'000</u>	<u>RM'000</u>
Bank		
Cash flows from operating activities		
Profit before taxation	440,849	586,930
Adjustments for:		
Allowance for impairment on loans, financing and other losses	149,876	100,731
Property, plant and equipment:		
- Depreciation	21,003	20,914
- Gain on disposal	(3)	(1,611)
- Written off	114	3
Intangible assets:		
- Amortisation	13,380	12,206
Net impairment written back on financial investments AFS and HTM	-	(411)
Net gain on financial instruments	(28,359)	(23,044)
Other non-cash items	190,758	165,090
Operating profit before working capital changes	<u>787,618</u>	<u>860,808</u>
Decrease/(Increase) in operating assets:		
Securities purchased under resale agreements	1,184,798	(192,231)
Deposits and placements with banks and other financial institutions	(484,196)	(45,735)
Financial assets FVTPL	79,995	(81,918)
Loans, advances and financing	1,511,554	1,421,704
Other assets	250,394	600,585
Statutory deposits	419,982	749,771
	<u>2,962,527</u>	<u>2,452,176</u>
(Decrease)/Increase in operating liabilities:		
Deposits from customers	(2,819,562)	(2,090,726)
Deposits and placements of banks and other financial institutions	(1,267,937)	(3,816,793)
Obligations on securities sold under repurchase agreements	(535,494)	(1,979,866)
Bills and acceptances payable	(71,977)	257,666
Other liabilities	(300,319)	397,802
Recourse obligation on loans sold to Cagamas	10,976	14,046
	<u>(4,984,313)</u>	<u>(7,217,871)</u>
Cash used in operations	<u>(1,234,168)</u>	<u>(3,904,887)</u>
Net tax paid	(83,726)	(134,426)
Net cash used in operating activities	<u>(1,317,894)</u>	<u>(4,039,313)</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 2016.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Three Months Ended	
	31 March 2017	31 March 2016
	<u>RM'000</u>	<u>RM'000</u>
Bank		
Cash flows from investing activities		
Net proceeds from disposal of financial investments AFS and HTM	414,032	3,583,983
Property, plant and equipment:		
- Purchase	(14,619)	(2,773)
- Proceeds from disposal	3	3,984
Intangible assets:		
- Purchase	(31,865)	(34,171)
Interest received from financial investments AFS and HTM	336,762	311,847
Additional investments in subsidiaries	(17,701)	-
Net cash generated from investing activities	<u>686,612</u>	<u>3,862,870</u>
Cash flows from financing activities		
Drawdown of borrowings	-	351,360
Repayment of borrowings	(140,905)	(151,028)
Net cash (used in)/generated from financing activities	<u>(140,905)</u>	<u>200,332</u>
Net (decrease)/increase in cash and cash equivalents	(772,187)	23,889
Effects of exchange rate differences	38,005	(136,744)
Cash and cash equivalents:		
- at the beginning of the financial period	<u>12,430,270</u>	<u>8,213,683</u>
- at the end of the financial period	<u>11,696,088</u>	<u>8,100,828</u>
Cash and cash equivalents comprise the following:		
- Cash and short term funds	<u>11,696,088</u>	<u>8,100,828</u>
	<u>11,696,088</u>	<u>8,100,828</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 2016.



**RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

A1. Basis Of Preparation

The interim financial statements are unaudited 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 2016.

(a) 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 2016, except for the adoption of the following annual improvements and amendments to MFRS which are effective for annual periods beginning on or after 1 January 2017:

- Amendments to MFRS 112 'Income Taxes'
- Amendments to MFRS 107 'Statements of Cash Flows'

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

(b) Changes in regulatory requirements

(i) Companies Act 2016

The Companies Act 2016 ('New Act') was enacted to replace the Companies Act 1965 with the objective of creating a regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by Dewan Rakyat and on 29 April 2016 by Dewan Negara and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation (except Section 241 and Division 8 of Part III of the New Act) would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and the Bank upon the commencement of the New Act on 31 January 2017 are:

- (1) abolition of the authorised capital; and
- (2) abolition of the concept of nominal value in shares which will also render the share premium account of a company to be no longer relevant. Instead the amount standing in the share premium account will be recognised as part of the company's share capital.

During the financial period, the Bank had transferred a total of RM2,984,058,000 from its share premium account to the share capital pursuant to the New Act.

The adoption of the New Act is not expected to have any financial impact on the Group and the Bank for the current financial year as any effect of adoption, if applicable, will mainly be on disclosures to the financial statements.



**RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

A2 Auditors' Report

The auditors' report for the financial year ended 31 December 2016 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 three months ended 31 March 2017.

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 three months ended 31 March 2017.

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 three months ended 31 March 2017.

A7 Dividends Paid

No dividend was paid during the three months ended 31 March 2017.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

A8. Interest Income

Group	1st Quarter Ended		Three Months Ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,501,121	1,616,007	1,501,121	1,616,007
Money at call and deposits and placements with banks and other financial institutions	45,739	24,785	45,739	24,785
Securities purchased under resale agreements	1,134	320	1,134	320
Financial assets FVTPL	7,804	5,312	7,804	5,312
Financial investments AFS	181,887	176,112	181,887	176,112
Financial investments HTM	165,370	184,510	165,370	184,510
Others	10,715	12,588	10,715	12,588
	1,913,770	2,019,634	1,913,770	2,019,634
Of which:				
Interest income accrued on impaired financial assets	42,011	39,670	42,011	39,670
Bank				
Loans and advances	1,402,841	1,512,291	1,402,841	1,512,291
Money at call and deposits and placements with banks and other financial institutions	129,081	107,797	129,081	107,797
Securities purchased under resale agreements	1,134	320	1,134	320
Financial assets FVTPL	7,728	5,173	7,728	5,173
Financial investments AFS	165,655	147,871	165,655	147,871
Financial investments HTM	162,277	177,160	162,277	177,160
Others	7,052	5,279	7,052	5,279
	1,875,768	1,955,891	1,875,768	1,955,891
Of which:				
Interest income accrued on impaired financial assets	37,492	34,125	37,492	34,125



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

A9. Interest Expense

Group	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	105,804	103,322	105,804	103,322
Deposits from customers	801,480	862,283	801,480	862,283
Obligations on securities sold under repurchase agreements	152	26,768	152	26,768
Recourse obligation on loans sold to Cagamas	28,465	24,301	28,465	24,301
Subordinated obligations	59,099	63,767	59,099	63,767
Senior debt securities	42,466	26,263	42,466	26,263
Hybrid Tier-1 Capital Securities	11,138	11,255	11,138	11,255
Borrowings	5,700	2,665	5,700	2,665
Others	7,872	7,526	7,872	7,526
	1,062,176	1,128,150	1,062,176	1,128,150
Bank				
Deposits and placements of banks and other financial institutions	123,470	94,067	123,470	94,067
Deposits from customers	754,271	831,802	754,271	831,802
Obligations on securities sold under repurchase agreements	14,321	26,919	14,321	26,919
Recourse obligation on loans sold to Cagamas	28,465	24,301	28,465	24,301
Subordinated obligations	54,000	57,315	54,000	57,315
Senior debt securities	42,466	26,263	42,466	26,263
Hybrid Tier-1 Capital Securities	11,221	11,339	11,221	11,339
Borrowings	3,213	1,226	3,213	1,226
Others	7,228	7,150	7,228	7,150
	1,038,655	1,080,382	1,038,655	1,080,382



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

A10. Other Operating Income

Group	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fee income				
- Service charges and fees	42,602	49,347	42,602	49,347
- Commission	31,811	34,067	31,811	34,067
- Guarantee fees	11,514	35,915	11,514	35,915
- Commitment fees	12,858	12,024	12,858	12,024
- Net brokerage income	92,123	76,310	92,123	76,310
- Fund management fees	54,311	34,618	54,311	34,618
- Unit trust fee income	35,088	9,166	35,088	9,166
- Corporate advisory fees	11,295	25,189	11,295	25,189
- Underwriting and arrangement fees	14,506	7,217	14,506	7,217
- Other fee income	13,654	18,598	13,654	18,598
	319,762	302,451	319,762	302,451
- Fee and commission expenses	(50,927)	(20,215)	(50,927)	(20,215)
	268,835	282,236	268,835	282,236
Net gain/(loss) arising from financial assets FVTPL				
- Net (loss)/gain on disposal	(17,845)	1,244	(17,845)	1,244
- Unrealised net gain on revaluation	40,703	12,973	40,703	12,973
- Gross dividend income	4,504	3,964	4,504	3,964
	27,362	18,181	27,362	18,181
Net gain on revaluation of derivatives	24,951	18,527	24,951	18,527
Net (loss)/gain on fair values hedges	(4,960)	1,397	(4,960)	1,397
Net gain arising from financial investments AFS				
- Net gain on disposal	8,095	17,006	8,095	17,006
- Gross dividend income	7,500	6,808	7,500	6,808
	15,595	23,814	15,595	23,814
Net gain arising from financial investments HTM				
- Net gain on early redemption	11,879	26	11,879	26
Other income				
Foreign exchange gain	49,560	47,724	49,560	47,724
Insurance underwriting surplus before management expenses	44,385	48,410	44,385	48,410
Gain on disposal of property, plant and equipment	35	1,627	35	1,627
Rental income	567	603	567	603
Other operating income	8,948	13,128	8,948	13,128
Other non-operating income	903	2,768	903	2,768
	104,398	114,260	104,398	114,260
	448,060	458,441	448,060	458,441



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

A10. Other Operating Income (continued)

	1st Quarter Ended		Three Months Ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Bank	RM'000	RM'000	RM'000	RM'000
Fee income				
- Service charges and fees	37,170	45,571	37,170	45,571
- Commission	37,983	35,765	37,983	35,765
- Guarantee fees	10,326	33,543	10,326	33,543
- Commitment fees	11,883	11,351	11,883	11,351
- Other fee income	4,981	5,007	4,981	5,007
	102,343	131,237	102,343	131,237
Net gain/(loss) arising from financial assets FVTPL				
- Net (loss)/gain on disposal	(32,463)	10,960	(32,463)	10,960
- Unrealised net gain on revaluation	39,709	1,426	39,709	1,426
	7,246	12,386	7,246	12,386
Net gain/(loss) on revaluation of derivatives	1,547	(4,980)	1,547	(4,980)
Net gain on fair values hedges	48	151	48	151
Net gain arising from financial investments AFS				
- Net gain on disposal	7,639	15,461	7,639	15,461
	7,639	15,461	7,639	15,461
Net gain arising from financial investments HTM				
- Net gain on early redemption	11,879	26	11,879	26
Other income				
Foreign exchange gain	40,634	74,191	40,634	74,191
Gain on disposal of property, plant and equipment	3	1,611	3	1,611
Rental income	2,755	2,413	2,755	2,413
Other operating income	9,097	12,129	9,097	12,129
Other non-operating income	535	1,186	535	1,186
	53,024	91,530	53,024	91,530
	183,726	245,811	183,726	245,811



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

A11. Other Operating Expenses

Group	1st Quarter Ended		Three Months Ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	374,305	354,823	374,305	354,823
- Defined contribution plan	51,847	49,553	51,847	49,553
- Other staff related costs	32,452	26,833	32,452	26,833
	<u>458,604</u>	<u>431,209</u>	<u>458,604</u>	<u>431,209</u>
Establishment costs				
- Property, plant and equipment:				
- Depreciation	30,045	29,954	30,045	29,954
- Written off	318	84	318	84
- Intangible assets:				
- Amortisation	17,899	16,650	17,899	16,650
- Rental of premises	25,957	39,453	25,957	39,453
- Rental of equipment	3,595	3,347	3,595	3,347
- Insurance	9,887	8,813	9,887	8,813
- Water and electricity	7,106	8,786	7,106	8,786
- Repair and maintenance	6,779	7,272	6,779	7,272
- Security and escorting expenses	9,507	12,914	9,507	12,914
- Information technology expenses	53,881	47,646	53,881	47,646
- Others	3,974	3,452	3,974	3,452
	<u>168,948</u>	<u>178,371</u>	<u>168,948</u>	<u>178,371</u>
Marketing expenses				
- Sales commission	15,705	18,335	15,705	18,335
- Advertisement and publicity	13,075	11,244	13,075	11,244
- Others	19,357	24,535	19,357	24,535
	<u>48,137</u>	<u>54,114</u>	<u>48,137</u>	<u>54,114</u>
Administration and general expenses				
- Communication expenses	42,322	41,574	42,322	41,574
- Legal and professional fee	5,480	4,843	5,480	4,843
- Others	37,726	36,578	37,726	36,578
	<u>85,528</u>	<u>82,995</u>	<u>85,528</u>	<u>82,995</u>
	<u>761,217</u>	<u>746,689</u>	<u>761,217</u>	<u>746,689</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

A11. Other Operating Expenses (continued)

	1st Quarter Ended		Three Months Ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	RM'000	RM'000	RM'000	RM'000
Bank				
Personnel costs				
- Salaries, allowances and bonuses	232,573	239,405	232,573	239,405
- Defined contribution plan	35,663	35,824	35,663	35,824
- Other staff related costs	18,410	22,179	18,410	22,179
	<u>286,646</u>	<u>297,408</u>	<u>286,646</u>	<u>297,408</u>
Establishment costs				
- Property, plant and equipment:				
- Depreciation	21,003	20,914	21,003	20,914
- Written off	114	3	114	3
- Intangible assets:				
- Amortisation	13,380	12,206	13,380	12,206
- Rental of premises	14,614	26,920	14,614	26,920
- Rental of equipment	3,243	2,852	3,243	2,852
- Insurance	7,699	8,871	7,699	8,871
- Water and electricity	4,433	5,595	4,433	5,595
- Repair and maintenance	4,941	5,054	4,941	5,054
- Security and escorting expenses	9,314	12,318	9,314	12,318
- Information technology expenses	31,556	25,393	31,556	25,393
	<u>110,297</u>	<u>120,126</u>	<u>110,297</u>	<u>120,126</u>
Marketing expenses				
- Sales commission	11,404	12,156	11,404	12,156
- Advertisement and publicity	7,745	6,091	7,745	6,091
- Others	2,041	10,022	2,041	10,022
	<u>21,190</u>	<u>28,269</u>	<u>21,190</u>	<u>28,269</u>
Administration and general expenses				
- Communication expenses	23,404	23,954	23,404	23,954
- Legal and professional fee	29,894	10,811	29,894	10,811
- Others	19,673	19,644	19,673	19,644
	<u>72,971</u>	<u>54,409</u>	<u>72,971</u>	<u>54,409</u>
	<u>491,104</u>	<u>500,212</u>	<u>491,104</u>	<u>500,212</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

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

	1st Quarter Ended		Three Months Ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for impaired loans and financing:				
- Individual impairment allowance	64,020	8,244	64,020	8,244
- Collective impairment allowance	94,715	99,223	94,715	99,223
Impaired loans and financing recovered	(63,747)	(70,512)	(63,747)	(70,512)
Impaired loans and financing written off	38,390	39,018	38,390	39,018
Allowance (written back)/made for impairment on other debtors	(1,009)	4,358	(1,009)	4,358
	<u>132,369</u>	<u>80,331</u>	<u>132,369</u>	<u>80,331</u>
Bank				
Allowance for impaired loans and advances:				
- Individual impairment allowance	53,828	5,163	53,828	5,163
- Collective impairment allowance	59,148	60,983	59,148	60,983
Impaired loans and financing recovered	(60,990)	(66,142)	(60,990)	(66,142)
Impaired loans and financing written off	36,900	34,585	36,900	34,585
	<u>88,886</u>	<u>34,589</u>	<u>88,886</u>	<u>34,589</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

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

	Group		Bank	
	As at 31 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
(a) Designated as fair value through profit or loss	200,351	202,855	-	-
(b) Held-for-trading	2,351,145	2,121,868	1,032,256	1,095,862
	2,551,496	2,324,723	1,032,256	1,095,862
(a) Financial assets designated as fair value through profit or loss				
<u>Quoted securities:</u>				
In Malaysia				
Unit trusts	51,772	51,343	-	-
<u>Unquoted securities:</u>				
Outside Malaysia				
Private equity funds	148,579	151,512	-	-
	200,351	202,855	-	-
(b) Financial assets held-for-trading				
At fair value				
<u>Money market instruments:</u>				
Malaysian Government Securities	362,338	479,119	362,338	479,119
Malaysian Government Treasury Bills	196,515	-	196,515	-
Malaysian Government Investment Issues	330,165	499,148	180,083	488,971
Cagamas bonds	-	49,992	-	49,992
Thailand Government bonds	64,181	-	64,181	-
Other foreign government securities	116,332	-	116,332	-
<u>Quoted securities:</u>				
In Malaysia				
Shares, exchange traded funds and warrants	206,099	111,710	-	-
Unit trusts	14,037	15,989	-	-
Corporate bond/sukuk	3,255	3,287	3,255	3,287
Outside Malaysia				
Shares, exchange traded funds and warrants	383,615	360,421	-	-
<u>Unquoted securities:</u>				
In Malaysia				
Corporate bond/sukuk	655,187	527,709	90,273	-
Outside Malaysia				
Corporate bond/sukuk	19,421	74,493	19,279	74,493
	2,351,145	2,121,868	1,032,256	1,095,862



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

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 March 2017 were as follows:

	Group	
	As at	As at
	31 March	31 December
	2017	2016
	RM'000	RM'000
Reclassified from financial assets FVTPL to financial investments AFS:		
- Carrying amount	15,660	15,535
- Fair value	15,626	15,478
Fair value loss that would have been recognised if the financial assets FVTPL had not been reclassified	(34)	(57)



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

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

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government Securities	1,635,326	1,469,989	1,419,804	1,252,917
Malaysian Government Investment Issues	2,437,758	2,227,247	1,602,474	1,387,257
Cagamas bonds	257,127	295,161	216,671	255,143
Khazanah bonds	49,115	48,462	-	-
Wakala Global Sukuk	117,216	115,242	102,710	100,524
Negotiable instruments of deposits	233,032	-	132,631	-
Singapore Government Treasury Bills	2,336,901	1,612,515	2,336,901	1,612,515
Singapore Government Securities	1,160,425	283,655	1,160,425	283,655
Thailand Government bonds	826,594	804,706	826,594	804,706
Sukuk Perumahan Kerajaan	147,331	146,827	77,847	77,907
Malaysia Sovereign Sukuk	56,331	55,161	56,331	55,161
Other foreign government securities	-	4,592	-	4,592
<u>Quoted securities:</u>				
In Malaysia				
Shares	3,970	284	-	-
Unit trusts	14,681	14,263	-	-
Outside Malaysia				
Shares	8,052	7,436	5,806	5,171
Unit trusts	52,290	43,539	-	-
<u>Unquoted securities:</u>				
In Malaysia				
Corporate bond/sukuk	15,732,395	15,870,737	12,181,703	12,338,330
Shares	644,269	645,282	611,755	612,217
Corporate loan stocks	19,197	19,037	3,425	3,425
Prasarana bonds	35,389	258,161	10,321	232,919
Perpetual notes/sukuk	390,652	388,126	187,098	187,507
Outside Malaysia				
Corporate bond/sukuk	1,179,983	1,279,066	1,141,913	865,762
Shares	413	408	-	-
	27,338,447	25,589,896	22,074,409	20,079,708
Accumulated impairment losses	(488,343)	(480,234)	(392,664)	(387,633)
	26,850,104	25,109,662	21,681,745	19,692,075

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 RM Nil (31 December 2016: RM62,120,000) and RM Nil (31 December 2016: RM 62,120,000) respectively.



RHB BANK BERHAD (6171-M)
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A15. Financial Investments Held-To-Maturity ('HTM')

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government Securities	2,214,301	2,236,862	2,194,227	2,216,567
Malaysian Government Investment Issues	4,768,257	5,037,022	4,117,598	4,388,725
Cagamas bonds	886,246	1,097,100	876,215	947,006
Khazanah bonds	102,209	101,094	69,886	69,103
Negotiable instruments of deposits	1,705,657	4,702,294	2,108,596	3,807,060
Wakala Global Sukuk	32,908	33,663	23,229	23,853
Sukuk Perumahan Kerajaan	111,198	111,125	101,132	101,155
Singapore Government Securities	63,282	62,630	63,282	62,630
Thailand Government Securities	13,774	13,674	13,774	13,674
Sukuk (Brunei) Incorporation	55,388	46,598	55,388	46,598
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Corporate bond/sukuk	7,994,268	7,644,677	5,995,845	6,000,343
Corporate loan stocks	57,353	57,353	29,849	29,849
Prasarana bonds	252,974	254,101	232,552	233,870
Credit link notes	-	30,047	-	-
<u>Outside Malaysia</u>				
Corporate bond/sukuk	21,640	146,844	21,640	146,844
	18,279,455	21,575,084	15,903,213	18,087,277
Accumulated impairment losses	(210,015)	(209,981)	(101,199)	(101,165)
	18,069,440	21,365,103	15,802,014	17,986,112

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 RM Nil (31 December 2016: RM300,000,000) and RM2,164,000,000 (31 December 2016: RM2,660,000,000) respectively.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

A16. Loans, Advances and Financing

(a) By type

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
At amortised cost				
Overdrafts	6,294,623	6,340,264	5,541,642	5,637,288
Term loans/financing				
- Housing loans/financing	46,256,349	43,719,962	35,524,682	34,519,131
- Syndicated term loans/financing	7,345,316	7,656,204	3,886,308	3,873,291
- Hire purchase receivables/financing	9,599,424	9,911,076	3,943,877	4,277,547
- Lease receivables	7,794	9,653	-	-
- Other term loans/financing	66,430,451	68,480,261	49,788,032	51,034,477
Bills receivables	2,439,608	2,404,180	1,514,646	1,610,897
Trust receipts	728,698	668,038	712,111	653,267
Claims on customers under acceptance credits	3,440,395	3,641,348	3,440,395	3,641,348
Staff loans/financing	159,918	170,933	140,883	153,053
Credit/charge card receivables	1,961,607	2,032,899	1,698,652	1,758,367
Revolving credits/financing	9,827,862	9,434,578	6,110,374	6,474,842
Gross loans, advances and financing	154,492,045	154,469,396	112,301,602	113,633,508
Fair value changes arising from fair value hedges	8,037	13,072	3,618	4,112
	154,500,082	154,482,468	112,305,220	113,637,620
Allowance for impaired loans, advances and				
- Individual impairment allowance	(1,061,537)	(999,328)	(871,847)	(817,539)
- Collective impairment allowance	(1,156,157)	(1,132,836)	(864,588)	(866,430)
Net loans, advances and financing	152,282,388	152,350,304	110,568,785	111,953,651

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 RM3,407,754,000 (31 December 2016: RM3,506,645,000) and RM2,724,100,000 (31 December 2016: RM2,715,407,000) respectively.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

A16. Loans, Advances and Financing (continued)

(b) By type of customer

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Domestic non-bank financial institutions:				
- Others	3,599,950	3,996,874	902,124	948,135
Domestic business enterprises:				
- Small medium enterprises	25,551,468	25,154,454	22,812,138	22,411,410
- Others	30,253,350	30,122,281	18,505,647	19,764,225
Government and statutory bodies	4,622,905	5,476,853	1,907,443	2,388,962
Individuals	70,617,508	70,238,753	52,696,326	52,882,295
Other domestic entities	127,275	131,022	14,741	27,280
Foreign entities	19,719,589	19,349,159	15,463,183	15,211,201
	154,492,045	154,469,396	112,301,602	113,633,508

(c) By geographical distribution

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Malaysia	134,412,075	134,338,438	97,800,715	99,351,878
Labuan Offshore	2,851,268	3,282,900	-	-
Singapore	13,165,106	13,025,998	13,032,739	12,942,011
Thailand	1,643,679	1,439,806	1,309,421	1,184,501
Brunei	158,727	155,118	158,727	155,118
Indonesia	72,800	52,511	-	-
Hong Kong	313,924	368,798	-	-
Cambodia	1,671,873	1,622,419	-	-
Lao	202,593	183,408	-	-
	154,492,045	154,469,396	112,301,602	113,633,508



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FOR THE THREE MONTHS ENDED 31 MARCH 2017

A16. Loans, Advances and Financing (continued)

(d) By interest/profit rate sensitivity

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Fixed rate				
- Housing loans/financing	1,218,679	1,289,823	705,973	764,614
- Hire purchase receivables/financing	9,599,424	9,911,076	3,943,877	4,277,547
- Other fixed rate loans/financing	16,819,835	16,441,425	7,614,461	7,760,099
Variable rate				
- Base lending/financing rate plus	73,186,157	73,279,049	51,812,809	52,992,455
- Cost-plus	34,343,177	35,602,267	32,450,839	33,655,563
- Other variable rates	19,324,773	17,945,756	15,773,643	14,183,230
	154,492,045	154,469,396	112,301,602	113,633,508

(e) By purpose

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Purchase of securities	11,915,564	12,222,870	9,408,440	10,238,473
Purchase of transport vehicles	8,908,410	9,181,216	3,087,292	3,369,743
Purchase of landed property:				
- Residential	44,296,421	42,894,096	34,968,911	34,014,640
- Non-residential	15,934,742	15,185,536	13,037,453	12,600,114
Purchase of property, plant and equipment other than land and building	3,428,704	3,533,786	2,481,918	2,554,979
Personal use	8,506,992	8,387,583	6,260,347	6,224,656
Credit card	1,961,607	2,032,899	1,698,652	1,758,367
Purchase of consumer durables	54,105	55,829	21,463	22,311
Construction	6,918,948	6,815,337	5,309,386	5,458,478
Working capital	37,227,801	37,181,494	26,551,871	27,033,966
Merger and acquisition	2,194,010	2,581,065	523,546	705,163
Other purposes	13,144,741	14,397,685	8,952,323	9,652,618
	154,492,045	154,469,396	112,301,602	113,633,508



RHB BANK BERHAD (6171-M)
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A16. Loans, Advances and Financing (continued)

(f) By remaining contractual maturities

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Maturity within one year	44,585,619	45,740,764	37,944,708	39,006,800
One year to three years	9,400,030	8,781,255	4,664,046	4,736,823
Three years to five years	15,683,691	16,342,012	8,749,809	8,927,185
Over five years	84,822,705	83,605,365	60,943,039	60,962,700
	154,492,045	154,469,396	112,301,602	113,633,508

(g) Impaired loans, advances and financing

(i) Movement in impaired loans, advances and financing

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Balance as at the beginning of financial period/year	3,749,949	2,841,211	2,703,321	2,333,889
Classified as impaired	832,748	4,661,442	652,489	3,373,527
Reclassified as non-impaired	(578,054)	(2,228,423)	(456,832)	(1,875,566)
Amount recovered	(203,822)	(1,020,258)	(137,937)	(674,421)
Amount written off	(114,840)	(532,350)	(103,641)	(473,573)
Transfer from financial investments HTM	-	3,589	-	3,589
Exchange differences	2,240	24,738	10,366	15,876
Balance as at the end of financial period/year	3,688,221	3,749,949	2,667,766	2,703,321



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A16. Loans, Advances and Financing (continued)

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

(ii) By purpose

	Group		Bank	
	As at 31 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	194,980	220,280	79,188	99,429
Purchase of transport vehicles	117,427	121,974	64,350	67,784
Purchase of landed property:				
- Residential	697,734	761,214	550,542	601,381
- Non-residential	219,336	221,882	131,219	134,710
Purchase of property, plant and equipment other than land and building	30,077	41,685	26,834	28,424
Personal use	159,533	168,615	154,565	163,746
Credit card	35,199	36,182	30,279	30,819
Purchase of consumer durables	1,190	1,387	1,190	1,387
Construction	447,609	454,234	284,502	287,346
Working capital	1,733,528	1,671,782	1,319,289	1,264,066
Other purposes	51,608	50,714	25,808	24,229
	3,688,221	3,749,949	2,667,766	2,703,321

(iii) By geographical distribution

	Group		Bank	
	As at 31 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	2,521,182	2,597,474	2,082,476	2,148,122
Labuan Offshore	445,650	481,559	-	-
Singapore	546,503	516,184	546,503	515,828
Thailand	29,899	29,365	29,899	29,365
Brunei	8,888	10,006	8,888	10,006
Cambodia	59,436	39,630	-	-
Hong Kong	73,133	73,007	-	-
Lao	3,530	2,724	-	-
	3,688,221	3,749,949	2,667,766	2,703,321



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
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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 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Individual impairment allowance				
Balance as at the beginning of financial period/year	999,328	593,147	817,539	545,521
Net allowance made	64,020	475,332	53,828	342,931
Transfer from impairment of financial investments HTM	-	2,570	-	2,570
Amount written off	(5,312)	(89,043)	(4,950)	(80,445)
Exchange differences	3,501	17,322	5,430	6,962
Balance as at the end of financial period/year	<u>1,061,537</u>	<u>999,328</u>	<u>871,847</u>	<u>817,539</u>
Collective impairment allowance				
Balance as at the beginning of financial period/year	1,132,836	1,202,106	866,430	953,269
Net allowance made	94,715	222,739	59,148	175,942
Amount written off	(71,206)	(294,093)	(62,058)	(264,621)
Exchange differences	(188)	2,084	1,068	1,840
Balance as at the end of financial period/year	<u>1,156,157</u>	<u>1,132,836</u>	<u>864,588</u>	<u>866,430</u>

A17. Other Assets

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Other receivables	964,539	852,326	402,251	303,092
Cash collateral in relation to derivative transactions	1,528,507	1,877,347	1,524,517	1,865,918
Deposits	84,513	99,186	38,219	52,230
Prepayments	133,201	87,692	80,103	53,930
Amounts due from subsidiaries	-	-	851,643	852,123
	<u>2,710,760</u>	<u>2,916,551</u>	<u>2,896,733</u>	<u>3,127,293</u>



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A18. Deposits from Customers

(a) By type of deposits

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Demand deposits	33,888,456	33,165,717	29,379,437	29,370,827
Savings deposits	9,609,997	9,297,898	8,066,386	7,902,328
Fixed/investment deposits	122,226,250	123,240,100	87,747,468	90,373,485
Negotiable instruments of deposits	125,100	105,652	122,768	102,412
	165,849,803	165,809,367	125,316,059	127,749,052

(b) By type of customer

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Government and statutory bodies	10,465,095	8,445,695	5,079,885	4,434,553
Business enterprises	95,682,991	99,882,034	68,169,639	73,015,936
Individuals	52,753,636	52,141,762	45,855,717	45,563,899
Other financial institutions	6,948,081	5,339,876	6,210,818	4,734,664
	165,849,803	165,809,367	125,316,059	127,749,052

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

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Due within six months	96,522,937	102,175,215	67,418,597	73,488,738
Six months to one year	25,237,831	20,565,574	19,974,482	16,526,532
One year to three years	559,328	577,235	447,505	433,349
Three years to five years	31,254	27,728	29,652	27,278
	122,351,350	123,345,752	87,870,236	90,475,897



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
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A19. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at 31 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
Licensed banks	15,145,026	16,652,234	20,353,593	21,538,426
Licensed Islamic banks	2,485,191	4,179,222	3,031	1,845
Licensed investments banks	646,053	350,913	273,387	563,423
Bank Negara Malaysia	560,765	586,468	552,283	582,578
Other financial institutions	1,393,319	931,779	251,094	574
	20,230,354	22,700,616	21,433,388	22,686,846

A20. Other Liabilities

	Group		Bank	
	As at 31 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	1,269,445	1,161,611	567,871	534,731
Deferred income	123,354	140,908	78,750	84,000
Short term employee benefits	192,945	345,597	130,702	222,419
Accrual for operational expenses	188,979	186,149	123,257	136,727
Prepaid instalments	58,380	58,814	57,560	58,814
Cash collateral pledged for derivative transactions	324,165	625,396	324,165	625,396
Remisiers' trust deposits	62,449	60,060	-	-
Amount due to trust funds	85,393	25,792	-	-
Amounts due to subsidiaries	-	-	52,098	73,433
Puttable instruments	69,011	68,705	-	-
	2,374,121	2,673,032	1,334,403	1,735,520



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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.

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.

(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.



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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):

(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.



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A21. Segmental Reporting (continued)

Three months ended 31 March 2017

	← 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	575,366	246,458	387,740	343,716	137,186	(135,044)		1,555,422
Inter-segment revenue	10,539	-	14,580	(17,741)	1,942	3,920	(13,240)	-
Segment revenue	585,905	246,458	402,320	325,975	139,128	(131,124)	(13,240)	1,555,422
Other operating expenses	(300,872)	(123,234)	(227,487)	(23,182)	(96,373)	(3,309)	13,240	(761,217)
Including:								
- Depreciation of property, plant and equipment	(15,783)	(3,130)	(6,807)	(523)	(3,727)	(75)	-	(30,045)
- Amortisation of intangible assets	(7,466)	(3,396)	(4,214)	(944)	(1,879)	-	-	(17,899)
Allowance for impairment on loans, financing and other losses	(27,579)	(35,139)	(15,000)	-	(55,065)	414	-	(132,369)
Impairment losses made on other assets	-	-	(3,660)	-	-	-	-	(3,660)
Segment profit/(loss)	257,454	88,085	156,173	302,793	(12,310)	(134,019)	-	658,176
Share of results of joint ventures								96
Profit before taxation								658,272
Taxation								(156,682)
Net profit for the financial period								501,590



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A21. Segmental Reporting (continued)

As at 31 March 2017

	←——— 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	72,481,482	22,495,344	60,787,999	46,359,293	29,715,392	661,750	232,501,260
Investments in associates and joint ventures							49,422
Tax recoverable							196,807
Deferred tax assets							99,998
Unallocated assets							672,291
Total assets							<u>233,519,778</u>
Segment liabilities	46,074,708	21,611,806	54,283,010	51,914,553	24,250,478	18,127	198,152,682
Tax liabilities							43,592
Deferred tax liabilities							4,347
Borrowings							786,378
Subordinated obligations							5,583,678
Hybrid Tier-1 Capital Securities							598,522
Senior debt securities							5,820,359
Unallocated liabilities							197,705
Total liabilities							<u>211,187,263</u>



RHB BANK BERHAD (6171-M)
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A21. Segmental Reporting (continued)

Three months ended 31 March 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	621,929	246,237	424,743	235,687	171,145	(117,716)		1,582,025
Inter-segment revenue	10,012	-	1,264	3,725	(4,359)	4,292	(14,934)	-
Segment revenue	631,941	246,237	426,007	239,412	166,786	(113,424)	(14,934)	1,582,025
Other operating expenses	(311,035)	(117,991)	(211,009)	(26,258)	(93,705)	(1,625)	14,934	(746,689)
Including:								
- Depreciation of property, plant and equipment	(17,450)	(1,856)	(6,659)	(652)	(1,532)	(1,805)	-	(29,954)
- Amortisation of intangible assets	(7,840)	(3,068)	(3,718)	(1,735)	(289)	-	-	(16,650)
Allowance for impairment on loans, financing and other losses	(26,302)	(16,520)	(23,127)	-	(15,567)	1,185	-	(80,331)
Impairment losses written back on other assets	-	-	411	-	-	-	-	411
Segment profit/(loss)	294,604	111,726	192,282	213,154	57,514	(113,864)	-	755,416
Share of results of joint ventures								56
Profit before taxation								755,472
Taxation								(188,832)
Net profit for the financial period								566,640



RHB BANK BERHAD (6171-M)
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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-1 Capital Securities							602,143
Senior debt securities							5,856,389
Unallocated liabilities							229,192
Total liabilities							<u>214,904,962</u>



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A22. Valuation of Property, Plant and Equipment

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

A23. Events Subsequent to Balance Sheet Date

There were no significant events subsequent to the balance sheet date that have not been reflected in the financial statements, other than the following and as disclosed in Note B6(c).

- (a) RHB Islamic Bank Berhad ('RHB Islamic Bank'), a wholly-owned subsidiary had on 27 April 2017 issued Subordinated Sukuk Murabahah of RM250 million in nominal value under a RM1 billion programme. The Subordinated Sukuk Murabahah is issued for a tenure of 10 non-callable 5 years with a fixed profit rate of 4.88% per annum, payable semi-annually in arrears throughout the entire tenure.
- (b) The Bank had on 5 May 2017 fully redeemed its existing subordinated notes of RM750 million in nominal value under a RM3 billion multi-currency medium term note programme which was issued on 7 May 2012.
- (c) The Bank had on 12 May 2017 fully redeemed its existing USD500 million senior unsecured notes issued pursuant to USD500 million Euro Medium Term Note Programme in 2012.

A24. Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the three months ended 31 March 2017, other than the following:

- (a) On 23 March 2017, RHB Investment Bank Berhad ('RHB Investment Bank') acquired additional 37,500 ordinary shares of THB2.61 each in RHB Securities (Thailand) Public Company Limited ('RST') for a total consideration of THB 98,000 (equivalent to RM12,000). Accordingly, RHB Investment Bank's equity interest in RST increased from 99.949% to 99.954%.
- (b) On 30 March 2017, the Bank injected additional capital to its wholly-owned commercial bank subsidiary, RHB Indochina Bank Limited ('RHB Indochina Bank'), which is incorporated in Cambodia, amounting to USD4,000,000 (equivalent to RM17,701,000). As a result, the issued share capital of RHB Indochina Bank increased from USD67,000,000 to USD71,000,000.

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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 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Direct credit substitutes	1,805,250	1,958,320	2,155,629	2,308,064
Transaction-related contingent items	4,759,947	4,974,915	4,297,183	4,527,903
Short term self-liquidating trade-related contingencies	935,876	965,839	909,319	955,407
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	2,275,651	2,743,442
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	3,847,382	2,821,168	978,849	641,526
- Maturity exceeding one year	22,490,143	22,964,647	17,908,203	17,546,299
Foreign exchange related contracts [^]				
- Less than one year	100,043,869	93,465,618	100,942,616	93,922,890
- One year to less than five years	6,686,781	7,442,666	7,700,386	7,442,666
- More than five years	1,265,634	1,175,060	1,383,717	1,175,060
Equity related contracts [^]				
- Less than one year	26,012	14,368	-	-
Interest rate related contracts [^]				
- Less than one year	10,463,758	11,067,109	11,108,758	11,292,108
- One year to less than five years	26,312,787	26,387,742	27,852,787	28,347,742
- More than five years	4,232,524	3,500,545	4,232,524	3,500,545
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	19,365,320	19,068,447	16,481,388	16,332,017
	202,311,283	196,190,300	198,227,010	190,735,669

[^] 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)
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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 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Corporate guarantee provided to licensed banks for facilities granted to subsidiaries	390,506	390,957	362,037	362,037
Corporate guarantee issued in favour of Monetary Authority of Singapore in relation to undertaking of subsidiaries	158,251	155,302	-	-
Corporate guarantee issued in favour of the Stock Exchange of Thailand in relation to a derivative warrant programme of a subsidiary	3,599	-	-	-
	<u>552,356</u>	<u>546,259</u>	<u>362,037</u>	<u>362,037</u>

The Group and the Bank has given a continuing guarantee to Bank Negara Malaysia (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 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Capital expenditure for property, plant and equipment:				
- Authorised and contracted for	235,088	223,849	197,437	188,126
- Authorised but not contracted for	298,521	228,247	250,451	167,843
	<u>533,609</u>	<u>452,096</u>	<u>447,888</u>	<u>355,969</u>



RHB BANK BERHAD (6171-M)
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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 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 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Common Equity Tier I ('CET I')/Tier I Capital				
Share capital	6,994,103	4,010,045	6,994,103	4,010,045
Share premium	-	2,984,058	-	2,984,058
Retained profits	8,007,323	7,987,701	7,246,636	7,228,090
Other reserves	5,857,445	5,857,844	4,401,621	4,399,075
AFS reserves	137,588	82,091	150,768	113,451
	20,996,459	20,921,739	18,793,128	18,734,719
Less:				
Goodwill	(2,633,383)	(2,633,383)	(905,519)	(905,519)
Intangible assets (include associated deferred tax liabilities)	(388,521)	(370,192)	(337,380)	(316,088)
Net deferred tax assets	(118,588)	(120,584)	(78,570)	(74,772)
55% of cumulative gains of financial investments AFS	(75,673)	(45,150)	(82,922)	(62,398)
Shortfall of eligible provisions to expected losses under the IRB approach	(238,332)	(308,827)	(226,772)	(300,089)
Investments in subsidiaries and associates*	(121,477)	(91,176)	(4,126,434)	(3,084,205)
Other deductions [#]	(74,077)	(85,550)	(71,891)	(82,630)
Total CET I Capital	17,346,408	17,266,877	12,963,640	13,909,018
Hybrid Tier-1 Capital Securities**	300,000	360,000	300,000	360,000
Qualifying non-controlling interests recognised as Tier I Capital	12,221	11,677	-	-
Total Tier I Capital	17,658,629	17,638,554	13,263,640	14,269,018
Tier II Capital				
Subordinated obligations***	2,000,000	2,400,000	2,000,000	2,400,000
Subordinated obligations meeting all inclusion	1,499,666	1,499,641	1,499,666	1,499,641
Qualifying capital instruments of a subsidiary issued to third parties [†]	548,687	539,456	-	-
Collective impairment allowance and regulatory reserves [^]	527,067	533,379	267,680	277,357
	4,575,420	4,972,476	3,767,346	4,176,998
Less:				
Investments in subsidiaries and associates*	(30,369)	(60,783)	(1,031,609)	(2,056,137)
Total Tier II Capital	4,545,051	4,911,693	2,735,737	2,120,861
Total Capital	22,203,680	22,550,247	15,999,377	16,389,879



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A27. Capital Adequacy Ratio (continued)

	Group		Bank [@]	
	As at 31 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	13.449%	13.328%	12.567%	13.321%
Tier I Capital Ratio	13.692%	13.614%	12.858%	13.666%
Total Capital Ratio	17.216%	17.406%	15.510%	15.697%
After proposed dividends:				
CET I Capital Ratio	13.232%	13.111%	12.295%	13.052%
Tier I Capital Ratio	13.474%	13.398%	12.586%	13.397%
Total Capital Ratio	16.998%	17.189%	15.238%	15.428%

[@] 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-1 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 RM273,274,000 (31 December 2016: RM283,467,000) and RM156,177,000 (31 December 2016: RM165,135,000) respectively.



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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 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
CET I/Tier I Capital				
Share capital	1,273,424	1,273,424	2,333,796	818,646
Share premium	-	-	-	1,515,150
Retained profits	765,790	766,058	351,426	351,586
Other reserves	762,388	762,388	449,208	449,208
AFS reserves	(20,876)	(31,944)	14,290	7,850
	2,780,726	2,769,926	3,148,720	3,142,440
Less:				
Goodwill	-	-	(1,118,418)	(1,118,418)
Investments in subsidiaries, associates and joint ventures*	-	-	(1,224,746)	(915,469)
Intangible assets (include associated deferred tax liabilities)	-	-	(25,458)	(27,086)
Net deferred tax assets	(20,993)	(25,748)	(6,880)	(7,919)
55% of cumulative gains of financial investments AFS	-	-	(7,860)	(4,318)
Reduction in excess of Tier II Capital due to insufficient Tier II Capital [†]	-	-	-	(151,853)
Other deductions [#]	(2,161)	(2,891)	(24)	(29)
Total CET I Capital/Tier I Capital	2,757,572	2,741,287	765,334	917,348
Tier II Capital				
Subordinated sukuk	500,000	500,000	-	-
Subordinated obligations**	-	-	245,000	245,000
Subordinated obligations meeting all relevant criteria	-	-	200,000	200,000
Collective impairment allowance and regulatory reserves [^]	305,912	290,408	13,219	13,460
	805,912	790,408	458,219	458,460
Less:				
Investments in subsidiaries, associates and joint ventures*	-	-	(306,186)	(458,460)
Total Tier II Capital	805,912	790,408	152,033	-
Total Capital	3,563,484	3,531,695	917,367	917,348
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	10.580%	10.868%	27.204%	29.623%
Tier I Capital Ratio	10.580%	10.868%	27.204%	29.623%
Total Capital Ratio	13.672%	14.002%	32.608%	29.623%
After proposed dividends:				
CET I Capital Ratio	10.580%	10.868%	27.204%	29.623%
Tier I Capital Ratio	10.580%	10.868%	27.204%	29.623%
Total Capital Ratio	13.672%	14.002%	32.608%	29.623%



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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 RM158,784,000 (31 December 2016: RM158,516,000) and RM13,168,000 (31 December 2016: RM13,008,000) 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 March 2017				
Credit risk	112,808,471	90,933,748	24,472,935	1,057,520
Market risk	5,191,096	3,974,650	341,239	613,306
Operational risk	10,975,246	8,247,930	1,249,333	1,142,521
Total risk-weighted assets	<u>128,974,813</u>	<u>103,156,328</u>	<u>26,063,507</u>	<u>2,813,347</u>

	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>

[@] 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.



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A27. Capital Adequacy Ratio (continued)

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).

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

	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Before proposed dividends:		
Core capital ratio	#	#
Solvency ratio	19.165%	17.002%
After proposed dividends:		
Core capital ratio	#	#
Solvency ratio	19.165%	17.002%

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.



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A28. Operations of Islamic Banking

(a) Statement of Financial Position as at 31 March 2017

	Group	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
ASSETS		
Cash and short-term funds	3,843,594	3,436,482
Deposits and placements with banks and other financial institutions	843,013	537,141
Financial assets held-for-trading	150,082	10,177
Financial investments AFS	3,483,900	3,459,647
Financial investments HTM	2,141,890	2,820,123
Financing and advances	35,445,433	33,834,735
Other assets	180,496	171,730
Derivative assets	225,068	356,311
Statutory deposits	863,551	1,051,050
Deferred tax assets	16,175	20,929
Property, plant and equipment	6,187	6,576
Intangible assets	4,304	4,750
Total assets	<u>47,203,693</u>	<u>45,709,651</u>
LIABILITIES		
Deposits from customers	30,734,830	29,419,928
Deposits and placements of banks and other financial institutions	4,410,495	5,287,330
Investment account from customers	100	-
Bills and acceptances payable	10,945	9,050
Recourse obligation on financing sold to Cagamas	700,870	815,243
Other liabilities	238,017	187,603
Derivative liabilities	37,140	36,487
Tax liabilities and zakat	23,291	29,451
Subordinated obligations	509,290	503,187
Total liabilities	<u>36,664,978</u>	<u>36,288,279</u>
Islamic Banking Funds	10,538,715	9,421,372
Total liabilities and Islamic Banking Funds	<u>47,203,693</u>	<u>45,709,651</u>
Commitments and contingencies	<u>13,810,301</u>	<u>14,215,011</u>



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A28. Operations of Islamic Banking (continued)

(b) Income Statement for the Three Months Ended 31 March 2017

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds	441,417	417,000	441,417	417,000
Income derived from investment account funds	84,027	82,320	84,027	82,320
Income derived from investment of shareholders' funds	20,557	27,363	20,557	27,363
Allowance for impairment on financing and advances	(28,216)	(14,838)	(28,216)	(14,838)
Total distributable income	517,785	511,845	517,785	511,845
Income attributable to depositors	(290,233)	(294,583)	(290,233)	(294,583)
	227,552	217,262	227,552	217,262
Personnel expenses	(7,488)	(7,859)	(7,488)	(7,859)
Other overheads and expenditures	(69,635)	(53,100)	(69,635)	(53,100)
Profit before taxation	150,429	156,303	150,429	156,303
Taxation	(23,749)	(22,724)	(23,749)	(22,724)
Net profit for the financial period	126,680	133,579	126,680	133,579

(c) Statement of Comprehensive Income for the Three Months Ended 31 March 2017

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period	126,680	133,579	126,680	133,579
Other comprehensive income/(loss) in respect of:				
Items that will be reclassified subsequently to profit or loss				
- Unrealised net gain on revaluation of financial investments AFS	15,204	39,520	15,204	39,520
- Net transfer to income statement on disposal or impairment of financial investments AFS	(641)	(956)	(641)	(956)
- Income tax relating to components of other comprehensive income	(3,495)	(9,255)	(3,495)	(9,255)
Other comprehensive income, net of tax, for the financial period	11,068	29,309	11,068	29,309
Total comprehensive income for the financial period	137,748	162,888	137,748	162,888



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A28. Operations of Islamic Banking (continued)

(d) Financing and Advances

	Group	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
At amortised cost		
Cashline	433,963	402,800
Term financing		
- Housing financing	9,499,344	9,057,346
- Syndicated term financing	1,763,100	1,422,695
- Hire purchase receivables	5,655,535	5,633,510
- Other term financing	15,722,923	15,476,386
Bills receivables	924,961	793,283
Trust receipts	11,669	14,026
Staff financing	2,775	3,394
Credit/charge card receivables	262,955	274,532
Revolving financing	1,440,836	1,009,152
Gross financing and advances	<u>35,718,061</u>	<u>34,087,124</u>
Less: Allowance for impaired financing and advances		
- Individual impairment allowance	(16,335)	(15,864)
- Collective impairment allowance	<u>(256,293)</u>	<u>(236,525)</u>
Net financing and advances	<u><u>35,445,433</u></u>	<u><u>33,834,735</u></u>
(i) Movements in impaired financing and advances		
Balance as at the beginning of the financial period/year	393,096	362,736
Classified as impaired	124,905	514,915
Reclassified as non-impaired	(107,636)	(352,703)
Amount recovered	(21,784)	(78,617)
Amount written off	(10,831)	(53,235)
Balance as at the end of the financial period/year	<u><u>377,750</u></u>	<u><u>393,096</u></u>
(ii) Movements in allowance for impaired financing and advances		
Individual impairment allowance		
Balance as at the beginning of the financial period/year	15,864	22,649
Net allowance made/(written back)	471	(3,438)
Amount written off	-	(3,347)
Balance as at the end of the financial period/year	<u><u>16,335</u></u>	<u><u>15,864</u></u>
Collective impairment allowance		
Balance as at the beginning of the financial period/year	236,525	199,653
Net allowance made	28,910	77,902
Amount written off	(9,142)	(41,030)
Balance as at the end of the financial period/year	<u><u>256,293</u></u>	<u><u>236,525</u></u>



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A28. Operations of Islamic Banking (continued)

	Group	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
(e) Other Assets		
Prepayments	13,963	11,751
Deposits	1,696	1,305
Other receivables	164,837	158,674
	<u>180,496</u>	<u>171,730</u>
(f) Deposits from Customers		
Saving Deposits		
- Wadiah	1,302,045	1,221,616
Demand Deposits		
- Wadiah	4,328,715	3,764,386
- Commodity Murabahah	2,004	5,926
Term Deposits		
- Commodity Murabahah	16,558,998	16,716,463
Specific Investment Account		
- Murabahah	8,394,175	7,556,178
General Investment Account		
- Mudharabah	148,893	155,359
	<u>30,734,830</u>	<u>29,419,928</u>



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B1. Review of Group Results

(a) Current Financial Period vs Previous Financial Period

For the first three months ended 31 March 2017, the Group reported a net profit of RM500.3 million, 11.4% lower from RM564.9 million recorded a year ago. Pre-tax profit was at RM658.3 million, 12.9% lower than the corresponding period in 2016. The year-on-year earnings decline was mainly due to lower total income and higher impairment losses for loans.

Net fund based income declined 1.2% to RM1,093.3 million from a year ago, as loans growth and lower funding expenses were offset by margin compression. Net interest margin was 2.17% for the current quarter compared to 2.22% in prior year's corresponding quarter.

Non-fund based income was 2.7% lower at RM462.2 million. Fee from loan and loan related exposure and insurance underwriting surplus was lower year-on-year though this was partially offset by an increase in wealth management fee income, which expanded at an encouraging rate of 63.2% year-on-year, and higher treasury income.

Operating expenses for the first three months rose by a marginal 1.9% to RM761.2 million from a year ago driven by a rise in personnel costs and higher IT-related expenses as the Group continued to invest into technology infrastructure and capabilities. The Group's disciplined cost management efforts delivered an improved cost to income ratio at 48.9%, from 50% for financial year 2016.

Allowances for impairment on loans and financing increased to RM132.4 million from a year ago, primarily due to additional individual impairment allowances provided on certain corporate accounts that were classified as impaired last year.

Total assets decreased by 1.3% to RM233.5 billion as at 31 March 2017, whilst shareholders' funds for the Group increased to RM22.3 billion. Net assets per share improved by 2.6% to RM5.56 as at 31 March 2017.

The Group's gross loans and financing grew by 3.2% year-on-year to RM154.5 billion, but remained stable from December 2016. There were a few large corporate repayments in the first quarter of the year. Mortgages and SME financing continued to grow at an annualised growth rate of 13.1% and 6.3% respectively.

Customer deposits increased by 5.3% to RM165.8 billion year-on-year but remained largely unchanged from December 2016. Total current and savings account ('CASA') registered a strong growth of 14.5% over the year, with CASA composition improving to 26.2% as at 31 March 2017 from 25.6% recorded in December 2016. The Group's loan-to-deposit ratio remained healthy at 93.2%.

Compared to the previous quarter, gross impaired loans declined slightly to RM3.7 billion, with gross impaired loans ratio improving to 2.39% from 2.43% as at 31 December 2016.



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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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(b) Performance by Operating Segment

(i) Group Retail Banking

Retail Banking recorded a pre-tax profit of RM257.5 million for the first three months ended 31 March 2017, 12.6% lower from the previous year's corresponding quarter. This was mainly attributed to lower net fund based income, partially offset by lower operating expenses.

Retail loans and financing were marginally higher at RM70.5 billion as at March 2017, as growth in mortgages was largely offset by the decrease in auto financing and loans for purchase of securities. Mortgage loans grew at a strong annualised rate of 14.6%, resulting in an improvement in market share to 8.7% from 8.6% as at December 2016.

Retail deposits increased by an annualised 7.9%, mainly contributed by higher fixed deposits and savings account balances which increased by an annualised 6.6% and 21.0% respectively.

(ii) Group Business Banking

Group Business Banking recorded a lower pre-tax profit of RM88.1 million in the first quarter, mainly due to higher allowances for loans and financing and higher operating expenses, partially offset by higher net funding income.

Gross loans and financing expanded by an annualised rate of 7.2%, driven mainly by the SME portfolio growth. Market share for SME continued to improve to 8.9% as at March 2017 from 8.8% in December 2016.

Contraction in the current account and fixed deposits contributed to the overall deposits decline of 2.9% from December 2016.

(iii) GWB

Group Wholesale Banking ("GWB") recorded a pre-tax profit of RM459.0 million, an increase of 13.2% from the previous year corresponding period.

- (a) Group Corporate Banking registered a 22.1% decline in pre-tax profit to RM129.9 million on the back of lower non-fund based and net fund based income, partially offset by lower loan loss impairment.

Gross loans and financing decreased by 2.2% during the first three months to RM45.2 billion due to a few large corporate repayments. Deposits decreased by 7.1% over the same period to RM49.0 billion primarily due to a decrease in fixed deposits.

- (b) Pre-tax profit for Group Investment Banking was at RM26.3 million, 3.1% higher compared to a year ago on account of lower operating expenses, partially offset by lower net fund based income.

- (c) Group Treasury and Global Markets recorded a strong 42.1% growth in pre-tax profit to RM302.8 million in the first three months, mainly due to higher investment and trading gain and lower operating expenses.



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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 RM12.3 million for the first quarter of the year. Singapore Bank operations recorded a pre-tax loss of SGD5.9 million compared to a pre-tax profit of SGD15.8 million in the previous year's corresponding period, largely attributed to higher impairment losses on loans, coupled with lower net and non-fund based income. Singapore loans and advances, as well as deposits remained relatively stable at SGD4.1 billion and SGD6.0 billion respectively.

International Business excluding Singapore registered a pre-tax profit of RM15.8 million in the first three months, 4.7% lower compared to a year ago. This was mainly due to losses recorded in Thailand, partially negated by improved profitability in Cambodia and Lao.

B2. Current Quarter vs Previous Quarter

Net profit for the current quarter was RM500.3 million, almost double the amount of RM261.2 million recorded in the preceding quarter ended 31 December 2016. This was primarily due to higher non-fund based income and lower operating expenses in the current quarter, coupled with impairment provided on certain corporate accounts relating to oil and gas, and pre-emptive provisions made for legacy steel related exposure in the last quarter

B3. Prospects for Financial Year 2017

The Malaysian economy grew 5.6% in Q1 2017 and is forecast to grow 4.8% for the year. The improvement in overall economic activity is driven by the recovery in both exports and domestic demand as the higher exports growth is expected to lead to better consumer spending and private investment. Public spending is expected to rise, supported by the implementation of major infrastructure projects under the various economic programmes.

The Malaysian banking sector loans growth is expected to range between 5.5% to 6.0%, with lending to businesses being the key growth driver. Household loans growth is expected to be moderate.

The Group remains cautiously optimistic on the business environment and the development in both domestic and external markets. Notwithstanding this, the Group continues to pursue growth responsibly while also effectively managing asset quality and enhancing productivity. We remain committed to our 2017 IGNITE Transformation strategies to drive performance improvements.

We expect to deliver a better performance this year and are on track to achieve our long-term objectives.

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.



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B5. Taxation

	1st Quarter Ended		Three Months Ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	RM'000	RM'000	RM'000	RM'000
Group				
Income tax based on profit for the financial period				
- Malaysian income tax	167,658	147,983	167,658	147,983
- Overseas tax	3,224	9,312	3,224	9,312
Deferred tax	(14,200)	31,537	(14,200)	31,537
	<u>156,682</u>	<u>188,832</u>	<u>156,682</u>	<u>188,832</u>

The effective tax rate of the Group for the first quarter ended 31 March 2017 was lower than the statutory tax rate mainly due to certain income not subject to tax.

	1st Quarter Ended		Three Months Ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	RM'000	RM'000	RM'000	RM'000
Bank				
Income tax based on profit for the financial period				
- Malaysian income tax	127,038	102,145	127,038	102,145
- Overseas tax	-	7,065	-	7,065
Deferred tax	(16,413)	41,221	(16,413)	41,221
	<u>110,625</u>	<u>150,431</u>	<u>110,625</u>	<u>150,431</u>

The effective tax rate of the Bank for the first quarter ended 31 March 2017 was higher than the statutory tax rate mainly due to non-deductibility of certain expenses for tax purposes.



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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 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, 2016; 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.



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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.

On 11 April 2017, the Bank has submitted the following two applications to Bursa Securities:

- (i) Extension of time until 29 December 2017 to implement the Proposed SGS; and
- (ii) Further extension of time from 28 April 2017 to 14 December 2017 for the Bank to comply with Paragraph 9.33(1)(b) of the Main Market Listing Requirements of Bursa Securities.

Bursa Securities had on 21 April 2017 granted the Bank the extension of time until 29 December 2017 to implement the Proposed SGS, and further extension of time from 28 April 2017 to 14 December 2017 to comply with Paragraph 9.33(1)(6) of the Main Market Listing Requirements of Bursa Securities.

(b) 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 consolidated share capital of RHB Investment Bank (which includes the issued and paid-up share capital and the share premium of RHB Investment Bank).



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B6. Status of Corporate Proposals (continued)

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

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.

Approval from 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 Section 116(4) of the Companies Act 2016 for the reduction of RHB Investment Bank's consolidated share capital 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.

(c) 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 in through its 59.95% direct shareholding and 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 Finex, Silverlake Capital and DFLL have mutually agreed to terminate the Agreement through a Notice of Termination dated 5 May 2017 ('Mutual Termination'). The Mutual Termination is due to the non-fulfilment and non-satisfaction of the conditions precedent as stated in the Agreement.

Upon the Mutual Termination, neither RHB Finex nor Silverlake Capital shall have any claims whatsoever, directly or indirectly, against the other in respect of the Agreement.



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B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Subordinated Obligations, Hybrid Tier-1 Capital Securities and Senior Debt Securities

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

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Deposits from customers				
- One year or less	165,259,221	165,204,404	124,838,902	127,288,425
- More than one year	590,582	604,963	477,157	460,627
	<u>165,849,803</u>	<u>165,809,367</u>	<u>125,316,059</u>	<u>127,749,052</u>
Deposits and placements of banks and other financial institutions				
- One year or less	20,228,242	22,698,392	21,431,276	22,684,622
- More than one year	2,112	2,224	2,112	2,224
	<u>20,230,354</u>	<u>22,700,616</u>	<u>21,433,388</u>	<u>22,686,846</u>

(b) Borrowings

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Unsecured				
Revolving credits:				
- Hong Kong Dollar	134,385	185,691	-	-
- Thai Baht	77,278	87,688	-	-
Term loans:				
- United States Dollar	574,715	698,651	574,715	698,651
	<u>786,378</u>	<u>972,030</u>	<u>574,715</u>	<u>698,651</u>
Scheduled repayment of borrowings:				
- Within one year	453,203	563,182	241,540	289,803
- One year to three years	333,175	408,848	333,175	408,848
	<u>786,378</u>	<u>972,030</u>	<u>574,715</u>	<u>698,651</u>



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B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Subordinated Obligations, Hybrid Tier-1 Capital Securities and Senior Debt Securities (continued)

(c) Subordinated obligations

	Group		Bank	
	As at 31 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
5.50% RM700 million Tier II Subordinated Notes 2007/2022	712,868	703,375	712,868	703,375
5.60% RM300 million Tier II Subordinated Notes 2010/2025	306,996	302,854	306,996	302,854
4.30% RM750 million Tier II Subordinated Notes 2012/2022 [^]	762,790	754,784	762,790	754,784
4.40% RM1,300 million Tier II Subordinated Notes 2012/2022	1,318,930	1,304,757	1,318,930	1,304,757
4.40% RM245 million Tier II Subordinated Notes 2012/2022	248,219	245,561	-	-
4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024	509,290	503,187	-	-
4.99% RM1 billion Tier II Subordinated Notes 2014/2024	1,011,074	1,023,651	1,011,074	1,023,651
4.95% RM200 million Tier II Subordinated Notes 2015/2025	204,475	202,034	-	-
4.75% RM500 million Tier II Subordinated Notes 2015/2025	509,036	503,155	509,036	503,155
	5,583,678	5,543,358	4,621,694	4,592,576

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.

[^] The Bank had on 5 May 2017 fully redeemed the existing subordinated notes of RM750 million in nominal value.

(d) Hybrid Tier-1 Capital Securities

	Group		Bank	
	As at 31 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
	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	361,452	368,818	361,452	368,818
RM230 million 6.75% Hybrid Tier-I Capital Securities due in 2039, callable with step-up coupon rate at 7.75% in 2019	237,070	233,325	242,165	238,337
	598,522	602,143	603,617	607,155



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B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Subordinated Obligations, Hybrid Tier-1 Capital Securities and Senior Debt Securities (continued)

(e) Senior debt securities

	Group and Bank	
	As at	As at
	31 March	31 December
	2017	2016
	RM'000	RM'000
USD300 million 3.25% senior debt securities due in 2017 [^]	1,344,139	1,350,942
USD200 million 3.25% senior debt securities due in 2017 [^]	896,521	902,110
USD300 million 3.088% senior debt securities due in 2019	1,345,192	1,352,808
USD500 million 2.503% senior debt securities due in 2021	2,234,507	2,250,529
	<u>5,820,359</u>	<u>5,856,389</u>

[^] The Bank had on 12 May 2017 fully redeemed its existing USD500 million senior debt securities issued in 2012.



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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 March 2017			As at 31 December 2016		
	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	93,516,885	817,850	945,927	87,708,353	1,980,966	1,390,728
- Options	1,248,111	1,776	1,557	1,126,466	6,220	4,257
- Cross-currency interest rate swaps	13,232,436	1,687,693	1,939,621	13,333,589	1,909,089	2,170,087
	107,997,432	2,507,319	2,887,105	102,168,408	3,896,275	3,565,072
Interest rate related contracts						
- Swaps	38,659,069	162,333	89,303	38,605,396	178,605	90,977
	38,659,069	162,333	89,303	38,605,396	178,605	90,977
Equity related contracts						
- Options	26,012	81	76	14,368	123	24
	26,012	81	76	14,368	123	24
Structured warrants						
	72,498	-	24,566	52,380	-	11,817
	72,498	-	24,566	52,380	-	11,817
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Swaps	2,350,000	865	6,873	2,350,000	415	11,130
	2,350,000	865	6,873	2,350,000	415	11,130
Total	149,105,011	2,670,598	3,007,923	143,190,552	4,075,418	3,679,020



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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 March 2017			As at 31 December 2016		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
By type	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Forwards/swaps	95,487,691	821,312	948,270	88,232,096	1,994,626	1,393,427
- Options	1,248,111	1,776	1,847	974,931	6,224	5,048
- Cross-currency interest rate swaps	13,290,917	1,686,549	1,939,954	13,333,589	1,907,908	2,170,389
	110,026,719	2,509,637	2,890,071	102,540,616	3,908,758	3,568,864
Interest rate related contracts						
- Swaps	40,844,069	169,294	90,039	40,790,395	186,980	91,828
	40,844,069	169,294	90,039	40,790,395	186,980	91,828
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Swaps	2,350,000	865	6,873	2,350,000	415	11,130
	2,350,000	865	6,873	2,350,000	415	11,130
Total	153,220,788	2,679,796	2,986,983	145,681,011	4,096,153	3,671,822



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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 March 2017			As at 31 December 2016		
	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	100,045,016	1,695,646	2,024,471	93,550,683	3,020,104	2,497,672
- 1 year to 3 years	5,232,181	682,431	745,823	5,952,649	715,778	938,839
- More than 3 years	2,720,235	129,242	116,811	2,665,076	160,393	128,561
	107,997,432	2,507,319	2,887,105	102,168,408	3,896,275	3,565,072
Interest rate related contracts						
- Less than 1 year	10,463,758	12,052	3,995	11,067,111	16,279	4,822
- 1 year to 3 years	16,773,848	56,124	35,827	17,449,051	59,329	46,840
- More than 3 years	11,421,463	94,157	49,481	10,089,234	102,997	39,315
	38,659,069	162,333	89,303	38,605,396	178,605	90,977
Equity related contracts						
- Less than 1 year	26,012	81	76	14,368	123	24
	26,012	81	76	14,368	123	24
Structured warrants						
- Less than 1 year	72,498	-	24,566	52,380	-	11,817
	72,498	-	24,566	52,380	-	11,817
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- 1 year to 3 years	2,350,000	865	6,873	2,350,000	415	11,130
	2,350,000	865	6,873	2,350,000	415	11,130
Total	149,105,011	2,670,598	3,007,923	143,190,552	4,075,418	3,679,020



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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 March 2017			As at 31 December 2016		
	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 remaining period to maturity/next re-pricing date						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Less than 1 year	100,942,616	1,699,132	2,027,130	93,922,890	3,033,760	2,501,162
- 1 year to 3 years	5,629,346	682,403	746,130	5,952,649	715,742	939,141
- More than 3 years	3,454,757	128,102	116,811	2,665,077	159,256	128,561
	110,026,719	2,509,637	2,890,071	102,540,616	3,908,758	3,568,864
Interest rate related contracts						
- Less than 1 year	11,108,758	12,948	4,278	11,292,110	16,970	4,640
- 1 year to 3 years	18,223,848	61,657	36,270	19,319,051	66,416	47,862
- More than 3 years	11,511,463	94,689	49,491	10,179,234	103,594	39,326
	40,844,069	169,294	90,039	40,790,395	186,980	91,828
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- 1 year to 3 years	2,350,000	865	6,873	2,350,000	415	11,130
	2,350,000	865	6,873	2,350,000	415	11,130
Total	153,220,788	2,679,796	2,986,983	145,681,011	4,096,153	3,671,822



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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.



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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 March 2017				
<u>Financial assets</u>				
Financial assets FVTPL:	658,778	1,727,749	164,969	2,551,496
- Money market instruments	-	1,069,531	-	1,069,531
- Quoted securities	658,778	-	-	658,778
- Unquoted securities	-	658,218	164,969	823,187
Financial investments AFS:	69,391	25,640,320	1,140,393	26,850,104
- Money market instruments	-	9,257,156	-	9,257,156
- Quoted securities	69,391	-	5,806	75,197
- Unquoted securities	-	16,383,164	1,134,587	17,517,751
Derivative assets	-	2,670,598	-	2,670,598
	<u>728,169</u>	<u>30,038,667</u>	<u>1,305,362</u>	<u>32,072,198</u>
<u>Financial liabilities</u>				
Derivative liabilities	<u>24,566</u>	<u>2,983,357</u>	<u>-</u>	<u>3,007,923</u>
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>

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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 March 2017				
<u>Financial assets</u>				
Financial assets FVTPL:	3,255	1,029,001	-	1,032,256
- Money market instruments	-	919,449	-	919,449
- Quoted securities	3,255	-	-	3,255
- Unquoted securities	-	109,552	-	109,552
Financial investments AFS:	-	20,890,772	790,973	21,681,745
- Money market instruments	-	7,932,388	-	7,932,388
- Quoted securities	-	-	5,806	5,806
- Unquoted securities	-	12,958,384	785,167	13,743,551
Derivative assets	-	2,679,796	-	2,679,796
	<u>3,255</u>	<u>24,599,569</u>	<u>790,973</u>	<u>25,393,797</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	2,986,983	-	2,986,983
31 December 2016				
<u>Financial assets</u>				
Financial assets FVTPL:	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

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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 March 2017 RM'000	As at 31 December 2016 RM'000
Financial assets FVTPL		
Balance as at the beginning of financial period/year	167,901	153,863
Total net loss recognised in income statements	-	(4,936)
Purchases	4,086	252,042
Settlements	(4,991)	(238,577)
Exchange differences	(2,027)	5,509
Balance as at the end of the financial period/year	<u>164,969</u>	<u>167,901</u>

	Group		Bank	
	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Financial investments AFS				
Balance as at the beginning of financial period/year	1,138,800	1,074,704	791,209	657,769
Total (losses)/gains recognised in other comprehensive income	(30)	10,388	(30)	30,789
Total net gain/(losses) recognised in income statements	159	(7,135)	-	-
Purchases	5,693	74,651	1,362	102,429
Settlements	(3,102)	(17,766)	(1,771)	-
Impairment losses	-	(549)	-	-
Exchange differences	(1,127)	4,507	203	222
Balance as at the end of the financial period/year	<u>1,140,393</u>	<u>1,138,800</u>	<u>790,973</u>	<u>791,209</u>



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FOR THE THREE MONTHS ENDED 31 MARCH 2017

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 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Bank and its subsidiaries				
- Realised	9,272,611	8,039,282	7,153,796	6,097,608
- Unrealised	(168,008)	553,524	(193,911)	520,963
	9,104,603	8,592,806	6,959,885	6,618,571
Total share of retained profits from associates and joint ventures				
- Realised	4,328	4,232	-	-
	9,108,931	8,597,038	6,959,885	6,618,571
Less: Consolidation adjustments	(431,546)	(439,853)	-	-
Total retained profits	8,677,385	8,157,185	6,959,885	6,618,571

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)
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B11. Dividends

No dividend has been declared for the first quarter ended 31 March 2017.

B12. Earnings per Share

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
Basic earnings per share				
Profit attributable to equity holders of the Bank (RM'000)	<u>500,277</u>	<u>564,885</u>	<u>500,277</u>	<u>564,885</u>
Weighted average number of ordinary shares in issue ('000)	<u>4,010,045</u>	<u>3,460,585</u>	<u>4,010,045</u>	<u>3,460,585</u>
Earnings per share (sen)				
- Basic	<u>12.5</u>	<u>16.3</u>	<u>12.5</u>	<u>16.3</u>
- Diluted	<u>12.5</u>	<u>16.3</u>	<u>12.5</u>	<u>16.3</u>

There were no dilutive potential ordinary shares outstanding as at 31 March 2017. As a result, the diluted earnings per share equal to the basic earnings per share for the financial year ended 31 March 2017.

BY ORDER OF THE BOARD

AZMAN SHAH MD YAMAN
(License No. LS0006901)

Company Secretary
23 May 2017