



RHB Bank Berhad (6171 - M)

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**RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	Note	2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	A8	1,979,780	1,937,422	3,917,337	3,851,192
Interest expense	A9	(1,042,849)	(1,051,731)	(2,050,178)	(2,113,907)
Net interest income		936,931	885,691	1,867,159	1,737,285
Other operating income	A10	309,162	395,921	873,224	848,225
Income from Islamic Banking business	A31(b)	371,043	296,496	644,811	546,493
Net income		1,617,136	1,578,108	3,385,194	3,132,003
Other operating expenses	A11	(799,020)	(783,169)	(1,660,660)	(1,542,859)
Operating profit before allowances		818,116	794,939	1,724,534	1,589,144
Allowance for credit losses	A12	(45,155)	(141,135)	(159,655)	(277,164)
		772,961	653,804	1,564,879	1,311,980
Share of results of joint ventures		47	111	38	207
Profit before taxation		773,008	653,915	1,564,917	1,312,187
Taxation	B5	(202,852)	(151,752)	(403,750)	(308,434)
Net profit for the financial period		570,156	502,163	1,161,167	1,003,753
Attributable to:					
- Equity holders of the Bank		570,261	500,963	1,161,081	1,001,240
- Non-controlling interests		(105)	1,200	86	2,513
		570,156	502,163	1,161,167	1,003,753
Earnings per share (sen)					
- Basic	B12	14.2	12.5	29.0	25.0
- Diluted	B12	14.2	12.5	29.0	25.0

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 2017.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period	570,156	502,163	1,161,167	1,003,753
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
(a) Actuarial gain on defined benefit plan of subsidiaries	1,450	2	1,265	396
(b) Equity instruments designated at fair value through other comprehensive income ('FVOCI')				
- Net loss on disposal	(1,473)	-	(1,447)	-
- Unrealised net gain on revaluation	10,218	-	8,908	-
(ii) Items that will be reclassified subsequently to profit or loss:				
(a) Foreign currency translation reserves				
- Currency translation differences	98,883	(100,547)	(41,253)	(97,126)
- Net investment hedge	(3,794)	5,750	5,393	1,926
(b) Financial investments available-for-sale ('AFS')				
- Unrealised net gain on revaluation	-	81,764	-	164,054
- Net transfer to income statements on disposal or impairment	-	99,889	-	91,439
(c) Debt instruments measured at FVOCI				
- Unrealised net loss	(142,369)	-	(135,596)	-
- Net transfer to income statements on disposal	(6,491)	-	(42,524)	-
Income tax relating to components of other comprehensive loss/(income)	34,148	(43,782)	41,465	(60,555)
Other comprehensive (loss)/income, net of tax, for the financial period	(9,428)	43,076	(163,789)	100,134
Total comprehensive income for the financial period	560,728	545,239	997,378	1,103,887
Total comprehensive income attributable to:				
- Equity holders of the Bank	560,823	544,126	997,415	1,101,460
- Non-controlling interests	(95)	1,113	(37)	2,427
	560,728	545,239	997,378	1,103,887

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RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	A8	1,966,783	1,902,824	3,893,525	3,778,592
Interest expense	A9	(1,005,361)	(1,017,740)	(1,987,905)	(2,056,395)
Net interest income		961,422	885,084	1,905,620	1,722,197
Other operating income	A10	141,367	180,859	386,971	364,585
Income from Islamic Banking business	A31(b)	(23)	-	(30)	-
Net income		1,102,766	1,065,943	2,292,561	2,086,782
Other operating expenses	A11	(507,876)	(504,087)	(1,077,572)	(995,191)
Operating profit before allowances		594,890	561,856	1,214,989	1,091,591
Allowance for credit losses	A12	(668)	(85,555)	(87,360)	(174,441)
Profit before taxation		594,222	476,301	1,127,629	917,150
Taxation	B5	(168,716)	(98,089)	(307,419)	(208,714)
Net profit for the financial period		425,506	378,212	820,210	708,436

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 2017.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Bank				
Net profit for the financial period	425,506	378,212	820,210	708,436
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
(a) Equity instruments designated at fair value through other comprehensive income ('FVOCI')				
- Net loss on disposal	(1,442)	-	(1,442)	-
- Unrealised net gain on revaluation	7,106	-	5,796	-
(ii) Items that will be reclassified subsequently to profit or loss:				
(a) Foreign currency translation reserves				
- Currency translation differences	36,282	(30,978)	(14,134)	(14,327)
(b) Financial investments available-for-sale ('AFS')				
- Unrealised net gain on revaluation	-	59,505	-	111,369
- Net transfer to income statements on disposal or impairment	-	102,079	-	94,440
(c) Debt instruments measured at FVOCI				
- Unrealised net loss	(116,646)	-	(116,459)	-
- Net transfer to income statements on disposal	(5,949)	-	(41,871)	-
Income tax relating to components of other comprehensive loss/(income)	27,857	(38,780)	36,748	(49,394)
Other comprehensive (loss)/income, net of tax, for the financial period	(52,792)	91,826	(131,362)	142,088
Total comprehensive income for the financial period	372,714	470,038	688,848	850,524

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 2017.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Group		Bank	
		As at	As at	As at	As at
		30 June 2018	31 December 2017	30 June 2018	31 December 2017
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		11,946,073	9,951,878	6,979,465	7,614,663
Deposits and placements with banks and other financial institutions		1,919,544	1,161,601	10,485,067	11,275,105
Financial assets at fair value through profit or loss ('FVTPL')	A13	3,449,654	2,564,269	1,714,736	828,006
Financial investments available-for-sale ('AFS')	A14	-	25,816,616	-	21,427,655
Financial investments held-to-maturity ('HTM')	A15	-	19,045,943	-	14,496,205
Financial assets at FVOCI	A16	28,034,510	-	23,680,701	-
Financial assets at amortised costs	A17	16,492,364	-	12,208,922	-
Loans, advances and financing	A18	158,200,099	158,301,463	107,364,737	109,530,317
Clients' and brokers' balances		1,371,426	1,599,594	-	-
Reinsurance assets		495,211	482,760	-	-
Other assets	A19	1,326,491	1,106,048	910,646	906,895
Derivative assets	B8	2,016,031	1,826,667	2,011,939	1,834,676
Statutory deposits		4,556,648	4,001,002	2,846,068	2,538,107
Tax recoverable		339,729	115,874	294,080	58,871
Deferred tax assets		44,466	36,072	-	-
Investments in subsidiaries		-	-	4,911,660	4,495,837
Investments in associates and joint ventures		47,044	48,253	-	-
Property, plant and equipment		1,008,717	1,013,710	755,042	756,434
Goodwill		2,649,307	2,649,307	1,651,542	1,651,542
Intangible assets		567,296	488,869	497,989	415,690
TOTAL ASSETS		234,464,610	230,209,926	176,312,594	177,830,003
LIABILITIES					
Deposits from customers	A20/B7(a)	165,977,194	166,157,751	121,262,448	120,732,215
Deposits and placements of banks and other financial institutions	A21/B7(a)	26,057,142	21,787,017	22,094,727	22,536,941
Obligations on securities sold under repurchase agreements		-	604,163	-	1,587,979
Bills and acceptances payable		351,048	302,152	307,163	286,751
Clients' and brokers' balances		1,154,191	1,369,395	-	-
General insurance contract liabilities		1,073,409	998,310	-	-
Other liabilities and provisions	A22	2,745,748	2,715,111	1,934,294	1,573,546
Derivative liabilities	B8	1,586,648	2,551,504	1,575,446	2,513,980
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		4,006,692	1,729,606	2,995,438	1,729,606
Tax liabilities		22,964	33,531	-	-
Deferred tax liabilities		8,844	19,698	6,462	14,467
Borrowings	B7(b)	1,333,114	1,153,719	1,069,537	978,068
Senior debt securities	B7(c)	3,247,617	3,252,581	3,247,617	3,252,581
Hybrid Tier-1 Capital Securities	B7(d)	602,753	602,666	607,765	607,678
Subordinated obligations	B7(e)	3,748,145	3,748,294	2,588,576	2,588,638
TOTAL LIABILITIES		211,915,509	207,025,498	157,689,473	158,402,450

Note:

Comparatives have not been restated as provided in the transitional provision of MFRS 9.

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 2017.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2018

	Note	Group		Bank	
		As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
EQUITY					
Share capital		6,994,103	6,994,103	6,994,103	6,994,103
Reserves		15,520,778	16,155,611	11,629,018	12,433,450
Equity attributable to holders of the Bank		22,514,881	23,149,714	18,623,121	19,427,553
Non-controlling interests ('NCI')		34,220	34,714	-	-
TOTAL EQUITY		22,549,101	23,184,428	18,623,121	19,427,553
TOTAL LIABILITIES AND EQUITY		234,464,610	230,209,926	176,312,594	177,830,003
COMMITMENTS AND CONTINGENCIES	A27(a)	183,338,901	172,225,623	174,964,443	165,378,488
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK (RM)		5.61	5.77		

Note:

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RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Group	Note	Attributable to equity holders of the Bank							Total Shareholders' Equity	Non-controlling Interests	Total Equity
		Share Capital	Statutory Reserves	Regulatory Reserves	FVOCI 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	
Balance as at 1 January 2018											
- As previously reported		6,994,103	513	1,797,903	275,937	628,753	23,331	13,429,174	23,149,714	34,714	23,184,428
- Effect of adoption of MFRS 9	B10	-	-	(1,124,358)	15,931	258	-	(123,074)	(1,231,243)	(457)	(1,231,700)
- As restated		6,994,103	513	673,545	291,868	629,011	23,331	13,306,100	21,918,471	34,257	21,952,728
Net profit for the financial period		-	-	-	-	-	-	1,161,081	1,161,081	86	1,161,167
Foreign currency translation reserves:											
- Currency translation differences		-	-	-	3	(41,134)	-	-	(41,131)	(122)	(41,253)
- Net investment hedge		-	-	-	-	5,393	-	-	5,393	-	5,393
Financial assets measured at FVOCI:											
- Equity instruments											
- Unrealised net gain on revaluation		-	-	-	8,908	-	-	-	8,908	-	8,908
- Net loss on disposal		-	-	-	(615)	-	-	(832)	(1,447)	-	(1,447)
- Debt instruments											
- Unrealised net loss		-	-	-	(135,596)	-	-	-	(135,596)	-	(135,596)
- Net transfer to income statements on disposal		-	-	-	(42,524)	-	-	-	(42,524)	-	(42,524)
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	-	1,266	1,266	(1)	1,265
Income tax relating to components of other comprehensive loss		-	-	-	41,465	-	-	-	41,465	-	41,465
Other comprehensive (loss)/income, net of tax, for the financial period		-	-	-	(128,359)	(35,741)	-	434	(163,666)	(123)	(163,789)
Total comprehensive income/(loss) for the financial period		-	-	-	(128,359)	(35,741)	-	1,161,515	997,415	(37)	997,378
Dividends paid		-	-	-	-	-	-	(401,005)	(401,005)	-	(401,005)
Transfer to regulatory reserves		-	-	43,755	-	-	-	(43,755)	-	-	-
Balance as at 30 June 2018		6,994,103	513	717,300	163,509	593,270	23,331	14,022,855	22,514,881	34,220	22,549,101

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 2017.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Group	Note	Attributable to equity holders of the Bank							Total Shareholders' Equity	Non-controlling Interests	Total Equity	
		Share Capital	Share Premium	Statutory Reserves	Regulatory Reserves	AFS Reserves	Translation Reserves	Other Reserves				Retained Profits
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 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		-	-	-	-	-	-	-	1,001,240	1,001,240	2,513	1,003,753
Foreign currency translation reserves:												
- Currency translation differences		-	-	-	-	-	(97,045)	-	-	(97,045)	(81)	(97,126)
- Net investment hedge		-	-	-	-	-	1,926	-	-	1,926	-	1,926
Financial investments AFS:												
- Unrealised net gain/(loss) on revaluation		-	-	-	-	164,062	-	-	-	164,062	(8)	164,054
- Net transfer to income statements on disposal or impairment		-	-	-	-	91,439	-	-	-	91,439	-	91,439
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	-	-	392	392	4	396
Income tax relating to components of other comprehensive income		-	-	-	-	(60,453)	-	-	(101)	(60,554)	(1)	(60,555)
Other comprehensive income/(loss), net of tax, for the financial period		-	-	-	-	195,048	(95,119)	-	291	100,220	(86)	100,134
Total comprehensive income/(loss) for the financial period		-	-	-	-	195,048	(95,119)	-	1,001,531	1,101,460	2,427	1,103,887
Dividends paid		-	-	-	-	-	-	-	(280,703)	(280,703)	-	(280,703)
Transfer to share capital		2,984,058	(2,984,058)	-	-	-	-	-	-	-	-	-
Transfer from statutory reserves		-	-	(4,930,714)	-	-	-	-	4,930,714	-	-	-
Transfer to regulatory reserves		-	-	-	66,467	-	-	-	(66,467)	-	-	-
Accretion of interest in a subsidiary		-	-	-	-	-	-	-	12	12	(12)	-
Balance as at 30 June 2017		<u>6,994,103</u>	<u>-</u>	<u>513</u>	<u>735,968</u>	<u>275,615</u>	<u>793,745</u>	<u>23,331</u>	<u>13,742,272</u>	<u>22,565,547</u>	<u>31,504</u>	<u>22,597,051</u>

Note:

Comparatives have not been restated as provided in the transitional provision of MFRS 9.

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RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Bank	Note	← Non-Distributable →			Distributable	Total Equity RM'000	
		Share Capital RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000		Retained Profits RM'000
Balance as at 1 January 2018							
- As previously reported		6,994,103	1,484,902	271,524	343,563	10,333,461	19,427,553
- Effect of adoption of MFRS 9	B10	-	(980,562)	15,768	-	(127,481)	(1,092,275)
- As restated		6,994,103	504,340	287,292	343,563	10,205,980	18,335,278
Net profit for the financial period		-	-	-	-	820,210	820,210
Foreign currency translation reserves:							
- Currency translation differences		-	-	-	(14,134)	-	(14,134)
Financial assets measured at FVOCI:							
- Equity instruments							
- Unrealised net gain on revaluation		-	-	5,796	-	-	5,796
- Net loss on disposal		-	-	(584)	-	(858)	(1,442)
- Debt instruments							
- Unrealised net loss		-	-	(116,459)	-	-	(116,459)
- Net transfer to income statements on disposal		-	-	(41,871)	-	-	(41,871)
Income tax relating to components of other comprehensive loss		-	-	36,748	-	-	36,748
Other comprehensive loss, net of tax, for the financial period		-	-	(116,370)	(14,134)	(858)	(131,362)
Total comprehensive income/(loss) for the financial period		-	-	(116,370)	(14,134)	819,352	688,848
Dividends paid						(401,005)	(401,005)
Transfer from regulatory reserves		-	(141,363)	-	-	141,363	-
Balance as at 30 June 2018		6,994,103	362,977	170,922	329,429	10,765,690	18,623,121

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RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	← Non-Distributable →					Distributable	Total									
	Share Capital	Share Premium	Statutory Reserves	Regulatory Reserves	AFS Reserves			Translation Reserves	Retained Profits	Equity						
Bank	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	3,784,558	461,870	116,933	400,289	6,618,571	18,376,324								
Net profit for the financial period	-	-	-	-	-	-	708,436	708,436								
Foreign currency translation reserves:																
- Currency translation differences									-	-	-	-	-	(14,327)	(14,327)	
Financial investments AFS:																
- Unrealised net gain on revaluation																
- Net transfer to income statements on disposal or impairment									-	-	-	-	94,440	-	-	94,440
Income tax relating to components of other comprehensive income	-	-	-	-	(49,394)	-	-	(49,394)								
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	-	156,415	(14,327)	-	142,088								
Total comprehensive income/(loss) for the financial period	-	-	-	-	156,415	(14,327)	708,436	850,524								
Dividends paid	-	-	-	-	-	-	(280,703)	(280,703)								
Transfer to share capital	2,984,058	(2,984,058)	-	-	-	-	-	-								
Transfer from statutory reserves	-	-	(3,784,558)	-	-	-	3,784,558	-								
Transfer to regulatory reserves	-	-	-	31,025	-	-	(31,025)	-								
Balance as at 30 June 2017	6,994,103	-	-	492,895	273,348	385,962	10,799,837	18,946,145								

Note:

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RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six Months Ended	
	30 June 2018	30 June 2017
	RM'000	RM'000
Group		
Cash flows from operating activities		
Profit before taxation	1,564,917	1,312,187
Adjustments for:		
Allowance for credit losses on loans, advances and financing	311,114	282,762
Allowance for credit losses on other financial assets	450	9,694
Property, plant and equipment:		
- Depreciation	59,466	59,424
- Gain on disposal	(97)	(50)
- Written off	1	658
Intangible assets:		
- Amortisation	47,842	36,122
- Written off	60	-
Net allowance (written back)/made on financial assets at FVOCI and amortised cost/ financial investments AFS and HTM	(21,679)	111,906
Share of results of joint ventures	(38)	(207)
Net gain on financial instruments	(106,069)	(119,443)
Dividend income	(24,291)	(26,022)
Other non-cash items	(852,194)	(286,942)
Operating profit before working capital changes	<u>979,482</u>	<u>1,380,089</u>
(Increase)/Decrease in operating assets:		
Securities purchased under resale agreements	-	1,262,664
Deposits and placements with banks and other financial institutions	(762,234)	(1,184,879)
Financial assets FVTPL	96,960	(316,353)
Loans, advances and financing	(1,874,595)	(2,359,860)
Clients' and brokers' balances	228,168	226,355
Other assets	(380,912)	845,357
Statutory deposits	(559,076)	611,090
	<u>(3,251,689)</u>	<u>(915,626)</u>
Increase/(Decrease) in operating liabilities:		
Deposits from customers	238,361	125,536
Deposits and placements of banks and other financial institutions	4,289,186	138,948
Obligations on securities sold under repurchase agreements	(604,163)	(205,106)
Obligations on securities borrowed	-	12,998
Bills and acceptances payable	50,600	160,435
Clients' and brokers' balances	(215,204)	(209,260)
Other liabilities	(758,785)	(280,085)
Recourse obligation on loans sold to Cagamas	2,277,086	(147,887)
	<u>5,277,081</u>	<u>(404,421)</u>
Cash generated from operations	3,004,874	60,042
Net tax paid	(252,317)	(273,223)
Net cash generated from/(used in) operating activities	<u>2,752,557</u>	<u>(213,181)</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 2017.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six Months Ended	
	30 June 2018	30 June 2017
	<u>RM'000</u>	<u>RM'000</u>
Group		
Cash flows from investing activities		
Net (purchase)/proceeds from disposal of financial assets at FVOCI and amortised costs/ financial investments AFS and HTM	(927,017)	2,316,187
Property, plant and equipment:		
- Purchase	(65,901)	(34,008)
- Proceeds from disposal	152	135
Intangible assets:		
- Purchase	(121,212)	(75,674)
Financial assets at FVOCI and amortised costs/financial investments AFS and HTM:		
- Interest received	660,329	711,985
- Investment income received	129,925	124,874
Dividend income received from financial assets FVTPL, FVOCI and amortised costs/ financial investments AFS	24,291	26,022
Acquisition of additional interest from NCI	-	(12)
Net cash (used in)/generated from investing activities	<u>(299,433)</u>	<u>3,069,509</u>
Cash flows from financing activities		
Proceeds from issuance of subordinated notes	-	250,000
Redemption of subordinated notes	-	(750,000)
Redemption of senior debt securities	-	(2,173,766)
Drawdown of borrowings	2,105,932	1,064,415
Repayment of borrowings	(2,094,294)	(1,290,483)
Dividends paid to equity holders of the Bank	(401,005)	(280,703)
Net cash used in financing activities	<u>(389,367)</u>	<u>(3,180,537)</u>
Net increase/(decrease) in cash and cash equivalents	2,063,757	(324,209)
Effects of exchange rate differences	(63,187)	(80,105)
Cash and cash equivalents:		
- at the beginning of the financial period	9,945,503	14,682,943
- at the end of the financial period	<u>11,946,073</u>	<u>14,278,629</u>
Cash and cash equivalents comprise the following:		
- Cash and short term funds	<u>11,946,073</u>	<u>14,278,629</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 2017.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six Months Ended	
	30 June 2018	30 June 2017
	<u>RM'000</u>	<u>RM'000</u>
Bank		
Cash flows from operating activities		
Profit before taxation	1,127,629	917,150
Adjustments for:		
Allowance for credit losses on loans, advances and financing	231,498	186,949
Allowance for credit losses on other financial assets	545	-
Property, plant and equipment:		
- Depreciation	44,989	41,879
- Gain on disposal	(41)	(18)
- Written off	-	114
Intangible assets:		
- Amortisation	38,623	27,084
Net allowance (written back)/made on financial assets at FVOCI and amortised cost/ financial investments AFS and HTM	(20,832)	108,775
Net gain on financial instruments	(55,094)	(34,054)
Dividend income	(11,019)	(1,760)
Other non-cash items	(668,481)	(204,002)
Operating profit before working capital changes	<u>687,817</u>	<u>1,042,117</u>
Decrease/(Increase) in operating assets:		
Securities purchased under resale agreements	-	1,295,041
Deposits and placements with banks and other financial institutions	787,324	(1,636,344)
Financial assets FVTPL	45,356	(48,562)
Loans, advances and financing	4,344,656	1,642,210
Other assets	(250,252)	1,347,018
Statutory deposits	(278,048)	494,433
	<u>4,649,036</u>	<u>3,093,796</u>
(Decrease)/Increase in operating liabilities:		
Deposits from customers	(4,504,637)	(4,843,281)
Deposits and placements of banks and other financial institutions	(642,692)	(23,559)
Obligations on securities sold under repurchase agreements	(1,587,979)	(1,520,787)
Bills and acceptances payable	(762)	226,256
Other liabilities	(1,491,547)	(203,048)
Recourse obligation on loans sold to Cagamas	1,265,832	40
	<u>(6,961,785)</u>	<u>(6,364,379)</u>
Cash used in operations	(1,624,932)	(2,228,466)
Net tax paid	(170,883)	(181,507)
Net cash used in operating activities	<u>(1,795,815)</u>	<u>(2,409,973)</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 2017.



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six Months Ended	
	30 June 2018	30 June 2017
	<u>RM'000</u>	<u>RM'000</u>
Bank		
Cash flows from investing activities		
Net proceeds from disposal of financial assets at FVOCI and amortised costs/ financial investments AFS and HTM	811,583	1,846,824
Property, plant and equipment:		
- Purchase	(49,329)	(19,055)
- Proceeds from disposal	61	103
Intangible assets:		
- Purchase	(117,036)	(72,327)
Interest received from financial assets at FVOCI and amortised costs/financial investments AFS and HTM	652,201	658,000
Dividend income received from subsidiaries	97,959	-
Dividend income received from financial assets at FVOCI/financial financial investments AFS	1,760	1,760
Additional investments in subsidiaries	(415,823)	(17,701)
Net cash generated from investing activities	<u>981,376</u>	<u>2,397,604</u>
Cash flows from financing activities		
Repayment of borrowings	(81,721)	(167,948)
Redemption of subordinated notes	-	(750,000)
Redemption of senior debt securities	-	(2,173,766)
Dividends paid to equity holders of the Bank	(401,005)	(280,703)
Net cash used in financing activities	<u>(482,726)</u>	<u>(3,372,417)</u>
Net decrease in cash and cash equivalents	(1,297,165)	(3,384,786)
Effects of exchange rate differences	664,396	(9,307)
Cash and cash equivalents:		
- at the beginning of the financial period	7,612,234	12,430,270
- at the end of the financial period	<u>6,979,465</u>	<u>9,036,177</u>
Cash and cash equivalents comprise the following:		
- Cash and short term funds	<u>6,979,465</u>	<u>9,036,177</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 2017.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2017.

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 2017, except for the adoption of the following:

(a) Accounting standards, annual improvements and amendments to MFRS which are effective for annual periods beginning on or after 1 January 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Annual Improvements to MFRS 2014-2016 Cycle:
 - Amendment to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards'
 - Amendment to MFRS 128 'Investments in Associates and Joint Ventures'
 - Amendment to MFRS 4 'Insurance Contracts'
 - IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Group and the Bank other than the effects and change in accounting policy arising from the adoption of MFRS 9 as disclosed in Note B10.

(b) Changes in regulatory requirements - Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 2 February 2018, Bank Negara Malaysia ('BNM') issued the revised policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions which prescribes the regulatory reserves to be maintained by banking institutions.

With effect from 1 January 2018, the Bank and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

In the previous year, the Group and the Bank have maintained, in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of impairment allowances.

The effect of this change is as disclosed in Note B10.

A2. Auditors' Report

The auditors' report for the financial year ended 31 December 2017 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 six months ended 30 June 2018.



**RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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 six months ended 30 June 2018.

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 six months ended 30 June 2018.

A7. Dividends Paid

During the six months ended 30 June 2018, the Bank has paid a final single-tier dividend of 10.0 sen per share in respect of the financial year ended 31 December 2017, amounting to RM401,005,000, on 19 June 2018.

The Board of Directors have declared an interim single-tier dividend of 7.5 sen per share in respect of the financial year ending 31 December 2018, amounting to RM300,753,000. The payment date for this interim dividend will be determined later.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A8. Interest Income

Group	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,581,200	1,507,643	3,113,159	3,008,764
Money at call and deposits and placements with banks and other financial institutions	37,800	60,158	92,642	105,897
Securities purchased under resale agreements	-	171	-	1,305
Financial assets FVTPL	16,723	7,813	34,935	15,617
Financial investments AFS	-	198,617	-	380,504
Financial investments HTM	-	155,256	-	320,626
Financial assets at FVOCI - debt instruments	214,395	-	421,412	-
Financial assets at amortised costs	126,123	-	249,367	-
Others	3,539	7,764	5,822	18,479
	1,979,780	1,937,422	3,917,337	3,851,192
Of which:				
Interest income accrued on impaired financial assets	27,198	34,382	47,514	76,393
Bank				
Loans and advances	1,492,982	1,411,147	2,938,845	2,813,988
Money at call and deposits and placements with banks and other financial institutions	131,829	145,034	278,909	274,115
Securities purchased under resale agreements	-	171	281	1,305
Financial assets FVTPL	16,598	7,768	34,345	15,496
Financial investments AFS	-	182,125	-	347,780
Financial investments HTM	-	150,444	-	312,721
Financial assets at FVOCI - debt instruments	205,267	-	403,258	-
Financial assets at amortised costs	116,337	-	231,498	-
Others	3,770	6,135	6,389	13,187
	1,966,783	1,902,824	3,893,525	3,778,592
Of which:				
Interest income accrued on impaired financial assets	22,437	28,249	38,332	65,741



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A9. Interest Expense

Group	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	156,996	122,761	268,606	228,565
Deposits from customers	763,416	785,772	1,553,615	1,587,252
Obligations on securities sold under repurchase agreements	397	91	700	243
Recourse obligation on loans sold to Cagamas	33,360	28,764	55,751	57,229
Subordinated obligations	36,535	54,687	72,668	113,786
Senior debt securities	22,202	31,729	43,939	74,195
Hybrid Tier-1 Capital Securities	11,274	11,266	22,420	22,404
Borrowings	9,260	5,200	16,339	10,900
Others	9,409	11,461	16,140	19,333
	1,042,849	1,051,731	2,050,178	2,113,907
Bank				
Deposits and placements of banks and other financial institutions	152,845	127,011	279,370	250,481
Deposits from customers	735,515	746,531	1,483,212	1,499,367
Obligations on securities sold under repurchase agreements	1,212	10,832	10,385	25,153
Recourse obligation on loans sold to Cagamas	33,360	28,764	55,751	57,229
Subordinated obligations	31,624	49,531	62,899	103,531
Senior debt securities	22,202	31,729	43,939	74,195
Hybrid Tier-1 Capital Securities	11,358	11,350	22,587	22,571
Borrowings	7,810	2,772	13,556	5,985
Others	9,435	9,220	16,206	17,883
	1,005,361	1,017,740	1,987,905	2,056,395



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A10. Other Operating Income

Group	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Fee income				
- Service charges and fees	38,987	40,601	78,614	83,203
- Commission	40,030	39,637	79,304	71,448
- Guarantee fees	11,523	13,132	21,853	24,646
- Commitment fees	11,398	12,208	24,481	25,066
- Net brokerage income	65,315	79,701	151,363	170,297
- Fund management fees	54,097	59,222	109,306	114,979
- Unit trust fee income	10,351	34,701	31,554	69,789
- Corporate advisory fees	19,190	9,901	31,077	21,196
- Underwriting and arrangement fees	337	5,669	1,869	20,175
- Other fee income	19,010	23,673	40,092	37,327
	270,238	318,445	569,513	638,126
- Fee and commission expenses	(33,071)	(56,656)	(74,438)	(109,029)
	237,167	261,789	495,075	529,097
Net gain/(loss) arising from financial assets FVTPL				
- Net (loss)/gain on disposal	(19,648)	13,199	(14,496)	(4,646)
- Unrealised net (loss)/gain on revaluation	(25,829)	(254)	(27,857)	40,449
- Dividend income	10,680	4,086	22,154	8,590
	(34,797)	17,031	(20,199)	44,393
Net gain/(loss) on revaluation of derivatives	27,944	(9,397)	84,125	15,554
Net gain on fair values hedges	42	132	10	943
Net gain arising from financial investments AFS				
- Net gain on disposal	-	9,239	-	17,334
- Dividend income	-	9,932	-	17,432
	-	19,171	-	34,766
Net gain arising from financial investments HTM				
- Net gain on early redemption	-	782	-	12,661
Net gain arising from financial assets at FVOCI				
- Net gain on debt instruments on disposal	5,977	-	63,726	-
- Dividend on equity instruments	2,137	-	2,137	-
	8,114	-	65,863	-



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A10. Other Operating Income (continued)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Group (continued)	RM'000	RM'000	RM'000	RM'000
Other income				
Net foreign exchange gain	17,273	44,137	156,524	93,697
Insurance underwriting surplus before management expenses	36,839	44,617	57,153	89,002
Gain on disposal of property, plant and equipment	-	15	97	50
Rental income	663	1,132	1,235	1,699
Other operating income	13,942	11,407	30,925	20,355
Other non-operating income	1,975	5,105	2,416	6,008
	70,692	106,413	248,350	210,811
	309,162	395,921	873,224	848,225
	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Bank	RM'000	RM'000	RM'000	RM'000
Fee income				
- Service charges and fees	34,506	36,978	69,533	73,734
- Commission	44,437	43,577	88,591	81,560
- Guarantee fees	9,597	12,592	19,776	22,918
- Commitment fees	9,997	11,550	21,789	23,433
- Other fee income	5,435	5,417	10,951	10,398
	103,972	110,114	210,640	212,043
Net gain/(loss) arising from financial assets FVTPL				
- Net (loss)/gain on disposal	(3,618)	8,738	(710)	(23,725)
- Unrealised net (loss)/gain on revaluation	(13,506)	(1,085)	(22,146)	38,624
	(17,124)	7,653	(22,856)	14,899
Net gain/(loss) on revaluation of derivatives	9,508	(10,851)	36,038	(9,304)
Net gain on fair values hedges	42	29	10	77
Net gain arising from financial investments AFS				
- Net gain on disposal	-	8,082	-	15,721
- Dividend income	-	1,760	-	1,760
	-	9,842	-	17,481
Net gain arising from financial investments HTM				
- Net gain on early redemption	-	782	-	12,661



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A10. Other Operating Income (continued)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Bank (continued)	RM'000	RM'000	RM'000	RM'000
Net gain arising from financial assets at FVOCI				
- Net gain on debt instruments on disposal	5,977	-	41,902	-
- Dividend income	1,760	-	1,760	-
	<u>7,737</u>	<u>-</u>	<u>43,662</u>	<u>-</u>
Dividend income from subsidiaries	-	-	9,259	-
Other income				
Net foreign exchange gain	22,421	50,902	76,407	91,950
Gain on disposal of property, plant and equipment	-	15	41	18
Rental income	3,090	3,079	6,009	5,834
Other operating income	10,763	8,993	26,092	18,090
Other non-operating income	958	301	1,669	836
	<u>37,232</u>	<u>63,290</u>	<u>110,218</u>	<u>116,728</u>
	<u>141,367</u>	<u>180,859</u>	<u>386,971</u>	<u>364,585</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A11. Other Operating Expenses

Group	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	377,853	358,544	814,878	732,849
- Defined contribution plan	54,065	51,685	111,474	103,532
- Other staff related costs	44,712	32,884	83,681	69,625
	476,630	443,113	1,010,033	906,006
Establishment costs				
- Property, plant and equipment:				
- Depreciation	29,897	29,379	59,466	59,424
- Written off	1	340	1	658
- Intangible assets:				
- Amortisation	24,441	18,223	47,842	36,122
- Written off	27	-	60	-
- Rental of premises	26,803	27,144	53,638	53,101
- Rental of equipment	3,223	3,124	6,309	6,719
- Insurance	6,507	12,407	16,115	18,005
- Water and electricity	7,514	7,318	14,621	14,424
- Repair and maintenance	7,303	8,051	14,540	14,830
- Security and escorting expenses	10,424	10,408	21,439	19,915
- Information technology expenses	56,445	57,916	130,090	111,797
- Others	2,821	4,781	6,246	8,755
	175,406	179,091	370,367	343,750
Marketing expenses				
- Sales commission	21,242	18,448	41,238	34,153
- Advertisement and publicity	12,244	19,067	19,433	32,142
- Others	26,222	29,630	51,276	48,987
	59,708	67,145	111,947	115,282
Administration and general expenses				
- Communication expenses	42,816	41,525	81,100	83,847
- Legal and professional fee	8,066	13,921	15,187	19,401
- Others	36,394	38,374	72,026	74,573
	87,276	93,820	168,313	177,821
	799,020	783,169	1,660,660	1,542,859



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A11. Other Operating Expenses (continued)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Bank				
Personnel costs				
- Salaries, allowances and bonuses	226,766	221,039	506,702	453,612
- Defined contribution plan	35,730	34,961	71,631	70,624
- Other staff related costs	23,202	20,898	40,000	39,308
	<u>285,698</u>	<u>276,898</u>	<u>618,333</u>	<u>563,544</u>
Establishment costs				
- Property, plant and equipment:				
- Depreciation	23,021	20,876	44,989	41,879
- Written off	-	-	-	114
- Intangible assets:				
- Amortisation	19,790	13,704	38,623	27,084
- Rental of premises	14,440	15,036	28,964	29,650
- Rental of equipment	2,966	3,083	5,889	6,326
- Insurance	7,661	7,265	16,052	14,964
- Water and electricity	4,676	4,519	9,127	8,952
- Repair and maintenance	5,739	6,011	11,263	10,952
- Security and escorting expenses	10,206	10,056	21,070	19,370
- Information technology expenses	33,425	35,740	80,732	67,296
	<u>121,924</u>	<u>116,290</u>	<u>256,709</u>	<u>226,587</u>
Marketing expenses				
- Sales commission	14,087	14,749	27,060	26,153
- Advertisement and publicity	8,210	10,652	10,814	18,397
- Others	11,084	10,749	19,146	12,790
	<u>33,381</u>	<u>36,150</u>	<u>57,020</u>	<u>57,340</u>
Administration and general expenses				
- Communication expenses	24,103	23,861	47,578	47,265
- Legal and professional fee	22,094	28,556	57,783	58,450
- Others	20,676	22,332	40,149	42,005
	<u>66,873</u>	<u>74,749</u>	<u>145,510</u>	<u>147,720</u>
	<u>507,876</u>	<u>504,087</u>	<u>1,077,572</u>	<u>995,191</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A12. Allowance for credit losses

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Group				
<u>Charge/(Writeback)</u>				
Loans, advances and financing:				
- Net charge	102,383	58,772	239,339	217,507
- Bad debts recovered	(63,868)	(63,451)	(130,230)	(127,198)
- Bad debts written off	38,695	26,865	71,775	65,255
	77,210	22,186	180,884	155,564
Financial assets at FVOCI	(19,044)	109,158	(11,108)	112,818
Financial assets at amortised cost	(9,723)	(912)	(10,571)	(912)
Other financial assets	(3,288)	10,703	450	9,694
	45,155	141,135	159,655	277,164
Bank				
<u>Charge/(Writeback)</u>				
Loans, advances and financing:				
- Net charge	55,667	12,504	167,828	125,480
- Bad debts recovered	(60,458)	(60,293)	(123,851)	(121,283)
- Bad debts written off	34,670	24,569	63,670	61,469
	29,879	(23,220)	107,647	65,666
Financial assets at FVOCI	(18,411)	109,158	(10,581)	109,158
Financial assets at amortised cost	(9,959)	(383)	(10,251)	(383)
Other financial assets	(841)	-	545	-
	668	85,555	87,360	174,441



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

	Group		Bank	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
<u>Money market instruments:</u>				
Malaysian Government Securities	694,682	263,769	694,682	263,769
Malaysian Government Treasury Bills	-	16,559	-	16,559
Malaysian Government Investment Issues	443,491	548,495	332,516	375,959
Cagamas bonds	-	20,198	-	20,198
<u>Quoted securities:</u>				
In Malaysia				
Shares, exchange traded funds and warrants	179,458	257,230	-	-
Unit trusts	60,730	81,772	-	-
Corporate bond/sukuk	13,852	3,235	3,178	3,235
Outside Malaysia				
Shares, exchange traded funds and warrants	213,398	255,172	7,860	-
<u>Unquoted securities:</u>				
In Malaysia				
Corporate bond/sukuk	328,588	5,028	328,588	5,006
Unit trusts	736,736	609,672	-	-
Prasarana bonds	10,090	-	10,090	-
Outside Malaysia				
Corporate bond/sukuk	337,822	143,280	337,822	143,280
Private equity funds	430,807	359,859	-	-
	3,449,654	2,564,269	1,714,736	828,006



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Securities	1,377,296	1,238,204
Malaysian Government Investment Issues	3,310,678	2,521,291
Cagamas bonds	238,437	207,952
Khazanah bonds	50,785	-
Wakala Global Sukuk	94,532	94,532
Negotiable instruments of deposits	121,436	121,436
Singapore Government Treasury Bills	935,009	935,009
Singapore Government Securities	1,348,580	1,348,580
Thailand Government bonds	734,094	734,094
Sukuk Perumahan Kerajaan	147,857	78,382
Malaysia Sovereign Sukuk	51,977	51,977
<u>Quoted securities:</u>		
In Malaysia		
Shares	3,506	-
Unit trusts	14,934	-
Outside Malaysia		
Shares	7,568	4,072
Unit trusts	41,530	-
<u>Unquoted securities:</u>		
In Malaysia		
Corporate bond/sukuk	13,319,105	10,323,291
Shares	658,245	623,253
Corporate loan stocks	19,689	19,689
Prasarana bonds	1,051,682	1,026,294
Perpetual notes/sukuk	388,059	187,440
Outside Malaysia		
Corporate bond/sukuk	2,408,955	2,408,955
Shares	390	-
	<u>26,324,344</u>	<u>21,924,451</u>
Accumulated impairment losses	<u>(507,728)</u>	<u>(496,796)</u>
	<u>25,816,616</u>	<u>21,427,655</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Securities	1,303,583	1,303,583
Malaysian Government Investment Issues	5,296,360	4,503,836
Cagamas bonds	350,601	350,601
Khazanah bonds	105,673	72,312
Negotiable instruments of deposits	3,697,694	1,859,604
Wakala Global Sukuk	30,182	21,348
Sukuk Perumahan Kerajaan	111,098	101,113
Singapore Government Securities	61,086	61,086
Thailand Government Securities	13,166	13,166
Sukuk (Brunei) Incorporation	37,862	37,862
<u>Unquoted securities:</u>		
In Malaysia		
Corporate bond/sukuk	7,859,344	5,989,837
Corporate loan stocks	56,857	30,144
Prasarana bonds	283,708	233,579
Outside Malaysia		
Corporate bond/sukuk	20,603	20,603
	<u>19,227,817</u>	<u>14,598,674</u>
Accumulated impairment losses	(181,874)	(102,469)
	<u><u>19,045,943</u></u>	<u><u>14,496,205</u></u>

Included in financial investments HTM of the Group and the Bank as at 31 December 2017 were corporate bond/sukuk, which were pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM615,000,000 and RM1,600,000,000 respectively.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A16. Financial Assets at FVOCI

	Group As at 30 June 2018 RM'000	Bank As at 30 June 2018 RM'000
At fair value		
(a) Debt instruments	27,381,199	23,068,079
(b) Equity instruments	653,311	612,622
	<u>28,034,510</u>	<u>23,680,701</u>
(a) Debt instruments		
<u>Money market instruments:</u>		
Malaysian Government Securities	3,132,301	3,004,686
Malaysian Government Investment Issues	3,339,975	2,477,447
Cagamas bonds	379,348	338,803
Khazanah bonds	51,458	-
Malaysia Sukuk Global	89,058	89,058
Malaysia Sovereign Sukuk	49,385	49,385
Sukuk Perumahan Kerajaan	147,747	78,372
Singapore Government Securities	1,103,344	1,103,344
Thailand Government Securities	798,750	798,750
Singapore Government Treasury Bills	870,338	870,338
Singapore Housing Development Board	580,067	580,067
<u>Unquoted securities:</u>		
In Malaysia		
Corporate bond/sukuk	11,982,978	9,036,531
Perpetual notes/sukuk	388,027	187,440
Prasarana bonds	1,142,899	1,117,647
Outside Malaysia		
Corporate bond/sukuk	3,846,072	3,846,072
Allowance for credit losses	(520,548)	(509,861)
	<u>27,381,199</u>	<u>23,068,079</u>
(b) Equity instruments		
<u>Quoted securities:</u>		
In Malaysia		
Shares	98	-
Outside Malaysia		
Shares	2,803	-
<u>Unquoted securities:</u>		
In Malaysia		
Shares	649,382	612,621
Outside Malaysia		
Shares	1,028	1
	<u>653,311</u>	<u>612,622</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A16. Financial Assets at FVOCI (continued)

(a) Movement in credit impaired financial assets at FVOCI

	Group As at 30 June 2018 RM'000	Bank As at 30 June 2018 RM'000
As at 30 June 2018		
Balance as at the beginning of the financial period		
- As previously reported	-	-
- Effect of adoption of MFRS 9	513,107	507,848
- As restated	513,107	507,848
Derecognition and disposal	(30,089)	(30,089)
Changes in market value/accrued interest	490	490
Exchange differences	(11,194)	(11,194)
Balance as at the end of the financial period	<u>472,314</u>	<u>467,055</u>

(b) Movement in allowance for credit losses

30 June 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Group				
Balance as at the beginning of the financial period				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	62,764	-	479,799	542,563
- As restated	62,764	-	479,799	542,563
Transfer in/(out) to 12-month ECL (Stage 1)	1,683	(1,683)	-	-
Transfer in/(out) to Lifetime ECL not credit impaired (Stage 2)	(262)	262	-	-
Charge during the financial period	3,373	-	-	3,373
Written back during the financial period	(20,605)	1,421	(4,407)	(23,591)
Purchases and origination	17,284	-	-	17,284
Derecognition and disposal	(8,174)	-	-	(8,174)
Exchange differences	(573)	-	(10,334)	(10,907)
Balance as at the end of the financial period	<u>55,490</u>	<u>-</u>	<u>465,058</u>	<u>520,548</u>

Bank

Balance as at the beginning of the financial period				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	56,807	-	474,540	531,347
- As restated	56,807	-	474,540	531,347
Transfer in/(out) to 12-month ECL (Stage 1)	882	(882)	-	-
Transfer in/(out) to Lifetime ECL not credit impaired (Stage 2)	(137)	137	-	-
Charge during the financial period	3,254	-	-	3,254
Written back during the financial period	(19,089)	745	(4,408)	(22,752)
Purchases and origination	16,758	-	-	16,758
Derecognition and disposal	(7,841)	-	-	(7,841)
Exchange differences	(571)	-	(10,334)	(10,905)
Balance as at the end of the financial period	<u>50,063</u>	<u>-</u>	<u>459,798</u>	<u>509,861</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A17. Financial Assets at Amortised Costs

	Group	Bank
	As at	As at
	30 June	30 June
	2018	2018
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Securities	287,266	287,266
Malaysian Government Investment Issues	4,261,981	3,470,529
Cagamas bonds	1,259,833	1,068,876
Khazanah bonds	108,019	73,956
Negotiable instruments of deposits	2,388,693	1,203,361
Wakala Global Sukuk	29,774	21,220
Sukuk Perumahan Kerajaan	111,066	101,076
Singapore Government Treasury bills	323,659	323,659
Singapore Government Securities	89,711	89,711
Thailand Government Securities	12,720	12,720
Sukuk (Brunei) Incorporation	39,376	39,376
<u>Unquoted securities:</u>		
In Malaysia		
Corporate bond/sukuk	7,547,272	5,493,228
Corporate loan stocks	27,210	860
Prasarana bonds	274,172	208,469
Outside Malaysia		
Corporate bond/sukuk	12,144	12,144
	16,772,896	12,406,451
Allowance for credit losses	(280,532)	(197,529)
	16,492,364	12,208,922



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A17. Financial Assets at Amortised Costs (continued)

(a) Movement in credit impaired financial assets at amortised costs

	Group As at 30 June 2018 RM'000	Bank As at 30 June 2018 RM'000
As at 30 June 2018		
Balance as at the beginning of the financial period		
- As previously reported	-	-
- Effect of adoption of MFRS 9	144,100	64,695
- As restated	144,100	64,695
Derecognition	(2,128)	(1,323)
Balance as at the end of the financial period	<u>141,952</u>	<u>63,352</u>

(b) Movement in allowance for credit losses

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
30 June 2018				
Group				
Balance as at the beginning of the financial period				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	17,225	130,365	143,539	291,129
- As restated	17,225	130,365	143,539	291,129
Transfer in/(out) to 12-month ECL (Stage 1)	17	(17)	-	-
Transfer in/(out) to Lifetime ECL not credit impaired (Stage 2)	(18)	18	-	-
Charge during the financial period	9	292	-	301
Written back during the financial period	(940)	(435)	(1,322)	(2,697)
Purchases and origination	12,183	-	-	12,183
Derecognition	(4,421)	(150)	-	(4,571)
Remeasurement	(9,307)	(5,675)	(805)	(15,787)
Exchange differences	(3)	-	(23)	(26)
Balance as at the end of the financial period	<u>14,745</u>	<u>124,398</u>	<u>141,389</u>	<u>280,532</u>
Bank				
Balance as at the beginning of the financial period				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	14,517	129,152	64,134	207,803
- As restated	14,517	129,152	64,134	207,803
Transfer in/(out) to Lifetime ECL not credit impaired (Stage 2)	(6)	6	-	-
Charge during the financial period	-	292	-	292
Written back during the financial period	(874)	-	(1,322)	(2,196)
Purchases and origination	9,488	-	-	9,488
Derecognition	(2,933)	-	-	(2,933)
Remeasurement	(9,159)	(5,743)	-	(14,902)
Exchange differences	-	-	(23)	(23)
Balance as at the end of the financial period	<u>11,033</u>	<u>123,707</u>	<u>62,789</u>	<u>197,529</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A18. Loans, Advances and Financing

(a) By type

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
At amortised cost				
Overdrafts	6,726,463	6,471,039	5,813,519	5,610,819
Term loans/financing				
- Housing loans/financing	53,131,860	49,566,956	39,125,244	37,523,253
- Syndicated term loans/financing	6,387,197	6,409,437	3,060,244	3,171,702
- Hire purchase receivables/financing	9,406,406	9,316,262	2,627,736	3,130,528
- Lease receivables	1,793	3,455	-	-
- Other term loans/financing	65,156,751	67,121,063	45,797,550	47,294,834
Bills receivables	3,168,833	3,447,838	2,324,356	2,402,728
Trust receipts	555,468	560,934	534,825	541,284
Claims on customers under acceptance credits	3,258,968	3,464,404	3,258,968	3,464,404
Staff loans/financing	123,892	146,789	120,713	127,447
Credit/charge card receivables	2,031,535	2,094,608	1,766,573	1,827,031
Revolving credits/financing	11,409,919	11,521,125	5,387,778	5,733,738
Gross loans, advances and financing	161,359,085	160,123,910	109,817,506	110,827,768
Fair value changes arising from fair value hedges	2,212	3,531	1,950	2,735
	161,361,297	160,127,441	109,819,456	110,830,503
Less:				
- Allowance for credit losses	(3,161,198)	-	(2,454,719)	-
- Individual impairment allowance	-	(761,692)	-	(493,112)
- Collective impairment allowance	-	(1,064,286)	-	(807,074)
Net loans, advances and financing	158,200,099	158,301,463	107,364,737	109,530,317

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 RM3,793,135,000 (31 December 2017: RM1,593,068,000) and RM2,805,430,000 (31 December 2017: RM1,593,068,000) respectively.

(b) By type of customer

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Domestic non-bank financial institutions:				
- Others	3,130,694	3,222,619	528,504	538,467
Domestic business enterprises:				
- Small medium enterprises	26,593,969	27,333,435	23,171,370	24,048,771
- Others	29,207,773	28,770,957	15,671,989	15,863,860
Government and statutory bodies	4,454,973	5,952,097	1,932,838	1,947,074
Individuals	80,628,772	76,401,814	54,868,293	54,403,698
Other domestic entities	155,066	118,489	22,349	18,312
Foreign entities	17,187,838	18,324,499	13,622,163	14,007,586
	161,359,085	160,123,910	109,817,506	110,827,768



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A18. Loans, Advances and Financing (continued)

(c) By geographical distribution

	Group		Bank	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	144,218,267	141,991,108	97,489,558	98,067,587
Labuan Offshore	2,112,198	2,813,607	-	-
Singapore	11,132,121	11,456,127	10,929,057	11,309,482
Thailand	1,480,770	1,566,795	1,241,844	1,297,959
Brunei	157,047	152,740	157,047	152,740
Indonesia	165,583	111,148	-	-
Hong Kong	144,773	170,649	-	-
Cambodia	1,729,547	1,650,403	-	-
Lao	218,779	211,333	-	-
	161,359,085	160,123,910	109,817,506	110,827,768

(d) By interest/profit rate sensitivity

	Group		Bank	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans/financing	568,857	585,855	108,195	113,242
- Hire purchase receivables/financing	7,066,561	7,583,002	2,627,736	3,130,528
- Other fixed rate loans/financing	17,177,732	17,887,103	8,372,694	8,036,358
Variable rate				
- Base lending/financing rate plus	98,881,850	93,803,479	67,110,691	65,788,898
- Cost-plus	28,653,556	30,805,844	25,701,013	27,987,482
- Other variable rates	9,010,529	9,458,627	5,897,177	5,771,260
	161,359,085	160,123,910	109,817,506	110,827,768



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A18. Loans, Advances and Financing (continued)

(e) By economic sector

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Agriculture, hunting, forestry and fishing	3,998,707	4,636,416	2,733,958	2,907,175
Mining and quarrying	1,215,235	1,154,489	336,411	272,349
Manufacturing	8,127,116	8,589,318	6,434,488	6,810,028
Electricity, gas and water	2,404,128	2,304,182	2,025,500	1,908,591
Construction	12,371,715	11,039,039	7,912,807	7,826,427
Wholesale and retail trade and restaurant and hotel	11,563,340	11,521,445	9,359,868	9,554,468
Transport, storage and communication	8,001,366	8,375,796	2,996,729	3,231,028
Real estate	4,124,820	3,781,156	2,662,826	2,421,062
Finance, insurance and business services	14,760,627	16,026,747	10,730,231	11,777,761
Government and government agencies	2,944,945	4,301,239	1,932,838	1,947,074
Education, health and others	5,741,578	6,029,951	3,508,728	3,362,044
Household sector	85,113,514	81,028,604	58,514,276	58,083,176
Others	991,994	1,335,528	668,846	726,585
	161,359,085	160,123,910	109,817,506	110,827,768

(f) By purpose

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Purchase of securities	11,070,429	12,052,907	7,166,135	8,442,043
Purchase of transport vehicles	8,846,630	8,727,290	1,940,719	2,366,712
Purchase of landed property:				
- Residential	51,902,936	48,547,367	38,537,541	36,968,845
- Non-residential	18,058,954	17,120,395	14,014,935	13,513,090
Purchase of property, plant and equipment other than land and building	2,799,693	3,138,179	2,007,571	2,252,525
Personal use	9,717,148	9,023,193	6,535,996	6,224,880
Credit card	2,031,535	2,094,608	1,766,573	1,827,031
Purchase of consumer durables	18,358	20,439	18,292	20,238
Construction	6,930,896	7,007,002	5,167,106	5,270,528
Working capital	36,366,322	36,976,750	24,144,852	25,425,147
Merger and acquisition	2,975,060	3,037,916	1,552,418	1,545,552
Other purposes	10,641,124	12,377,864	6,965,368	6,971,177
	161,359,085	160,123,910	109,817,506	110,827,768



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A18. Loans, Advances and Financing (continued)

(g) By remaining contractual maturities

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Maturity within one year	42,606,215	44,794,269	32,226,684	33,861,312
One year to three years	12,327,595	13,972,130	7,333,836	7,574,660
Three years to five years	11,941,820	10,789,675	7,126,583	6,699,923
Over five years	94,483,455	90,567,836	63,130,403	62,691,873
	161,359,085	160,123,910	109,817,506	110,827,768

(h) Impaired loans, advances and financing

(i) Movement in impaired loans, advances and financing

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Balance as at the beginning of the financial period/year				
- As previously reported	-	3,749,949	-	2,719,127
- Effect of adoption of MFRS 9	3,816,952	-	2,971,510	-
- As restated	3,816,952	3,749,949	2,971,510	2,719,127
Transfer in/(out) to 12-month ECL (Stage 1)	(291,265)	-	(249,433)	-
Transfer in/(out) to Lifetime ECL not credit impaired (Stage 2)	(301,402)	-	(217,754)	-
Transfer in/(out) to Lifetime ECL credit impaired (Stage 3)	1,230,414	-	923,214	-
Classified as impaired	-	4,121,726	-	3,471,543
Reclassified as non-impaired	-	(2,504,932)	-	(1,971,469)
Purchases and origination	785,831	-	727,477	-
Derecognition	(1,156,232)	-	(1,090,670)	-
Amount recovered	-	(787,464)	-	(528,042)
Amount written off	(298,360)	(946,957)	(274,911)	(887,533)
Exchange differences	(29,321)	(64,534)	(28,491)	(19,156)
Balance as at the end of the financial period/year	3,756,617	3,567,788	2,760,942	2,784,470



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A18. Loans, Advances and Financing (continued)

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

(ii) By economic sector

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Agriculture, hunting, forestry and fishing	64,513	67,014	40,780	41,095
Mining and quarrying	195,617	183,277	1,379	1,581
Manufacturing	471,687	474,311	348,239	357,347
Electricity, gas and water	89,822	61,788	31,026	31,524
Construction	582,363	673,448	496,482	632,724
Wholesale and retail trade and restaurant and hotel	468,572	436,655	343,908	329,192
Transport, storage and communication	265,186	311,404	255,110	300,151
Real estate	259,309	237,365	250,713	231,885
Finance, insurance and business services	132,317	125,747	82,852	74,827
Education, health and others	18,072	12,343	10,615	8,522
Household sector	1,187,782	982,253	896,677	775,224
Others	21,377	2,183	3,161	398
	3,756,617	3,567,788	2,760,942	2,784,470

(iii) By geographical distribution

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Malaysia	2,293,407	1,839,499	1,770,688	1,494,742
Labuan Offshore	276,367	275,857	-	-
Singapore	974,766	1,268,365	959,788	1,253,371
Thailand	29,013	37,295	20,740	28,865
Brunei	9,726	7,492	9,726	7,492
Cambodia	77,271	63,103	-	-
Hong Kong	71,567	69,800	-	-
Lao	24,500	6,377	-	-
	3,756,617	3,567,788	2,760,942	2,784,470



**RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

A18. Loans, Advances and Financing (continued)

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

(iv) Allowance for credit losses

	Group As at 30 June 2018 RM'000	Bank As at 30 June 2018 RM'000
12-month ECL (Stage 1)	498,524	422,716
Lifetime ECL not credit impaired (Stage 2)	994,574	870,097
Lifetime ECL credit impaired (Stage 3)	1,668,100	1,161,906
	<u>3,161,198</u>	<u>2,454,719</u>

(v) Movement in allowance for credit losses

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
30 June 2018 Group				
Balance as at the beginning of the financial period				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	556,786	903,751	1,726,087	3,186,624
- As restated	556,786	903,751	1,726,087	3,186,624
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to 12-month ECL (Stage 1)	336,365	(265,011)	(71,354)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(101,309)	187,915	(86,606)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(4,147)	(136,689)	140,836	-
	230,909	(213,785)	(17,124)	-
Allowance made/(written back) during the financial period	(221,493)	338,317	343,867	460,691
Bad debts written off	-	-	(244,572)	(244,572)
Derecognised during the financial period	(65,699)	(30,312)	(125,341)	(221,352)
Exchange differences	(1,979)	(3,397)	(14,817)	(20,193)
Balance as at the end of the financial period	<u>498,524</u>	<u>994,574</u>	<u>1,668,100</u>	<u>3,161,198</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A18. Loans, Advances and Financing (continued)

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

(v) Movement in allowance for credit losses (continued)

30 June 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Bank				
Balance as at the beginning of the financial period				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	464,863	784,601	1,273,566	2,523,030
- As restated	464,863	784,601	1,273,566	2,523,030
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to 12-month ECL (Stage 1)	257,690	(196,774)	(60,916)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(87,368)	160,704	(73,336)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(3,493)	(111,377)	114,870	-
	166,829	(147,447)	(19,382)	-
Allowance made/(written back) during the financial period	(165,468)	262,150	246,608	343,290
Bad debts written off	-	-	(217,091)	(217,091)
Derecognised during the financial period	(42,006)	(25,755)	(107,701)	(175,462)
Exchange differences	(1,502)	(3,452)	(14,094)	(19,048)
Balance as at the end of the financial period	<u>422,716</u>	<u>870,097</u>	<u>1,161,906</u>	<u>2,454,719</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A18. Loans, Advances and Financing (continued)

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

(vi) Movement in allowance for impaired loans, advances

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
Individual impairment allowance		
Balance as at the beginning of the financial year	999,328	827,505
Net allowance made	309,870	190,532
Amount written off	(517,524)	(514,721)
Exchange differences	(29,982)	(10,204)
Balance as at the end of the financial year	<u>761,692</u>	<u>493,112</u>
Collective impairment allowance		
Balance as at the beginning of the financial year	1,132,836	866,430
Net allowance made	225,669	186,321
Amount written off	(288,436)	(244,386)
Exchange differences	(5,783)	(1,291)
Balance as at the end of the financial year	<u>1,064,286</u>	<u>807,074</u>

A19. Other Assets

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Other receivables	868,682	663,468	346,146	239,555
Cash collateral in relation to derivative transactions	265,466	271,320	265,466	268,434
Deposits	57,227	71,620	31,615	31,773
Prepayments	135,116	99,640	79,477	53,931
Amounts due from subsidiaries	-	-	187,942	313,202
	<u>1,326,491</u>	<u>1,106,048</u>	<u>910,646</u>	<u>906,895</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A20. Deposits from Customers

(a) By type of deposits

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Demand deposits	38,037,264	40,599,769	31,029,077	33,819,798
Savings deposits	10,075,192	9,861,321	8,355,338	8,302,388
Fixed/investment deposits	117,729,072	115,624,467	81,742,367	78,537,835
Negotiable instruments of deposits	135,666	72,194	135,666	72,194
	165,977,194	166,157,751	121,262,448	120,732,215

(b) By type of customer

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Government and statutory bodies	10,430,002	8,947,445	6,072,799	4,634,166
Business enterprises	94,677,453	98,108,327	71,345,015	67,937,474
Individuals	55,311,061	53,968,119	38,776,427	43,546,269
Other financial institutions	5,558,678	5,133,860	5,068,207	4,614,306
	165,977,194	166,157,751	121,262,448	120,732,215

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Due within six months	82,943,683	94,841,819	60,826,120	66,160,033
Six months to one year	29,428,029	20,406,629	18,921,373	12,010,770
One year to three years	5,393,911	435,387	2,121,219	428,470
Three years to five years	99,115	12,826	9,321	10,756
	117,864,738	115,696,661	81,878,033	78,610,029



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A21. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Licensed banks	21,924,645	17,268,724	20,953,098	20,926,529
Licensed Islamic banks	1,974,175	2,945,973	5,398	5,912
Licensed investment banks	1,023,532	479,730	192,035	618,214
Bank Negara Malaysia	466,099	500,867	435,993	480,178
Other financial institutions	668,691	591,723	508,203	506,108
	26,057,142	21,787,017	22,094,727	22,536,941

A22. Other Liabilities

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Other creditors and accruals	1,323,556	1,123,886	886,504	514,606
Amount payable for redemption units	93,386	40,745	-	-
Deferred income	83,131	97,913	52,500	63,000
Short term employee benefits	262,613	368,423	202,277	257,227
Accrual for operational expenses	206,241	196,659	119,298	126,696
Prepaid instalments	49,931	55,079	49,702	54,609
Cash collateral pledged for derivative transactions	575,966	530,465	575,966	530,465
Remisiers' trust deposits	62,557	62,902	-	-
Amount due to trust funds	13,019	160,214	-	-
Amounts due to subsidiaries	-	-	48,047	26,943
Puttable instruments	75,348	78,825	-	-
	2,745,748	2,715,111	1,934,294	1,573,546



**RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

A23. 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.

Pursuant to the Group's internal management reporting framework, the operations of RHB Insurance Berhad ("RHB Insurance") is now grouped under "Support Centre and Others". RHB Insurance was previously categorised under "Group Retail Banking". Accordingly, the Group has restated the related corresponding segment information.

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 bancassurance/bancatakaful 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.



**RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

A23. Segmental Reporting (continued)

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

(d) Group International Business

Group International Business primarily focuses on providing commercial banking related products and services tailored to the specific needs of the customers in foreign countries in which the Group has operations. The Group currently has foreign presences in Singapore, Thailand, Brunei, Cambodia and Lao.

(e) Support Center and Others

Support Center and Others comprise results from other business segments in the Group (general insurance business, nominee services, property investment and rental of premises and other related financial services). The results of these other businesses are not material to the Group and therefore do not render a separate disclosure and are reported in aggregate in the financial statements.

The business segment results are prepared based on the Group's internal management reporting, which reflects the organisation's management reporting structure. Internal allocation of costs, for example, back office support, centralised cost, funding center and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A23. Segmental Reporting (continued)

Six months ended 30 June 2018

	←——— 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	1,177,670	543,744	802,417	702,660	271,053	(112,350)	-	3,385,194
Inter-segment revenue	9,703	-	22,706	(12,681)	3,125	4,557	(27,410)	-
Segment revenue	1,187,373	543,744	825,123	689,979	274,178	(107,793)	(27,410)	3,385,194
Other operating expenses	(586,484)	(295,918)	(449,979)	(70,849)	(206,444)	(78,396)	27,410	(1,660,660)
Including:								
- Depreciation of property, plant and equipment	(29,410)	(8,589)	(11,350)	(1,160)	(7,532)	(1,425)	-	(59,466)
- Amortisation of intangible assets	(19,997)	(10,995)	(8,960)	(2,300)	(4,531)	(1,059)	-	(47,842)
Allowance for credit losses	(103,944)	(82,707)	(22,472)	(460)	48,357	1,571	-	(159,655)
Segment profit/(loss)	496,945	165,119	352,672	618,670	116,091	(184,618)	-	1,564,879
Share of results of joint ventures								38
Profit before taxation								1,564,917
Taxation								(403,750)
Net profit for the financial period								<u>1,161,167</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A23. Segmental Reporting (continued)

As at 30 June 2018

	←——— 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	81,390,368	24,650,584	50,034,767	51,113,584	24,051,572	2,135,900	233,376,775
Investments in associates and joint ventures							47,044
Tax recoverable							339,729
Deferred tax assets							44,466
Unallocated assets							656,596
Total assets							<u>234,464,610</u>
Segment liabilities	50,104,549	23,671,931	53,239,348	55,113,040	18,911,618	1,242,887	202,283,373
Tax liabilities							22,964
Deferred tax liabilities							8,844
Borrowings							1,333,114
Senior debt securities							3,247,617
Hybrid Tier-1 Capital Securities							602,753
Subordinated obligations							3,748,145
Unallocated liabilities							668,699
Total liabilities							<u>211,915,509</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A23. Segmental Reporting (continued)

Six months ended 30 June 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	1,043,528	497,299	737,107	669,174	288,453	(103,558)	-	3,132,003
Inter-segment revenue	21,343	-	34,104	(29,909)	(4,804)	6,605	(27,339)	-
Segment revenue	1,064,871	497,299	771,211	639,265	283,649	(96,953)	(27,339)	3,132,003
Other operating expenses	(564,356)	(257,749)	(451,398)	(55,341)	(172,921)	(68,433)	27,339	(1,542,859)
Including:								
- Depreciation of property, plant and equipment	(30,217)	(6,165)	(13,448)	(992)	(7,345)	(1,257)	-	(59,424)
- Amortisation of intangible assets	(14,319)	(6,855)	(8,540)	(1,857)	(3,780)	(771)	-	(36,122)
Allowance for credit losses	(13,560)	(49,650)	(46,416)	17,371	(183,507)	(1,402)	-	(277,164)
Segment profit/(loss)	486,955	189,900	273,397	601,295	(72,779)	(166,788)	-	1,311,980
Share of results of joint ventures								207
Profit before taxation								1,312,187
Taxation								(308,434)
Net profit for the financial period								1,003,753



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A23. Segmental Reporting (continued)

As at 31 December 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	77,185,915	24,134,440	59,842,186	40,599,762	25,643,884	2,183,279	229,589,466
Investments in associates and joint ventures							48,253
Tax recoverable							115,874
Deferred tax assets							36,072
Unallocated assets							420,261
Total assets							<u>230,209,926</u>
Segment liabilities	47,566,692	22,809,848	62,109,781	43,540,492	20,869,184	1,224,431	198,120,428
Tax liabilities							33,531
Deferred tax liabilities							19,698
Borrowings							1,153,719
Senior debt securities							3,252,581
Hybrid Tier-1 Capital Securities							602,666
Subordinated obligations							3,748,294
Unallocated liabilities							94,581
Total liabilities							<u>207,025,498</u>



**RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

A24. Valuation of Property, Plant and Equipment

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

A25. 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.

A26. Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the six months ended 30 June 2018 other than the following:

- (a) The Bank has on 29 January 2018 injected additional capital of USD4,000,000 (equivalent to RM15,823,000) into its wholly-owned subsidiary, RHB Indochina Bank Limited ('RHB Indochina Bank'). As a result, the issued share capital of RHB Indochina Bank increased from USD71,000,000 to USD75,000,000.
- (b) The Bank has on 8 March 2018 injected additional capital of RM400,000,000 into its wholly-owned subsidiary, RHB Islamic Bank Berhad ('RHB Islamic Bank'). As a result, the paid up share capital of RHB Islamic Bank increased from RM1,273,424,002 to RM1,673,424,002.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A27. 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 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Direct credit substitutes	1,503,629	1,713,757	1,479,124	1,691,694
Transaction-related contingent items	5,752,574	5,241,528	5,331,343	4,997,587
Short term self-liquidating trade-related contingencies	1,027,251	1,062,958	956,408	975,179
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	-	629,085	-	1,657,649
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	2,090,849	2,215,137	549,571	548,057
- Maturity exceeding one year	28,115,549	28,020,104	20,860,086	20,464,906
Foreign exchange related contracts [^]				
- Less than one year	85,078,263	72,013,970	86,287,673	73,557,981
- One year to less than five years	6,070,947	5,284,174	6,998,335	6,262,028
- More than five years	1,327,384	2,613,222	1,428,363	2,721,200
Equity related contracts [^]				
- Less than one year	7,260	7,262	-	-
Interest rate related contracts [^]				
- Less than one year	8,597,511	10,804,368	9,357,513	11,724,368
- One year to less than five years	20,884,456	15,171,523	21,184,455	15,596,523
- More than five years	7,229,355	11,825,636	7,229,355	11,825,636
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	15,653,873	15,622,899	13,302,217	13,355,680
	183,338,901	172,225,623	174,964,443	165,378,488

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



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A27. Changes In Contingent Liabilities Since The Last Annual Statements Of Financial Position (continued)

(b) Guarantees Issued by the Group and the Bank

	Group	
	As at 30 June 2018	As at 31 December 2017
	RM'000	RM'000
Corporate guarantee issued in favour of Monetary Authority of Singapore in relation to undertaking of subsidiaries	148,140	151,450
Corporate guarantee issued in favour of the Stock Exchange of Thailand in relation to a derivative warrant programme of a subsidiary	87	133
	148,227	151,583

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.

A28. Capital Commitments

	Group		Bank	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- Property, plant and equipment	209,267	433,157	183,504	399,518
- Investment securities	5,252	40,905	-	-
	214,519	474,062	183,504	399,518



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A29. 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 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Common Equity Tier I ('CET I')/Tier I Capital				
Share capital	6,994,103	6,994,103	6,994,103	6,994,103
Retained profits	13,717,928	13,249,895	11,305,770	11,019,987
Other reserves	631,536	667,019	436,862	450,926
FVOCI/AFS reserves	163,525	275,224	171,469	272,449
	21,507,092	21,186,241	18,908,204	18,737,465
Less:				
Goodwill	(2,633,383)	(2,633,383)	(1,651,542)	(1,651,542)
Intangible assets (include associated deferred tax liabilities)	(532,866)	(447,837)	(478,142)	(390,769)
Deferred tax assets	(51,725)	(44,629)	(13,426)	(10,542)
55% of cumulative gains arising from change in value of FVOCI/AFS instruments	(89,939)	(151,373)	(94,308)	(149,847)
Investments in subsidiaries*	(149,469)	(120,542)	(4,711,343)	(3,436,416)
Other deductions [#]	(46,246)	(35,272)	(39,379)	(30,965)
Total CET I Capital	18,003,464	17,753,205	11,920,064	13,067,384
Hybrid Tier-I Capital Securities**	240,000	300,000	240,000	300,000
Qualifying non-controlling interests recognised as Tier I Capital	13,870	20,207	-	-
Total Tier I Capital	18,257,334	18,073,412	12,160,064	13,367,384
Tier II Capital				
Subordinated obligations subject to gradual phase out treatment***	300,000	300,000	300,000	300,000
Subordinated obligations meeting all relevant criteria	2,249,147	2,249,028	2,249,147	2,249,028
Qualifying capital instruments of a subsidiary issued to third parties ⁺	345,862	385,523	-	-
Surplus eligible provisions over expected losses	483,091	457,989	392,777	376,282
Collective impairment allowance [^] and regulatory reserves [~]	-	399,560	-	284,839
General provisions ^v	307,683	-	204,191	-
	3,685,783	3,792,100	3,146,115	3,210,149
Less:				
Investments in subsidiaries*	-	(30,135)	-	(859,104)
Total Tier II Capital	3,685,783	3,761,965	3,146,115	2,351,045
Total Capital	21,943,117	21,835,377	15,306,179	15,718,429



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A29. Capital Adequacy Ratio (continued)

	Group		Bank [@]	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	14.761%	14.228%	12.768%	13.523%
Tier I Capital Ratio	14.969%	14.485%	13.025%	13.833%
Total Capital Ratio	17.991%	17.500%	16.395%	16.266%
After proposed dividends:				
CET I Capital Ratio	14.514%	13.907%	12.446%	13.108%
Tier I Capital Ratio	14.722%	14.164%	12.703%	13.418%
Total Capital Ratio	17.744%	17.179%	16.073%	15.851%

[@] 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 gradual deduction using the corresponding deduction approach under CET I Capital effective from 1 January 2014 as prescribed under paragraph 37.11 of the BNM's Guideline on 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 gradual phase out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

^{***} Subordinated obligations that are recognised as Tier II capital instruments are subject to gradual phase out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Guideline on 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 Guideline 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.

[∨] Pursuant to BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS9 Financial Instruments and regulatory reserves, to the extent they are ascribed to non-credit-impaired exposures, determined under standardised approach for credit risk.

[~] Includes the qualifying regulatory reserves of the Group and Bank of RM268,407,000 and RM202,172,000 respectively as at 31 December 2017.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A29. 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 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
CET I/Tier I Capital				
Share capital	1,673,424	1,273,424	1,487,773	1,487,773
Retained profits	1,870,716	1,787,323	884,109	883,218
FVOCI/AFS reserves	(28,423)	(15,929)	17,291	26,120
	3,515,717	3,044,818	2,389,173	2,397,111
Less:				
Goodwill	-	-	(372,395)	(372,395)
Investments in subsidiaries, associates and joint ventures*	-	-	(1,492,410)	(1,199,358)
Intangible assets (include associated deferred tax liabilities)	(3,957)	(4,412)	(26,422)	(27,700)
Deferred tax assets	(18,916)	(17,140)	(4,648)	(1,180)
55% of cumulative gains arising from change in value of FVOCI/AFS instruments	-	-	(9,510)	(14,366)
Other deductions [#]	(6,863)	(4,296)	(3)	(12)
Total CET I Capital/Tier I Capital	3,485,981	3,018,970	483,785	782,100
Tier II Capital				
Subordinated sukuk	750,000	750,000	-	-
Subordinated obligations meeting all relevant criteria	-	-	400,000	400,000
Collective impairment allowance [^] and regulatory reserves [~]	-	343,212	-	8,987
General provisions ^v and regulatory reserves [~]	371,866	-	8,770	-
	1,121,866	1,093,212	408,770	408,987
Less:				
Investments in subsidiaries, associates and joint ventures*	-	-	-	(299,839)
Total Tier II Capital	1,121,866	1,093,212	408,770	109,148
Total Capital	4,607,847	4,112,182	892,555	891,248
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	11.053%	10.376%	23.519%	34.995%
Tier I Capital Ratio	11.053%	10.376%	23.519%	34.995%
Total Capital Ratio	14.610%	14.134%	43.391%	39.878%
After proposed dividends:				
CET I Capital Ratio	11.053%	10.376%	23.519%	34.995%
Tier I Capital Ratio	11.053%	10.376%	23.519%	34.995%
Total Capital Ratio	14.610%	14.134%	43.391%	39.878%



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A29. 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).
- # 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.
- ^ 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.
- ∨ Pursuant to BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS9 Financial Instruments and regulatory reserves, to the extent they are ascribed to non-credit-impaired exposures, determined under standardised approach for credit risk.
- ~ Includes the qualifying regulatory reserves for non-impaired loans of RHB Islamic Bank and RHB Investment Bank of RM246,157,000 (31 December 2017: RM204,312,000) and RM8,486,000 (31 December 2017: RM8,987,000) 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
30 June 2018				
Credit risk	105,129,768	81,798,094	29,749,306	701,604
Market risk	5,120,231	3,219,518	244,760	451,832
Operational risk	11,717,495	8,340,233	1,544,766	903,561
Total risk-weighted assets	<u>121,967,494</u>	<u>93,357,845</u>	<u>31,538,832</u>	<u>2,056,997</u>
31 December 2017				
Credit risk	108,296,294	85,500,785	27,456,953	718,961
Market risk	4,960,017	2,872,562	240,688	610,542
Operational risk	11,516,719	8,260,751	1,397,487	905,417
Total risk-weighted assets	<u>124,773,030</u>	<u>96,634,098</u>	<u>29,095,128</u>	<u>2,234,920</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.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A29. 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 30 June 2018 RM'000	As at 31 December 2017 RM'000
Before proposed dividends:		
Core capital ratio	#	#
Solvency ratio	19.864%	18.686%
After proposed dividends:		
Core capital ratio	#	#
Solvency ratio	19.864%	18.686%

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.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A30. Credit Exposures Arising from Transactions with Connected Parties

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Outstanding credit exposures with connected parties (RM'000)	9,400,143	11,154,524	10,262,042	10,933,966
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	4.82	5.76	7.45	7.90
Percentage of outstanding credit exposures to connected parties which is impaired or in default (%)	0.12	0.001	0.0004	0.001

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



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A31. Operations of Islamic Banking

(a) Statement of Financial Position as at 30 June 2018

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
ASSETS				
Cash and short-term funds	3,906,756	2,019,457	-	-
Deposits and placements with banks and other financial institutions	671,229	432,597	-	-
Financial assets FVTPL/ held-for-trading	110,975	172,536	-	-
Financial investments AFS	-	3,394,493	-	-
Financial investments HTM	-	3,820,734	-	-
Financial assets at FVOCI	3,426,743	-	-	-
Financial assets at amortised costs	3,383,026	-	-	-
Financing and advances	45,616,561	42,717,398	13,719	14,373
Other assets	289,452	99,511	8,727	8,577
Derivative assets	60,912	6,370	-	-
Statutory deposits	1,309,000	1,116,200	-	-
Deferred tax assets	18,412	16,513	-	-
Property, plant and equipment	5,586	6,193	-	-
Intangible assets	4,461	5,039	-	-
Total assets	58,803,113	53,807,041	22,446	22,950
LIABILITIES				
Deposits from customers	41,369,465	37,850,205	-	-
Deposits and placements of banks and other financial institutions	2,658,456	4,183,323	14,350	14,641
Obligations on securities sold under repurchase agreements	-	604,163	-	-
Bills and acceptances payable	7,374	9,216	-	-
Recourse obligation on financing sold to Cagamas	1,011,253	-	-	-
Other liabilities	203,539	177,169	8,136	8,319
Derivative liabilities	199,937	313,134	-	-
Tax liabilities and zakat	11,545	15,623	-	-
Subordinated obligations	755,360	755,393	-	-
Total liabilities	46,216,929	43,908,226	22,486	22,960
Islamic Banking Funds	12,586,184	9,898,815	(43)	(10)
Total liabilities and Islamic Banking Funds	58,803,113	53,807,041	22,443	22,950
Commitments and contingencies	13,816,823	16,678,885	2,963	3,029



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A31. Operations of Islamic Banking (continued)

(b) Income Statement for the Six Months Ended 30 June 2018

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds	577,385	443,381	1,117,301	884,798
Income derived from investment account funds	106,242	94,617	210,086	178,644
Income derived from investment of shareholders' funds	76,606	58,470	57,479	73,256
Allowance for credit losses	(33,655)	11,376	(55,755)	(16,840)
Total distributable income	726,578	607,844	1,329,111	1,119,858
Income attributable to depositors	(389,190)	(299,972)	(740,055)	(590,205)
	337,388	307,872	589,056	529,653
Personnel expenses	(7,383)	(7,121)	(16,264)	(14,609)
Other overheads and expenditures	(83,904)	(71,816)	(174,950)	(141,451)
Profit before taxation	246,101	228,935	397,842	373,593
Taxation	(30,813)	(37,032)	(66,173)	(60,781)
Net profit for the financial period	215,288	191,903	331,669	312,812

Statement of Comprehensive Income for the Six Months Ended 30 June 2018

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period	215,288	191,903	331,669	312,812
Other comprehensive income/(loss) in respect of:				
Items that will be reclassified subsequently to profit or loss				
(a) Financial investments available-for-sale ('AFS')				
- Unrealised net gain on revaluation	-	12,355	-	27,559
- Net transfer to income statements on disposal or impairment	-	(1,080)	-	(1,721)
(b) Debt instruments measured at FVOCI				
- Unrealised net loss	(22,596)	-	(15,785)	-
- Net transfer to income statements on disposal	(568)	-	(654)	-
Income tax relating to components of other comprehensive loss/(income)	5,559	(2,706)	3,945	(6,201)
Other comprehensive (loss)/income, net of tax, for the financial period	(17,605)	8,569	(12,494)	19,637
Total comprehensive income for the financial period	197,683	200,472	319,175	332,449



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A31. Operations of Islamic Banking (continued)

(b) Income Statement for the Six Months Ended 30 June 2018

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Bank				
Income derived from investment of depositors' funds	73	-	109	-
Allowance for credit losses	(1)	-	(3)	-
Total distributable income	72	-	106	-
Income attributable to depositors	(96)	-	(139)	-
	(24)	-	(33)	-
Other overheads and expenditures	-	-	-	-
Loss before taxation	(24)	-	(33)	-
Taxation	-	-	-	-
Net loss for the financial period	(24)	-	(33)	-

Statement of Comprehensive Income for the Six Months Ended 30 June 2018

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Bank				
Net loss for the financial period	(24)	-	(33)	-
Total comprehensive loss for the financial period	(24)	-	(33)	-



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A31. Operations of Islamic Banking (continued)

(d) Financing and Advances

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
At amortised cost				
Cashline	613,964	535,776	-	-
Term financing				
- Housing financing	13,777,815	11,847,106	-	-
- Syndicated term financing	1,935,776	1,808,947	-	-
- Hire purchase receivables	6,778,670	6,185,724	-	-
- Other term financing	17,674,076	18,177,105	13,758	14,394
Bills receivables	844,477	1,045,110	-	-
Trust receipts	16,565	15,558	-	-
Staff financing	2,403	2,592	-	-
Credit/charge card receivables	264,963	267,577	-	-
Revolving financing	4,063,862	3,104,581	-	-
Gross financing and advances	45,972,571	42,990,076	13,758	14,394
Less:				
- Allowance for credit losses	(356,010)	-	(39)	-
- Individual impairment allowance	-	(42,612)	-	-
- Collective impairment allowance	-	(230,066)	-	(21)
Net financing and advances	45,616,561	42,717,398	13,719	14,373

(i) Movements in impaired financing and advances

Balance as at the beginning of the financial period/year

- As previously reported	-	393,096	-	-
- Effect of adoption of MFRS 9	406,084	-	-	-
- As restated	406,084	393,096	-	-
Transfer in/(out) to 12-month ECL (Stage 1)	(37,292)	-	-	-
Transfer in/(out) to Lifetime ECL not credit impaired (Stage 2)	(62,942)	-	-	-
Transfer in/(out) to Lifetime ECL credit impaired provision (Stage 3)	255,342	-	-	-
Classified as impaired	-	472,890	-	-
Reclassified as non-impaired	-	(385,958)	-	-
Purchases and origination	23,767	-	-	-
Derecognition	(39,288)	-	-	-
Amount recovered	-	(77,000)	-	-
Amount written off	(23,449)	(59,067)	-	-
Balance as at the end of the financial period/year	522,222	343,961	-	-



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A31. Operations of Islamic Banking (continued)

(d) Financing and Advances (continued)

(ii) Movement in allowance for credit losses

30 June 2018	Lifetime ECL		Total	
	12-month ECL (Stage 1)	not credit impaired (Stage 2)		Lifetime ECL credit impaired (Stage 3)
Group	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial period				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	52,625	75,980	200,695	329,300
- As restated	52,625	75,980	200,695	329,300
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to 12-month ECL (Stage 1)	76,524	(66,681)	(9,843)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(12,659)	23,400	(10,741)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(654)	(20,012)	20,666	-
	63,211	(63,293)	82	-
New financial assets originated or purchased	12,863	14,212	6	27,081
Allowance made/(written back) during the financial period	(72,779)	48,210	77,968	53,399
Bad debts written off	-	-	(27,480)	(27,480)
Derecognised during the financial period	(7,711)	(3,638)	(14,940)	(26,289)
Exchange differences	(1)	-	-	(1)
Balance as at the end of the financial period	48,208	71,471	236,331	356,010
Bank				
Balance as at the beginning of the financial period				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	43	-	-	43
- As restated	43	-	-	43
Allowance written back during the financial period	(3)	-	-	(3)
Exchange differences	(1)	-	-	(1)
Balance as at the end of the financial period	39	-	-	39



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

A31. Operations of Islamic Banking (continued)

(d) Financing and Advances (continued)

(ii) Movements in allowance for impaired financing and advances

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
Individual impairment allowance		
Balance as at the beginning of the financial year	15,864	-
Net allowance made	29,204	-
Amount written off	(2,456)	-
Balance as at the end of the financial year	<u>42,612</u>	<u>-</u>
Collective impairment allowance		
Balance as at the beginning of the financial year	236,525	-
Net allowance made	37,583	21
Amount written off	(44,042)	-
Balance as at the end of the financial year	<u>230,066</u>	<u>21</u>

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
(e) Other Assets				
Prepayments	21,478	15,998	-	-
Deposits	1,652	1,732	-	-
Other receivables	266,322	81,781	8,727	8,577
	<u>289,452</u>	<u>99,511</u>	<u>8,727</u>	<u>8,577</u>

	Group	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
(f) Deposits from Customers		
Saving Deposits		
- Wadiah	1,444,720	1,353,675
Demand Deposits		
- Wadiah	6,370,564	6,392,228
- Commodity Murabahah	-	55,952
Term Deposits		
- Commodity Murabahah	28,317,239	24,813,727
Specific Investment Account		
- Murabahah	5,111,145	5,098,668
General Investment Account		
- Mudharabah	125,797	135,955
	<u>41,369,465</u>	<u>37,850,205</u>



**RHB BANK BERHAD (6171-M)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

B1. Review of Group Results

(a) Current Financial Period vs Previous Financial Period

The Group recorded a significant improvement in net profit to RM1,161.1 million, up 16.0% year-on-year, mainly due to higher net fund based and non-fund based income and lower allowances for credit losses on other assets, partially offset by higher overheads and allowances for credit losses on loans.

Net fund based income increased by 10.8% to RM2,481.0 million from a year ago. Gross fund based income increased by 6.6% on the back of a 3.1% increase in gross loans and financing, whilst funding and interest expense rose 3.2% year-on-year. More efficient management of funding cost and redemption of certain sub-debts and senior notes over the year led to improved net interest margin of 2.29% for the quarter from 2.19% in the previous corresponding quarter.

Non-fund based income was marginally higher by 1.3% at RM904.2 million, contributed largely by higher net foreign exchange gain and trading and investment income, partially offset by decline in insurance underwriting surplus and brokerage income.

Operating expenses rose by 7.6% to RM1,660.7 million from a year ago driven by a rise in personnel costs and IT-related expenses as the Group continued to invest in technology infrastructure and Digital capabilities. Cost-to-income ratio improved to 49.1%.

Allowances for credit losses on loans was RM180.9 million, 16.3% higher than previous year. This was primarily due to higher credit losses for loans in line with expected impact arising from implementation of MFRS 9. Annualised credit charge ratio stood at 0.22% compared with 0.20% over the same period last year.

Allowances for credit losses on other assets was lower by RM142.8 million mainly due to improved ratings of investment portfolio and the absence of impairment provided on an oil and gas related bond in Singapore in the previous corresponding period.

Total assets for the Group increased by 1.8% from December 2017 to RM234.5 billion as at 30 June 2018, primarily due to an increase in cash and short-term funds and securities portfolio. Shareholders' equity stood at RM22.5 billion, with net assets per share at RM5.61.

The Group's gross loans and financing grew by 3.1% year-on-year to RM161.4 billion. Domestic loans and financing grew 4.5% year-on-year contributed mainly by resilient growth in mortgages and SME. The Group's domestic loan market share stood at 9.0% as at end June 2018.

Customer deposits remained at RM166.0 billion. As at 30 June 2018, total current and savings account ("CASA") composition was still healthy at 29.0% compared with 27.9% a year ago.

Gross impaired loans was at RM3.8 billion as at 30 June 2018, with gross impaired loans ratio of 2.33% from 2.38% (based on FY2018 restated opening balance post-MFRS 9). Loan loss coverage for the Group, including regulatory reserves was at 104.1%.



**RHB BANK BERHAD (6171-M)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

(c) Performance by Operating Segment

(i) Group Retail Banking

Group Retail Banking reported a pre-tax profit of RM496.9 million for the first half of the year ended 30 June 2018, 2.1% higher than the previous year's corresponding period. This was mainly due to higher net fund based income and non-fund based income, partially offset by higher allowances for credit losses on loans and higher operating expenses.

Retail loans and financing rose 12.3% year-on-year to RM80.5 billion as at June 2018, primarily driven by growth in mortgages and personal financing. Mortgage loans also grew at a strong annualised rate of 15.3% from December 2017.

Retail deposits increased by 12.4% year-on-year to RM50.1 billion, mainly contributed by growth in fixed deposits and current account which increased by 16.3% and 8.1% respectively. Fixed deposits grew at an annualised rate of 17.6% from December 2017.

(ii) Group Business Banking

Group Business Banking recorded a pre-tax profit of RM165.1 million in the first half of the year, a 13.0% decrease mainly due to higher allowances for credit losses on loans and higher operating expenses, partly offset by higher net fund based income.

Gross loans and financing expanded by 7.4% year-on-year, and at an annualised rate of 5.8%, driven mainly by Retail SME portfolio at 10.2%.

Customer deposits recorded an encouraging 11.6% annualised growth rate to RM23.5 billion for the first six months, mainly contributed by growth in fixed deposits.

(iii) Group Wholesale Banking ("GWB")

GWB recorded a pre-tax profit of RM971.3 million, an increase of 11.0% from the previous year's corresponding period.

- (a) Group Corporate & Investment Banking registered a 29.0% improvement in pre-tax profit to RM352.7 million on the back of higher non-fund based and net fund based income and lower allowances for credit losses on loans.

Gross loans and financing decreased by 7.5% during the first six months to RM41.9 billion due to a few large corporate repayments. Deposits decreased by 13.3% over the same period to RM49.6 billion primarily due to a decrease in fixed deposits.

- (b) Group Treasury and Global Markets recorded a 2.9% growth in pre-tax profit to RM618.7 million in the first six months, mainly due to higher net fund based income.

Total deposits increased by 25.7% to RM26.3 billion in the first six months in line with the Group's funding needs.



**RHB BANK BERHAD (6171-M)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

B1. Review of Group Results (continued)

(b) Performance by Operating Segment (continued)

(iv) Group International Business

RHB Bank Singapore recorded a pre-tax profit of SGD24.1 million compared with a pre-tax loss of SGD30.9 million in the previous year's corresponding period. This was mainly attributed to lower expected credit losses as substantial losses were provided for corporate bonds and loans in the oil and gas industry last year, partially offset by higher operating expenses.

For the first six months, Singapore loans and advances remained largely unchanged at SGD3.7 billion.

Group International Business excluding Singapore registered a pre-tax profit of RM49.6 million, 113.0% higher than the previous year's corresponding period. This was mainly due to improved profitability in Cambodia and Lao.

B2. Current Quarter vs Previous Quarter

Net profit for the current quarter was at RM570.3 million, a decrease of 3.5% from RM590.8 million recorded in the preceding quarter ended 31 March 2018. This was due to lower non-fund based income, in particular from the absence of one-off gain recorded in the preceding quarter and lower marked-to-market (MTM) gain on securities and derivatives.

B3. Prospects for Financial Year 2018

Malaysia is expected to register a moderate GDP expansion of 5.0% in 2018, against 5.9% growth registered in 2017. Economic growth is expected to be led by an acceleration in private sector consumption while exports, private investment and public spending are anticipated to grow at a slower pace.

On the external front, potential risks may come in the form of trade protectionism and rising interest rates in the US.

The Group remains focused on its five-year strategy, FIT22, which aims at enhancing performance, building scale and delivering service excellence. Digital enhancements and the AGILE way of working will feature prominently in the implementation of the strategy. Barring unforeseen circumstances, the Group expects to achieve better performance this year.

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

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



RHB BANK BERHAD (6171-M)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

B5. Taxation

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Group				
Income tax based on profit for the financial period				
- Malaysian income tax	187,200	154,061	341,250	284,833
- Overseas tax	2,862	3,106	6,127	6,330
Deferred tax	(13,831)	7,945	19,590	30,631
	<u>176,231</u>	<u>165,112</u>	<u>366,967</u>	<u>321,794</u>
Under/(Over) provision in respect of prior financial year	26,621	(13,360)	36,783	(13,360)
	<u>202,852</u>	<u>151,752</u>	<u>403,750</u>	<u>308,434</u>

The effective tax rate of the Group for the second quarter and six months ended 30 June 2018 was lower than the statutory tax rate mainly due to certain income not subject to tax.

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Bank				
Income tax based on profit for the financial period				
- Malaysian income tax	157,168	108,413	252,720	198,565
- Overseas tax	-	7	-	7
Deferred tax	(12,303)	7,564	21,848	28,037
	<u>144,866</u>	<u>115,984</u>	<u>274,568</u>	<u>226,609</u>
Under/(Over) provision in respect of prior financial year	23,851	(17,895)	32,851	(17,895)
	<u>168,716</u>	<u>98,089</u>	<u>307,419</u>	<u>208,714</u>

The effective tax rate of the Bank for the second quarter and six months ended 30 June 2018 was higher than the statutory tax rate mainly due to non-deductibility of certain expenses for tax purposes.



**RHB BANK BERHAD (6171-M)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

B6. Status of Corporate Proposals

(a) Proposed acquisition by RHB Investment Bank of the remaining 51% equity interest in Vietnam Securities Corporation ('VSEC') ('Proposed Acquisition')

RHB Investment Bank, a wholly-owned subsidiary of the Bank, has on 9 February 2018 entered into a conditional share purchase agreement ('CSPA') with Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company for the acquisition of the remaining 51% equity interest in VSEC, comprising 6,885,000 existing common shares of VND10,000 each in VSEC for a purchase consideration of VND121,629,915,000 (equivalent to approximately USD5.365 million or RM21.285 million) to be satisfied wholly in cash.

The Proposed Acquisition is amongst others, subject to the approvals of BNM and State Securities Commission of Vietnam ('Vietnam SSC'). The Bank and RHB Investment Bank have submitted applications to BNM for the approval of the Proposed Acquisition and VSEC has also submitted an application to Vietnam SSC for the approval of the Proposed Acquisition and the conversion of the status of VSEC from a joint stock company into a single-member limited liability company ('Conversion').

RHB Investment Bank, Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company had on 7 August 2018, by way of an exchange of letter, mutually agreed to extend the period to satisfy or waive the conditions precedent of the CSPA to 31 December 2018.

Upon completion of the Proposed Acquisition and subject to approval from Vietnam SSC for the Conversion and the issuance of an amended license as a single-member limited liability company, VSEC will become a wholly-owned subsidiary of RHB Investment Bank.



RHB BANK BERHAD (6171-M)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Deposits from customers				
- One year or less	160,484,168	165,709,538	119,131,908	120,292,989
- More than one year	5,493,026	448,213	2,130,540	439,226
	<u>165,977,194</u>	<u>166,157,751</u>	<u>121,262,448</u>	<u>120,732,215</u>
Deposits and placements of banks and other financial institutions				
- One year or less	25,200,680	20,880,685	21,268,371	21,651,298
- More than one year	856,462	906,332	826,356	885,643
	<u>26,057,142</u>	<u>21,787,017</u>	<u>22,094,727</u>	<u>22,536,941</u>

(b) Borrowings

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Unsecured				
Revolving credits:				
- Hong Kong Dollar	16,993	16,576	-	-
Term loans:				
- United States Dollar	1,069,537	978,068	1,069,537	978,068
- Thai Baht	60,969	62,180	-	-
- Singapore Dollar	109,638	-	-	-
Promissory note:				
- Indonesia Rupiah	56,471	-	-	-
- Thai Baht	19,506	96,895	-	-
	<u>1,333,114</u>	<u>1,153,719</u>	<u>1,069,537</u>	<u>978,068</u>
Scheduled repayment of borrowings:				
- Within one year	484,898	333,119	221,321	157,468
- One year to three years	848,216	820,600	848,216	820,600
	<u>1,333,114</u>	<u>1,153,719</u>	<u>1,069,537</u>	<u>978,068</u>



RHB BANK BERHAD (6171-M)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

(c) Senior debt securities

	Group and Bank	
	As at	As at
	30 June	31 December
	2018	2017
	RM'000	RM'000
USD300 million 3.088% senior debt securities due in 2019	1,219,543	1,221,292
USD500 million 2.503% senior debt securities due in 2021	2,028,074	2,031,289
	3,247,617	3,252,581

(d) Hybrid Tier-1 Capital Securities

	Group		Bank	
	As at	As at	As at	As at
	30 June	31 December	30 June	31 December
	2018	2017	2018	2017
	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	377,212	377,083	377,212	377,083
RM230 million 6.75% Hybrid Tier-I Capital Securities due in 2039, callable with step-up coupon rate at 7.75% in 2019	225,541	225,583	230,553	230,595
	602,753	602,666	607,765	607,678

(e) Subordinated obligations

	Group		Bank	
	As at	As at	As at	As at
	30 June	31 December	30 June	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
5.60% RM300 million Tier II Subordinated Notes 2010/2025	302,854	302,900	302,854	302,900
4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024	503,187	503,187	-	-
4.99% RM1 billion Tier II Subordinated Notes 2014/2024	1,023,652	1,023,788	1,023,652	1,023,788
4.95% RM200 million Tier II Subordinated Notes 2015/2025	202,034	202,061	-	-
4.75% RM500 million Tier II Subordinated Notes 2015/2025	503,309	503,256	503,309	503,256
4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027	252,173	252,206	-	-
4.82% RM750 million Tier II Subordinated Notes 2017/2027	758,761	758,694	758,761	758,694
4.90% RM200 million Tier II Subordinated Notes 2017/2027	202,175	202,202	-	-
	3,748,145	3,748,294	2,588,576	2,588,638

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 A29) for the purpose of determining the capital adequacy ratios of the respective subsidiaries.



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 30 June 2018			As at 31 December 2017		
	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 type						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Forwards/swaps	81,333,990	1,107,570	776,245	69,831,012	1,067,756	1,696,944
- Options	3,569,975	13,079	4,135	1,102,069	6,054	4,276
- Cross-currency interest rate swaps	7,575,763	660,571	632,823	8,982,468	617,212	695,320
	92,479,728	1,781,220	1,413,203	79,915,549	1,691,022	2,396,540
Interest rate related contracts						
- Swaps	36,261,322	234,304	156,539	35,451,527	135,645	104,467
	36,261,322	234,304	156,539	35,451,527	135,645	104,467
Equity related contracts						
- Options	7,260	507	-	7,262	-	-
	7,260	507	-	7,262	-	-
Structured warrants	390,062	-	15,727	233,286	-	45,947
	390,062	-	15,727	233,286	-	45,947
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Swaps	450,000	-	1,179	2,350,000	-	4,550
	450,000	-	1,179	2,350,000	-	4,550
Total	129,588,372	2,016,031	1,586,648	117,957,624	1,826,667	2,551,504



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 30 June 2018			As at 31 December 2017		
	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	83,345,382	1,102,607	780,129	72,253,738	1,072,083	1,704,894
- Options	2,620,780	13,079	4,135	1,102,069	6,054	4,276
- Cross-currency interest rate swaps	8,748,209	660,284	633,457	9,185,402	616,499	695,706
	94,714,371	1,775,970	1,417,721	82,541,209	1,694,636	2,404,876
Interest rate related contracts						
- Swaps	37,321,323	235,969	156,546	36,796,527	140,040	104,554
	37,321,323	235,969	156,546	36,796,527	140,040	104,554
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Swaps	450,000	-	1,179	2,350,000	-	4,550
	450,000	-	1,179	2,350,000	-	4,550
Total	132,485,694	2,011,939	1,575,446	121,687,736	1,834,676	2,513,980



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 30 June 2018			As at 31 December 2017		
	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 one year	85,081,398	1,341,673	943,662	72,018,153	1,220,583	1,959,001
- One year to three years	4,689,487	305,611	317,828	4,936,719	352,106	321,744
- More than three years	2,708,843	133,936	151,713	2,960,677	118,333	115,795
	92,479,728	1,781,220	1,413,203	79,915,549	1,691,022	2,396,540
Interest rate related contracts						
- Less than one year	8,447,511	3,959	5,528	8,754,368	10,130	6,159
- One year to three years	14,954,766	79,832	50,053	13,968,727	44,921	33,386
- More than three years	12,859,045	150,513	100,958	12,728,432	80,594	64,922
	36,261,322	234,304	156,539	35,451,527	135,645	104,467
Equity related contracts						
- Less than one year	7,260	507	-	7,262	-	-
	7,260	507	-	7,262	-	-
Structured warrants						
- Less than one year	390,062	-	15,727	233,278	-	45,946
- One year to three years	-	-	-	8	-	1
	390,062	-	15,727	233,286	-	45,947
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Less than one year	150,000	-	279	2,050,000	-	3,056
- One year to three years	300,000	-	900	300,000	-	1,494
	450,000	-	1,179	2,350,000	-	4,550
Total	129,588,372	2,016,031	1,586,648	117,957,624	1,826,667	2,551,504



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 30 June 2018			As at 31 December 2017		
	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 one year	86,287,673	1,336,710	947,638	73,557,981	1,224,910	1,965,722
- One year to three years	5,616,877	305,611	318,273	5,914,575	351,680	323,032
- More than three years	2,809,821	133,649	151,810	3,068,654	118,046	116,122
	94,714,371	1,775,970	1,417,721	82,541,209	1,694,636	2,404,876
Interest rate related contracts						
- Less than one year	9,207,513	5,200	5,528	9,674,368	13,356	6,238
- One year to three years	15,254,766	80,256	50,053	14,393,727	46,137	33,386
- More than three years	12,859,044	150,513	100,965	12,728,431	80,547	64,930
	37,321,323	235,969	156,546	36,796,527	140,040	104,554
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Less than one year	150,000	-	279	2,050,000	-	3,056
- One year to three years	300,000	-	900	300,000	-	1,494
	450,000	-	1,179	2,350,000	-	4,550
Total	132,485,694	2,011,939	1,575,446	121,687,736	1,834,676	2,513,980



RHB BANK BERHAD (6171-M)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

B8. Derivative Financial Instruments (continued)

(b) Related accounting policies

Derivative financial instruments and hedge accounting

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

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

(i) Fair value

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

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

(ii) Cash flow hedge

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

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

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

(iii) Net investment hedge

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

(iv) Derivatives that do not qualify for hedge accounting

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



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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
30 June 2018				
<u>Financial assets</u>				
Financial assets FVTPL:	459,578	2,545,567	444,509	3,449,654
- Money market instruments	-	1,138,173	-	1,138,173
- Quoted securities	459,578	5,952	1,908	467,438
- Unquoted securities	-	1,401,442	442,601	1,844,043
Financial assets at FVOCI:	2,901	26,903,034	1,128,575	28,034,510
- Money market instruments	-	10,562,948	-	10,562,948
- Quoted securities	2,901	-	-	2,901
- Unquoted securities	-	16,340,086	1,128,575	17,468,661
Derivative assets	-	2,015,524	507	2,016,031
	<u>462,479</u>	<u>31,464,125</u>	<u>1,573,591</u>	<u>33,500,195</u>
<u>Financial liabilities</u>				
Derivative liabilities	<u>15,728</u>	<u>1,570,920</u>	<u>-</u>	<u>1,586,648</u>
31 December 2017				
<u>Financial assets</u>				
Financial assets FVTPL:	597,409	1,607,001	359,859	2,564,269
- Money market instruments	-	849,021	-	849,021
- Quoted securities	597,409	-	-	597,409
- Unquoted securities	-	757,980	359,859	1,117,839
Financial investments AFS:	59,995	24,617,611	1,139,010	25,816,616
- Money market instruments	-	8,410,681	-	8,410,681
- Quoted securities	59,995	-	4,072	64,067
- Unquoted securities	-	16,206,930	1,134,938	17,341,868
Derivative assets	-	1,826,667	-	1,826,667
	<u>657,404</u>	<u>28,051,279</u>	<u>1,498,869</u>	<u>30,207,552</u>
<u>Financial liabilities</u>				
Derivative liabilities	<u>45,947</u>	<u>2,505,557</u>	<u>-</u>	<u>2,551,504</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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
30 June 2018				
<u>Financial assets</u>				
Financial assets FVTPL:	3,178	1,697,856	13,702	1,714,736
- Money market instruments	-	1,027,198	-	1,027,198
- Quoted securities	3,178	5,952	1,908	11,038
- Unquoted securities	-	664,706	11,794	676,500
Financial assets at FVOCI:	-	22,879,618	801,083	23,680,701
- Money market instruments	-	9,411,427	-	9,411,427
- Unquoted securities	-	13,468,191	801,083	14,269,274
Derivative assets	-	2,011,939	-	2,011,939
	<u>3,178</u>	<u>26,589,413</u>	<u>814,785</u>	<u>27,407,376</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	1,575,446	-	1,575,446
31 December 2017				
<u>Financial assets</u>				
Financial assets FVTPL:	3,235	824,771	-	828,006
- Money market instruments	-	676,485	-	676,485
- Quoted securities	3,235	-	-	3,235
- Unquoted securities	-	148,286	-	148,286
Financial investments AFS:	-	20,612,705	814,950	21,427,655
- Money market instruments	-	7,331,457	-	7,331,457
- Quoted securities	-	-	4,072	4,072
- Unquoted securities	-	13,281,248	810,878	14,092,126
Derivative assets	-	1,834,676	-	1,834,676
	<u>3,235</u>	<u>23,272,152</u>	<u>814,950</u>	<u>24,090,337</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	2,513,980	-	2,513,980

RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Financial assets FVTPL				
Balance as at the beginning of the financial period/year				
- As previously reported	359,859	167,901	-	16,390
- Effect of adoption of MFRS 9	15,525	-	15,525	-
- As restated	375,384	167,901	15,525	16,390
Total gain/(loss) recognised in income statements	32,845	(27,067)	(1,595)	(16,390)
Purchases	38,971	243,928	-	-
Settlements	(2,901)	(10,685)	-	-
Exchange differences	210	(14,218)	(228)	-
Balance as at the end of the financial period/year	<u>444,509</u>	<u>359,859</u>	<u>13,702</u>	<u>-</u>

	Group	Bank
	As at 30 June 2018 RM'000	As at 30 June 2018 RM'000
Financial assets at FVOCI		
Balance as at the beginning of the financial period		
- As previously reported	-	-
- Effect of adoption of MFRS 9	1,123,485	799,425
- As restated	1,123,485	799,425
Total gain recognised in other comprehensive income	13,688	3,814
Purchases	3,217	295
Settlements	(11,084)	(2,451)
Impairment losses	(559)	-
Exchange differences	(172)	-
Balance as at the end of the financial period	<u>1,128,575</u>	<u>801,083</u>



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

B9. Fair Value of Financial Instruments (continued)

(ii) Reconciliation of fair value movements in Level 3 (continued)

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

	Group	Bank
	As at	As at
	31 December	31 December
	2017	2017
	<u>RM'000</u>	<u>RM'000</u>
Financial investments AFS		
Balance as at the beginning of financial year	1,138,800	806,979
Total gain recognised in other comprehensive income	13,906	61
Purchases	16,001	10,793
Settlements	(17,087)	(67)
Impairment losses	(2,551)	(2,551)
Exchange differences	(10,059)	(265)
Balance as at the end of the financial year	<u>1,139,010</u>	<u>814,950</u>
		Group
		As at
		30 June
		2018
		<u>RM'000</u>
Derivative assets		
Balance as at the beginning of financial period		-
Total gain recognised in income statements		<u>507</u>
Balance as at the end of the financial period		<u>507</u>



**RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

B10 Change in Accounting Policies

(1) Adoption of MFRS 9 'Financial Instruments'

The Group and the Bank have adopted MFRS 9 'Financial Instruments', issued by the MASB on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of MFRS 9, the Group and the Bank elected not to restate comparatives figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained profits and other reserves of the current period.

The adoption of MFRS 9 has resulted in changes in the Group and the Bank's accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

Set out below are disclosures relating to the impact of the adoption of MFRS 9 on the Group and the Bank:

(a) Classification and measurement of financial assets

From 1 January 2018, the Group and the Bank have applied MFRS 9 and classifies its financial assets in the following measurement categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit or loss ('FVTPL')

As a result, the financial instruments available for sale ('AFS') and held to maturity ('HTM') categories were removed.

The classification and subsequent measurement of financial assets depend on:

- (i) The Group and the Bank's business model for managing the financial assets; and
- (ii) The contractual cash flow characteristics of the financial assets.

Based on these factors, the Group and the Bank classify their financial assets into one of the following three (3) measurement categories:

- (i) Financial assets classified and measured at amortised cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated as FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses that are recognised into profit or loss. The interest income is recognised into profit or loss using the effective interest rate method.

The majority of the Group's and Bank's debt instruments that were classified as HTM and measured at amortised cost meet the condition for classification as amortised cost under MFRS 9, except for:

- the reclassification of certain debt instruments to FVOCI arising from changes in the Group and Bank's business model from 'hold to collect the contractual cash flows' to 'hold to collect the contractual cash flows and sell', amounted to RM2,108,721,000 for the Group and the Bank. The difference between the fair value and the amortised cost, net of tax effects, of RM20,023,000 (net gains) for the Group and the Bank was recognised to FVOCI reserve on 1 January 2018.
- the reclassification of debt instrument, which contain a contingent provision which may reduce the amount of principal payable if certain key performance indicators are met by the issuer, and due to this proviso, failed to meet the SPPI's requirements for amortised cost classification under MFRS 9, to FVTPL, amounted to RM15,484,000 and RM5,104,000 for the Group and the Bank respectively. The difference between the fair value and the amortised cost, net of tax effects, of RM264,000 (net gains) and RM30,000 (net loss) for the Group and the Bank respectively, was recognised to retained profits on 1 January 2018.



**RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

B10 Change in Accounting Policies (continued)

(1) Adoption of MFRS 9 'Financial Instruments' (continued)

(a) Classification and measurement of financial assets (continued)

(ii) Financial assets classified and measured at fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection for contractual cash flow where those cash flows represent SPPI and held in a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial assets, and that are not designated as FVTPL, are measured at FVOCI. Changes in the fair value of these assets are recognised in OCI, except for recognition of interest, dividend, foreign exchange gains or losses and expected credit losses which are recognised in profit or loss.

When these financial assets, other than equity instruments held in FVOCI, are derecognised, the cumulative gains or losses previously recognised in OCI is reclassified from equity to profit or loss.

The majority of the Group's and Bank's debts and equity instruments that were classified as financial instruments AFS satisfy the conditions for classification as FVOCI and hence there will be no change to the accounting for these assets.

However, the Group and Bank hold a portfolio of debt instruments in AFS, which contain contractual clauses on non-viability and loss absorption in the event of default, and due to these clauses, failed to meet the SPPI requirements for FVOCI classification under MFRS 9. As a result, these instruments, which amounted to RM971,996,000 for the Group and RM915,533,000 for the Bank, were classified as FVTPL and its cumulative gains arising from changes in fair value, net of tax of RM4,092,000 (net gains) and RM4,255,000 (net gains) for the Group and the Bank respectively, have been transferred from equity to retained profits on 1 January 2018.

(b) Classification and measurement of financial liabilities

The Group and the Bank's financial liabilities continue to be measured at amortised cost.

There will be no impact on the Group and the Bank's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group and the Bank do not have any such liabilities as at the balance sheet date.

(c) Hedge accounting

The Group and the Bank have elected to continue to apply the hedge accounting requirements of MFRS 139 on the adoption of MFRS 9.

(d) Impairment of financial assets

MFRS 9 introduces a new impairment model that requires the recognition of expected credit loss ('ECL'), replacing the incurred loss methodology model under MFRS 139, for all financial assets, except for financial assets classified or designated as FVTPL and equity securities, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan commitments.

MFRS 9 does not distinguish between individual assessment and collective assessment. The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank determine that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss which has been incurred. Financial assets which are individually significant but non-impaired and not individually significant are grouped on the basis of similar credit risk characteristics (such as credit quality, instrument type, credit risk ratings, credit utilisation, level of collateralisation and other relevant factors) for collective assessment. Collectively, the individually assessment allowance and collective assessment allowance form the total expected credit allowance for the Group and the Bank.



**RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

B10 Change in Accounting Policies (continued)

(1) Adoption of MFRS 9 'Financial Instruments' (continued)

(d) Impairment of financial assets (continued)

ECL will be assessed using an approach which classifies financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

(i) Stage 1: 12 months ECL – not credit impaired

For credit exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised.

(iii) Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cashflows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

The changes in ECL between two-periods will be recognised in profit and loss.

The assessment of significant deterioration in credit risk since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The measurement of ECL is based on the discounted products of the Probability of Default model (PD), Loss Given Default model (LGD) and Exposure at Default model (EAD). Certain ECL models are leveraging on the existing Group and the Bank's Basel II Internal Ratings-Based model, where feasible or available, with necessary adjustment to meet MFRS 9 requirements.

As a result of the changes in basis of determining the level of allowances for credit losses mentioned above, the total ECL allowances computed under MFRS 9 is higher by RM1,230,154,000 (net of tax) and RM1,088,051,000 (net of tax) for the Group and the Bank respectively, than the total allowance for impairment on financial assets under MFRS 139.

(2) BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 2 February 2018, BNM issued the revised policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions which prescribe the regulatory reserves to be maintained by banking institutions.

With effect from 1 January 2018, the Bank and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

The financial effects of the adoption of the revised policy are presented in Note B10(3).



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

B10 Change in Accounting Policies (continued)

(3) Financial effects

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows:

Group			← Classification and measurement →						
	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount as at 31 December 2017	Fair value through profit and loss	Fair value through other comprehensive income	Carrying amount post classification and measurement	Expected credit losses	MFRS 9 carrying amount as at 1 January 2018	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS									
Cash and short-term funds	Loans and receivables	Amortised costs	9,951,878	-	-	9,951,878	(6,375)	9,945,503	
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised costs	1,161,601	-	-	1,161,601	(25)	1,161,576	
Financial assets at FVTPL	FVTPL	FVTPL	2,564,269	987,916	-	3,552,185	-	3,552,185	
Financial assets at FVOCI:									
- Debt instruments	Financial investments AFS	FVOCI	25,167,193	(971,996)	2,135,066	26,330,263	(68,660)	26,261,603	
- Equity instruments	Financial investments AFS	FVOCI	649,423	-	-	649,423	-	649,423	
Financial assets at amortised costs	Financial investments HTM	Amortised costs	19,045,943	(15,484)	(2,108,721)	16,921,738	(147,589)	16,774,149	
Loans, advances and financing	Loans and receivables	Amortised costs	158,301,463	-	-	158,301,463	(1,360,646)	156,940,817	
Clients' and brokers' balances	Loans and receivables	Amortised costs	1,599,594	-	-	1,599,594	-	1,599,594	
Reinsurance assets	Loans and receivables	Amortised costs	482,760	-	-	482,760	-	482,760	
Other assets	Loans and receivables	Amortised costs	1,106,048	-	-	1,106,048	(9,467)	1,096,581	
Derivative assets	FVTPL	FVTPL	1,826,667	(31,001)	-	1,795,666	-	1,795,666	
Statutory deposits	Loans and receivables	Amortised costs	4,001,002	-	-	4,001,002	-	4,001,002	
Tax recoverable	NA	NA	115,874	6,304	-	122,178	343,586	465,764	
Deferred tax assets	NA	NA	36,072	1,987	-	38,059	-	38,059	
Investments in associates and joint ventures	NA	NA	48,253	-	-	48,253	-	48,253	
Property, plant and equipment	NA	NA	1,013,710	-	-	1,013,710	-	1,013,710	
Goodwill	NA	NA	2,649,307	-	-	2,649,307	-	2,649,307	
Intangible assets	NA	NA	488,869	-	-	488,869	-	488,869	
TOTAL ASSETS			230,209,926	(22,274)	26,345	230,213,997	(1,249,176)	228,964,821	



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

B10 Change in Accounting Policies (continued)

(3) Financial effects (continued)

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows (continued):

Group	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount as at 31 December 2017	Classification and measurement		Carrying amount post classification and measurement	Expected credit losses	MFRS 9 carrying amount as at 1 January 2018
				Fair value through profit and loss	Fair value through other comprehensive income			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	Amortised costs	Amortised costs	166,157,751	-	-	166,157,751	-	166,157,751
Deposits and placements of banks and other financial institutions	Amortised costs	Amortised costs	21,787,017	-	-	21,787,017	-	21,787,017
Obligations on securities sold under repurchase agreements	Amortised costs	Amortised costs	604,163	-	-	604,163	-	604,163
Bills and acceptances payable	Amortised costs	Amortised costs	302,152	-	-	302,152	-	302,152
Clients' and brokers' balances	Amortised costs	FVTPL	1,369,395	-	-	1,369,395	-	1,369,395
General insurance contract liabilities	Amortised costs	Amortised costs	998,310	-	-	998,310	-	998,310
Other liabilities and provisions	Amortised costs	Amortised costs	2,715,111	-	-	2,715,111	-	2,715,111
Derivative liabilities	FVTPL	FVTPL	2,551,504	-	-	2,551,504	-	2,551,504
Cagamas	Amortised costs	Amortised costs	1,729,606	-	-	1,729,606	-	1,729,606
Tax liabilities	NA	NA	33,531	-	-	33,531	(15,663)	17,868
Deferred tax liabilities	NA	NA	19,698	(1,188)	6,322	24,832	(2,876)	21,956
Borrowings	Amortised costs	Amortised costs	1,153,719	-	-	1,153,719	-	1,153,719
Senior debt securities	Amortised costs	Amortised costs	3,252,581	-	-	3,252,581	-	3,252,581
Hybrid Tier-1 Capital Securities	Amortised costs	Amortised costs	602,666	-	-	602,666	-	602,666
Subordinated obligations	Amortised costs	Amortised costs	3,748,294	-	-	3,748,294	-	3,748,294
TOTAL LIABILITIES			207,025,498	(1,188)	6,322	207,030,632	(18,539)	207,012,093
EQUITY								
Share capital			6,994,103	-	-	6,994,103	-	6,994,103
Reserves			16,155,611	(21,112)	20,023	16,154,522	(1,230,154)	14,924,368
Equity attributable to holders of the Bank			23,149,714	(21,112)	20,023	23,148,625	(1,230,154)	21,918,471
NCI			34,714	26	-	34,740	(483)	34,257
TOTAL EQUITY			23,184,428	(21,086)	20,023	23,183,365	(1,230,637)	21,952,728
TOTAL LIABILITIES AND EQUITY			230,209,926	(22,274)	26,345	230,213,997	(1,249,176)	228,964,821



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

B10 Change in Accounting Policies (continued)

(3) Financial effects (continued)

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows (continued):

Bank	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount as at 31 December 2017	Classification and measurement		Carrying amount post classification and measurement	Expected credit losses	MFRS 9 carrying amount as at 1 January 2018
				Fair value through profit and loss	Fair value through other comprehensive income			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	Loans and receivables	Amortised costs	7,614,663	-	-	7,614,663	(2,429)	7,612,234
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised costs	11,275,105	-	-	11,275,105	-	11,275,105
Financial assets at FVTPL	FVTPL	FVTPL	828,006	920,597	-	1,748,603	-	1,748,603
Financial assets at FVOCI:								
- Debt instruments	Financial investments AFS	FVOCI	20,814,018	(915,533)	2,135,066	22,033,551	(62,703)	21,970,848
- Equity instruments	Financial investments AFS	FVOCI	613,637	-	-	613,637	-	613,637
Financial assets at amortised costs	Financial investments HTM	Amortised costs	14,496,205	(5,104)	(2,108,721)	12,382,380	(143,668)	12,238,712
Loans, advances and financing	Loans and receivables	Amortised costs	109,530,317	-	-	109,530,317	(1,222,844)	108,307,473
Other assets	Loans and receivables	Amortised costs	906,895	-	-	906,895	-	906,895
Derivative assets	FVTPL	FVTPL	1,834,676	(31,865)	-	1,802,811	-	1,802,811
Statutory deposits	Loans and receivables	Amortised costs	2,538,107	-	-	2,538,107	-	2,538,107
Tax recoverable	NA	NA	58,871	6,314	-	65,185	343,593	408,778
Investments in subsidiaries	NA	NA	4,495,837	-	-	4,495,837	-	4,495,837
Property, plant and equipment	NA	NA	756,434	-	-	756,434	-	756,434
Goodwill	NA	NA	1,651,542	-	-	1,651,542	-	1,651,542
Intangible assets	NA	NA	415,690	-	-	415,690	-	415,690
TOTAL ASSETS			177,830,003	(25,591)	26,345	177,830,757	(1,088,051)	176,742,706



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

B10 Change in Accounting Policies (continued)

(3) Financial effects (continued)

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows (continued):

Bank	MFRS 139 measurement category RM'000	MFRS 9 measurement category RM'000	MFRS 139 carrying amount as at 31 December 2017 RM'000	Classification and measurement		Carrying amount post classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
				Fair value through profit and loss RM'000	Fair value through other comprehensive income RM'000			
LIABILITIES								
Deposits from customers	Amortised costs	Amortised costs	120,732,215	-	-	120,732,215	-	120,732,215
Deposits and placements of banks and other financial institutions	Amortised costs	Amortised costs	22,536,941	-	-	22,536,941	-	22,536,941
Obligations on securities sold under repurchase agreements	Amortised costs	Amortised costs	1,587,979	-	-	1,587,979	-	1,587,979
Bills and acceptances payable	Amortised costs	Amortised costs	286,751	-	-	286,751	-	286,751
Other liabilities and provisions	Amortised costs	Amortised costs	1,573,546	-	-	1,573,546	-	1,573,546
Derivative liabilities	FVTPL	FVTPL	2,513,980	-	-	2,513,980	-	2,513,980
Recourse obligation on loans sold to Cagamas	Amortised costs	Amortised costs	1,729,606	-	-	1,729,606	-	1,729,606
Deferred tax liabilities	NA	NA	14,467	(1,344)	6,322	19,445	-	19,445
Borrowings	Amortised costs	Amortised costs	978,068	-	-	978,068	-	978,068
Senior debt securities	Amortised costs	Amortised costs	3,252,581	-	-	3,252,581	-	3,252,581
Hybrid Tier-1 Capital Securities	Amortised costs	Amortised costs	607,678	-	-	607,678	-	607,678
Subordinated obligations	Amortised costs	Amortised costs	2,588,638	-	-	2,588,638	-	2,588,638
TOTAL LIABILITIES			158,402,450	(1,344)	6,322	158,407,428	-	158,407,428
EQUITY								
Share capital			6,994,103	-	-	6,994,103	-	6,994,103
Reserves			12,433,450	(24,247)	20,023	12,429,226	(1,088,051)	11,341,175
TOTAL EQUITY			19,427,553	(24,247)	20,023	19,423,329	(1,088,051)	18,335,278
TOTAL LIABILITIES AND EQUITY			177,830,003	(25,591)	26,345	177,830,757	(1,088,051)	176,742,706



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

B10 Change in Accounting Policies (Continued)

(3) Financial effects (continued)

The following table shows the effects on FVOCI reserves, regulatory reserves and retained profits as at 31 December 2017 and 1 January 2018:

	Group RM'000	Bank RM'000
FVOCI reserves		
Closing balance under MFRS 139 as at 31 December 2017	275,937	271,524
Reclassification of investment securities (debt and equity) from AFS to FVTPL	(4,092)	(4,255)
Reclassification of investment securities (equity) measured at fair value from HTM to FVOCI	20,023	20,023
	<u>15,931</u>	<u>15,768</u>
Opening balance under MFRS 9 as at 1 January 2018	<u>291,868</u>	<u>287,292</u>
	Group RM'000	Bank RM'000
Regulatory reserves		
Closing balance under MFRS 139 as at 31 December 2017	1,797,903	1,484,902
Transfer to retained profits	(1,124,358)	(980,562)
Closing balance under MFRS 9 as at 1 January 2018	<u>673,545</u>	<u>504,340</u>
	Group RM'000	Bank RM'000
Retained profits		
Closing balance under MFRS 139 as at 31 December 2017	13,429,174	10,333,461
Effect of reclassification of investment assets	(17,020)	(19,992)
Effect of ECL adjustments, net of tax	(1,230,412)	(1,088,051)
Transfer from regulatory reserves	1,124,358	980,562
	<u>(123,074)</u>	<u>(127,481)</u>
Closing balance under MFRS 9 as at 1 January 2018	<u>13,306,100</u>	<u>10,205,980</u>

The following table reconciles the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018:

Group	MFRS 139 Allowance as at 31 December 2017	Classification and measurement	Expected credit losses	MFRS 9 Allowance as at 1 January 2018
	RM'000			RM'000
Cash and short-term funds	-	-	6,375	6,375
Deposits and placements with banks and other financial institutions	-	-	25	25
Financial assets at FVTPL	-	59,172	(59,172)	-
Financial assets at FVOCI	507,728	(20,838)	55,673 ^{N1}	542,563
Financial assets at amortised costs	181,874	(38,334)	147,589	291,129
Loans, advances and financing	1,825,978	-	1,360,646	3,186,624
Clients' and brokers' balances	31,882	-	-	31,882
Other debtors	23,709	-	9,467	33,176
	<u>2,571,171</u>	<u>-</u>	<u>1,520,603</u>	<u>4,091,774</u>

N1: Excluding of impairment for equity instruments under FVOCI which was previously provided of RM12,987,000.



RHB BANK BERHAD (6171-M)
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

B10 Change in Accounting Policies (Continued)

(3) Financial effects (continued)

The following table reconciles the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018 (continued):

Bank	MFRS 139 Allowance as at 31 December 2017	Classification and measurement	Expected credit losses	MFRS 9 Allowance as at 1 January 2018
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	2,429	2,429
Financial assets at FVTPL	-	57,128	(57,128)	-
Financial assets at FVOCI	496,796	(18,794)	53,345 N1	531,347
Financial assets at amortised costs	102,469	(38,334)	143,668	207,803
Loans, advances and financing	1,300,186	-	1,222,844	2,523,030
	1,899,451	-	1,365,158	3,264,609

N1: Excluding of impairment for equity instruments under FVOCI which was previously provided of RM9,358,000.



**RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

B11. Dividends

Dividend declared during the current financial period ended 30 June 2018:

- (a) Amount per share: Single-tier interim dividend of 7.5 sen per share
- (b) Previous corresponding period: Single-tier interim dividend of 5.0 sen per share
- (c) Entitlement date: To be determined later
- (d) Payment date: To be determined later

B12. Earnings per Share

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Basic earnings per share				
Profit attributable to equity holders of the Bank (RM'000)	570,261	500,963	1,161,081	1,001,240
Weighted average number of ordinary shares in issue ('000)	4,010,045	4,010,045	4,010,045	4,010,045
Earnings per share (sen)				
- Basic	14.2	12.5	29.0	25.0
- Diluted	14.2	12.5	29.0	25.0

There were no dilutive potential ordinary shares outstanding as at 30 June 2018. As a result, the diluted earnings per share equal to the basic earnings per share for the financial year ended 30 June 2018.

BY ORDER OF THE BOARD

AZMAN SHAH MD YAMAN
(License No. LS0006901)

Company Secretary
30 August 2018