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FINANCIAL REPORT 2017

RHB

RHB BANK BERHAD

CONTENTS

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual audited financial statements of the Group and the Bank, the Directors are collectively responsible in ensuring that the audited financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act, 2016 in Malaysia and the Listing Requirements of Bursa Malaysia Securities Berhad.

It is the responsibility of the Directors to ensure that the annual audited financial statements of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2017 and of the financial results and cash flows of the Group and the Bank for the financial year ended 31 December 2017.

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

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

DIRECTORS' REPORT

The Directors submit herewith their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, property investment, general insurance, unit trust management, asset management, nominee and custodian services.

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

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	2,558,132	1,849,243
Taxation	(602,092)	(414,674)
Net profit for the financial year	1,956,040	1,434,569

DIVIDENDS

The dividends paid by the Bank since 31 December 2016 were as follows:

	RM'000
In respect of the financial year ended 31 December 2016:	
– Single-tier final dividend of 7.00 sen per share, paid on 29 May 2017	280,703
In respect of the financial year ended 31 December 2017:	
– Single-tier interim dividend of 5.00 sen per share, paid on 13 October 2017	200,502
	481,205

At the forthcoming Annual General Meeting, a single-tier final dividend in respect of the current financial year of 10.00 sen per share amounting to RM401,005,000 will be proposed for shareholders' approval. The single-tier final dividend was approved by the Board of Directors on 24 January 2018.

The financial statements for the current financial year do not reflect this single-tier final dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

There were no issue of shares in the Bank during the financial year.

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and the Bank which has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability of the Group and the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 53 to the financial statements.

EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

Event subsequent to the balance sheet date is disclosed in Note 54 to the financial statements.

DIRECTORS

The Directors of the Bank in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tan Sri Azlan Zainol	
Tan Sri Saw Choo Boon	
Abdul Aziz Peru Mohamed	
Tan Sri Ong Leong Huat @ Wong Joo Hwa	
Mohamed Ali Ismaeil Ali Alfahim	
Tan Sri Dr Rebecca Fatima Sta Maria	
Ong Ai Lin	(Appointed on 1 July 2017)
Dato' Khairussaleh Ramli	
Ong Seng Pheow	(Retired on 19 November 2017)
Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	(Resigned on 1 July 2017)

Pursuant to Article 92 of the Bank's Articles of Association, Abdul Aziz Peru Mohamed and Mohamed Ali Ismaeil Ali Alfahim retire at the forthcoming Annual General Meeting of the Bank and being eligible, offer themselves for re-election.

Pursuant to Article 96 of the Bank's Articles of Association, Ong Ai Lin retires at the forthcoming Annual General Meeting of the Bank and being eligible, offers herself for re-election.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, the Directors in office at the end of the financial year holding securities of the Bank and its related corporations are as follows:

	Number of ordinary shares			
	As at 1.1.2017	**Bought**	**Sold**	**As at 31.12.2017**
Bank				
Tan Sri Ong Leong Huat @ Wong Joo Hwa:				
– Indirect*	31,431	–	–	**31,431**
– Indirect^	406,171,518	–	–	**406,171,518**

Notes:

* The interest is held through family members.

^ Deemed interest pursuant to Section 8(4) of the Companies Act, 2016 by virtue of shares held through OSK Holdings Berhad.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 38 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 14 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 37 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 27 February 2018. Signed on behalf of the Board of Directors:

TAN SRI AZLAN ZAINOL
CHAIRMAN

DATO' KHAIRUSSALEH RAMLI
GROUP MANAGING DIRECTOR

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	Restated 2016 RM'000
ASSETS					
Cash and short term funds	2	**9,951,878**	14,682,943	**7,614,663**	12,430,270
Securities purchased under resale agreements		**–**	1,303,589	**–**	1,289,891
Deposits and placements with banks and other financial institutions	3	**1,161,601**	1,362,448	**11,275,105**	9,641,121
Financial assets at fair value through profit or loss ('FVTPL')	4	**2,564,269**	2,324,723	**828,006**	1,112,252
Financial investments available-for-sale ('AFS')	5	**25,816,616**	25,109,662	**21,427,655**	20,527,252
Financial investments held-to-maturity ('HTM')	6	**19,045,943**	21,365,103	**14,496,205**	18,032,412
Loans, advances and financing	7	**158,301,463**	152,350,304	**109,530,317**	111,959,491
Clients' and brokers' balances	8	**1,599,594**	2,090,783	**–**	–
Reinsurance assets	9	**482,760**	378,311	**–**	–
Other assets	10	**1,106,048**	2,916,551	**906,895**	3,127,293
Derivative assets	11	**1,826,667**	4,075,418	**1,834,676**	4,096,153
Statutory deposits	12	**4,001,002**	4,241,509	**2,538,107**	2,829,242
Tax recoverable		**115,874**	246,895	**58,871**	180,705
Deferred tax assets	13	**36,072**	100,611	**–**	58,300
Investments in subsidiaries	14	**–**	–	**4,495,837**	5,340,659
Investments in associates and joint ventures	15	**48,253**	49,537	**–**	–
Property, plant and equipment	16	**1,013,710**	1,032,131	**756,434**	756,899
Goodwill	17	**2,649,307**	2,649,307	**1,651,542**	1,651,542
Intangible assets	18	**488,869**	399,004	**415,690**	335,153
TOTAL ASSETS		**230,209,926**	236,678,829	**177,830,003**	193,368,635

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Bank	
					Restated
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	19	**166,157,751**	165,636,253	**120,732,215**	127,585,747
Deposits and placements of banks and other financial institutions	20	**21,787,017**	22,700,616	**22,536,941**	22,686,846
Obligations on securities sold under repurchase agreements	21	**604,163**	362,706	**1,587,979**	2,716,656
Bills and acceptances payable		**302,152**	476,300	**286,751**	286,318
Clients' and brokers' balances	22	**1,369,395**	1,743,242	**–**	–
General insurance contract liabilities	23	**998,310**	872,183	**–**	–
Other liabilities	24	**2,715,111**	2,846,146	**1,573,546**	3,549,430
Derivative liabilities	11	**2,551,504**	3,679,020	**2,513,980**	3,671,822
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')	25	**1,729,606**	3,554,053	**1,729,606**	2,738,811
Tax liabilities		**33,531**	57,329	**–**	–
Deferred tax liabilities	13	**19,698**	3,194	**14,467**	–
Borrowings	26	**1,153,719**	972,030	**978,068**	698,651
Subordinated obligations	27	**3,748,294**	5,543,358	**2,588,638**	4,592,576
Hybrid Tier-1 Capital Securities	28	**602,666**	602,143	**607,678**	607,155
Senior debt securities	29	**3,252,581**	5,856,389	**3,252,581**	5,856,389
TOTAL LIABILITIES		**207,025,498**	214,904,962	**158,402,450**	174,990,401
Share capital	30	**6,994,103**	4,010,045	**6,994,103**	4,010,045
Reserves	31	**16,155,611**	17,734,733	**12,433,450**	14,368,189
		23,149,714	21,744,778	**19,427,553**	18,378,234
Non-controlling interests ('NCI')	32	**34,714**	29,089	**–**	–
TOTAL EQUITY		**23,184,428**	21,773,867	**19,427,553**	18,378,234
TOTAL LIABILITIES AND EQUITY		**230,209,926**	236,678,829	**177,830,003**	193,368,635
COMMITMENTS AND CONTINGENCIES	45	**172,225,623**	196,190,300	**165,378,488**	190,735,669

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Interest income	33	**7,705,830**	7,832,315	**7,592,080**	7,625,537
Interest expense	34	**(4,184,023)**	(4,378,846)	**(4,079,559)**	(4,272,147)
Net interest income		**3,521,807**	3,453,469	**3,512,521**	3,353,390
Other operating income	35	**1,786,059**	1,759,306	**881,708**	917,224
Income from Islamic Banking business	36	**1,078,877**	977,168	**(6)**	–
Net income		**6,386,743**	6,189,943	**4,394,223**	4,270,614
Other operating expenses	37	**(3,186,549)**	(3,095,437)	**(2,072,904)**	(2,039,165)
Operating profit before allowances		**3,200,194**	3,094,506	**2,321,319**	2,231,449
Allowance for impairment on loans, financing and other losses	39	**(426,783)**	(595,162)	**(257,857)**	(405,434)
Impairment losses made on other assets	40	**(215,670)**	(268,227)	**(214,219)**	(249,259)
		2,557,741	2,231,117	**1,849,243**	1,576,756
Share of results of joint ventures		**391**	724	**–**	–
Profit before taxation		**2,558,132**	2,231,841	**1,849,243**	1,576,756
Taxation	41	**(602,092)**	(544,253)	**(414,674)**	(351,073)
Net profit for the financial year		**1,956,040**	1,687,588	**1,434,569**	1,225,683
Attributable to:					
– Equity holders of the Bank		**1,950,145**	1,681,624	**1,434,569**	1,225,683
– NCI		**5,895**	5,964	**–**	–
		1,956,040	1,687,588	**1,434,569**	1,225,683
Earnings per share (sen)					
– Basic	42	**48.6**	43.6		
– Diluted	42	**48.6**	43.6		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Net profit for the financial year	**1,956,040**	1,687,588	**1,434,569**	1,225,683
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
– Actuarial gain/(loss) on defined benefit plan of subsidiaries	**891**	(1,612)	**–**	–
(ii) Items that will be reclassified subsequently to profit or loss:				
(a) Foreign currency translation reserves:				
– Currency translation differences	**(273,138)**	173,014	**(56,726)**	51,816
– Net investment hedge	**12,773**	3,975	**–**	–
(b) Unrealised net gain/(loss) on revaluation of financial investments AFS	**168,711**	(64,839)	**117,565**	(71,863)
(c) Net transfer to income statements on disposal or impairment of financial investments AFS	**86,567**	12,686	**86,719**	18,902
Income tax relating to components of other comprehensive (income)/loss	**(60,078)**	6,757	**(51,603)**	12,710
Other comprehensive (loss)/income, net of tax, for the financial year	**(64,274)**	129,981	**95,955**	11,565
Total comprehensive income for the financial year	**1,891,766**	1,817,569	**1,530,524**	1,237,248
Total comprehensive income attributable to:				
– Equity holders of the Bank	**1,886,129**	1,811,423	**1,530,524**	1,237,248
– NCI	**5,637**	6,146	**–**	–
	1,891,766	1,817,569	**1,530,524**	1,237,248

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		← Attributable to equity holders of the Bank →										
Group	Note	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	AFS Reserves RM'000	Translation Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity 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 year		–	–	–	–	–	–	–	1,950,145	1,950,145	5,895	1,956,040
Foreign currency translation reserves:												
– Currency translation differences		–	–	–	–	–	(272,884)	–	–	(272,884)	(254)	(273,138)
– Net investment hedge		–	–	–	–	–	12,773	–	–	12,773	–	12,773
Financial investments AFS:												
– Unrealised net gain/(loss) on revaluation		–	–	–	–	168,722	–	–	–	168,722	(11)	168,711
– Net transfer to income statements on disposal or impairment		–	–	–	–	86,567	–	–	–	86,567	–	86,567
Actuarial gain on defined benefit plan of subsidiaries		–	–	–	–	–	–	–	882	882	9	891
Income tax relating to components of other comprehensive income	43	–	–	–	–	(59,919)	–	–	(157)	(60,076)	(2)	(60,078)
Other comprehensive income/(loss), net of tax, for the financial year		–	–	–	–	195,370	(260,111)	–	725	(64,016)	(258)	(64,274)
Total comprehensive income/(loss) for the financial year		–	–	–	–	195,370	(260,111)	–	1,950,870	1,886,129	5,637	1,891,766
Dividends paid	44	–	–	–	–	–	–	–	(481,205)	(481,205)	–	(481,205)
Transfer to share capital	30	2,984,058	(2,984,058)	–	–	–	–	–	–	–	–	–
Transfer from statutory reserves		–	–	(4,930,714)	–	–	–	–	4,930,714	–	–	–
Transfer to regulatory reserves		–	–	–	1,128,402	–	–	–	(1,128,402)	–	–	–
Accretion of interest in a subsidiary		–	–	–	–	–	–	–	12	12	(12)	–
Balance as at 31 December 2017		**6,994,103**	**–**	**513**	**1,797,903**	**275,937**	**628,753**	**23,331**	**13,429,174**	**23,149,714**	**34,714**	**23,184,428**

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		← Attributable to equity holders of the Bank →										
Group	**Note**	**Share Capital RM'000**	**Share Premium RM'000**	**Statutory Reserves RM'000**	**Regulatory Reserves RM'000**	**AFS Reserves RM'000**	**Translation Reserves RM'000**	**Other Reserves RM'000**	**Retained Profits RM'000**	**Total Shareholders' Equity RM'000**	**Non-controlling Interests RM'000**	**Total Equity RM'000**
Balance as at 1 January 2016		3,460,585	478,517	4,527,434	589,637	126,340	712,004	23,331	7,750,021	17,667,869	24,618	17,692,487
Net profit for the financial year		–	–	–	–	–	–	–	1,681,624	1,681,624	5,964	1,687,588
Foreign currency translation reserves:												
– Currency translation differences		–	–	–	–	–	172,885	–	–	172,885	129	173,014
– Net investment hedge		–	–	–	–	–	3,975	–	–	3,975	–	3,975
Financial investments AFS:												
– Unrealised net (loss)/gain on revaluation		–	–	–	–	(64,901)	–	–	–	(64,901)	62	(64,839)
– Net transfer to income statements on disposal or impairment		–	–	–	–	12,686	–	–	–	12,686	–	12,686
Actuarial loss on defined benefit plan of subsidiaries		–	–	–	–	–	–	–	(1,600)	(1,600)	(12)	(1,612)
Income tax relating to components of other comprehensive loss	43	–	–	–	–	6,442	–	–	312	6,754	3	6,757
Other comprehensive (loss)/income, net of tax, for the financial year		–	–	–	–	(45,773)	176,860	–	(1,288)	129,799	182	129,981
Total comprehensive (loss)/income for the financial year		–	–	–	–	(45,773)	176,860	–	1,680,336	1,811,423	6,146	1,817,569
Shares issued pursuant to:												
– Rights issue via recapitalisation of dividend	30	101,618	463,382	–	–	–	–	–	–	565,000	–	565,000
– Rights issue	30	447,842	2,042,159	–	–	–	–	–	–	2,490,001	–	2,490,001
Dividends paid:												
– By the Bank	44	–	–	–	–	–	–	–	(765,502)	(765,502)	–	(765,502)
– By subsidiaries to the former holding company and NCI		–	–	–	–	–	–	–	(23,675)	(23,675)	(1,325)	(25,000)
Transfer to statutory reserves		–	–	403,793	–	–	–	–	(403,793)	–	–	–
Transfer to regulatory reserves		–	–	–	79,864	–	–	–	(79,864)	–	–	–
Dilution of interest in a subsidiary		–	–	–	–	–	–	–	(338)	(338)	338	–
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	(688)	(688)
Balance as at 31 December 2016		4,010,045	2,984,058	4,931,227	669,501	80,567	888,864	23,331	8,157,185	21,744,778	29,089	21,773,867

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		← Non-distributable					→	Distributable	
Bank	**Note**	**Share Capital RM'000**	**Share Premium RM'000**	**Statutory Reserves RM'000**	**Regulatory Reserves RM'000**	**AFS Reserves RM'000**	**Translation Reserves RM'000**	**Retained Profits RM'000**	**Total Equity RM'000**
Balance as at 1 January 2017									
– As previously reported		4,010,045	2,984,058	3,784,558	461,870	116,933	400,289	6,618,571	18,376,324
– Effect of predecessor accounting	53(1)	–	–	–	–	1,910	–	–	1,910
– As restated		4,010,045	2,984,058	3,784,558	461,870	118,843	400,289	6,618,571	18,378,234
Net profit for the financial year		–	–	–	–	–	–	1,434,569	1,434,569
Foreign currency translation reserves:									
– Currency translation differences		–	–	–	–	–	(56,726)	–	(56,726)
Financial investments AFS:									
– Unrealised net gain on revaluation		–	–	–	–	117,565	–	–	117,565
– Net transfer to income statements on disposal or impairment		–	–	–	–	86,719	–	–	86,719
Income tax relating to components of other comprehensive income	43	–	–	–	–	(51,603)	–	–	(51,603)
Other comprehensive income/(loss), net of tax, for the financial year		–	–	–	–	152,681	(56,726)	–	95,955
Total comprehensive income/(loss) for the financial year		–	–	–	–	152,681	(56,726)	1,434,569	1,530,524
Dividends paid	44	–	–	–	–	–	–	(481,205)	(481,205)
Transfer to share capital	30	2,984,058	(2,984,058)	–	–	–	–	–	–
Transfer from statutory reserves		–	–	(3,784,558)	–	–	–	3,784,558	–
Transfer to regulatory reserves		–	–	–	1,023,032	–	–	(1,023,032)	–
Balance as at 31 December 2017		6,994,103	–	–	1,484,902	271,524	343,563	10,333,461	19,427,553

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		← Non-distributable					→	Distributable	
Bank	**Note**	**Share Capital RM'000**	**Share Premium RM'000**	**Statutory Reserves RM'000**	**Regulatory Reserves RM'000**	**AFS Reserves RM'000**	**Translation Reserves RM'000**	**Retained Profits RM'000**	**Total Equity RM'000**
Balance as at 1 January 2016									
– As previously reported		3,460,585	478,517	3,478,138	385,494	157,184	348,473	6,541,186	14,849,577
– Effect of predecessor accounting	53(1)	–	–	–	–	1,910	–	–	1,910
– As restated		3,460,585	478,517	3,478,138	385,494	159,094	348,473	6,541,186	14,851,487
Net profit for the financial year		–	–	–	–	–	–	1,225,683	1,225,683
Foreign currency translation reserves:									
– Currency translation differences		–	–	–	–	–	51,816	–	51,816
Financial investments AFS:									
– Unrealised net loss on revaluation		–	–	–	–	(71,863)	–	–	(71,863)
– Net transfer to income statements on disposal or impairment		–	–	–	–	18,902	–	–	18,902
Income tax relating to components of other comprehensive loss	43	–	–	–	–	12,710	–	–	12,710
Other comprehensive (loss)/income, net of tax, for the financial year		–	–	–	–	(40,251)	51,816	–	11,565
Total comprehensive (loss)/income for the financial year		–	–	–	–	(40,251)	51,816	1,225,683	1,237,248
Shares issued pursuant to:									
– Rights issue via recapitalisation of dividend	30	101,618	463,382	–	–	–	–	–	565,000
– Rights issue	30	447,842	2,042,159	–	–	–	–	–	2,490,001
Dividends paid	44	–	–	–	–	–	–	(765,502)	(765,502)
Transfer to statutory reserves		–	–	306,420	–	–	–	(306,420)	–
Transfer to regulatory reserves		–	–	–	76,376	–	–	(76,376)	–
Balance as at 31 December 2016		4,010,045	2,984,058	3,784,558	461,870	118,843	400,289	6,618,571	18,378,234

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group	
	2017 RM'000	**2016 RM'000**
Cash flows from operating activities		
Profit before taxation	**2,558,132**	2,231,841
Adjustments for:		
Allowance for impairment on loans, financing and other losses	**696,228**	867,620
Property, plant and equipment:		
– Depreciation	**119,342**	119,919
– Gain on disposal	**(50)**	(838)
– Written off	**727**	11,285
Intangible assets:		
– Amortisation	**81,009**	69,081
– Written off	**239**	12
– Impairment losses written back	**(336)**	–
Net impairment losses made on financial investments AFS and HTM	**216,006**	255,727
Share of results of joint ventures	**(391)**	(724)
Net gain arising from disposal/redemption of financial assets FVTPL, financial investments AFS and HTM	**(94,344)**	(141,538)
Net (gain)/loss on fair value hedges	**(115)**	16
Net unrealised gain on revaluation of financial assets FVTPL and derivatives	**(54,886)**	(12,050)
Net unrealised foreign exchange gain	**(36,167)**	(359,575)
Gain on disposal of a subsidiary	**–**	(434)
Dividend income from financial assets FVTPL and financial investments AFS	**(53,923)**	(47,711)
Amortisation of premium/(Accretion of discount) for borrowings, subordinated obligations and Hybrid Tier–1 Capital Securities	**2,221**	(3,749)
Impairment losses on investment in an associate	**–**	12,500
Interest income from financial assets FVTPL, financial investments AFS and HTM	**(1,398,640)**	(1,410,934)
Investment income from financial assets FVTPL, financial investments AFS and HTM	**(274,427)**	(226,141)
Operating profit before working capital changes	**1,760,625**	1,364,307
(Increase)/Decrease in operating assets:		
Securities purchased under resale agreements	**1,270,272**	(1,138,067)
Deposits and placements with banks and other financial institutions	**146,280**	(148,561)
Financial assets FVTPL	**(140,564)**	(675,340)
Loans, advances and financing	**(7,137,119)**	(3,246,979)
Clients' and brokers' balances	**491,189**	(436,570)
Other assets	**1,720,579**	(407,652)
Statutory deposits	**209,050**	1,045,189
	(3,440,313)	(5,007,980)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group	
	2017 RM'000	2016 RM'000
Cash flows from operating activities (continued)		
Increase/(Decrease) in operating liabilities:		
Deposits from customers	**1,127,853**	7,232,284
Deposits and placements of banks and other financial institutions	**(861,868)**	2,006,694
Obligations on securities sold under repurchase agreements	**243,050**	(4,543,508)
Obligations on securities borrowed	**–**	(12,202)
Bills and acceptances payable	**(173,237)**	(151,419)
Clients' and brokers' balances	**(373,847)**	394,514
Other liabilities	**753,732**	(299,271)
Recourse obligation on loans sold to Cagamas	**(1,824,447)**	426,397
	(1,108,764)	5,053,489
Cash (used in)/generated from operations	**(2,788,452)**	1,409,816
Net tax paid	**(472,895)**	(596,052)
Net cash (used in)/generated from operating activities	**(3,261,347)**	813,764
Cash flows from investing activities		
Net proceeds from disposal/(purchase) of financial investments AFS and HTM	**1,520,951**	(1,269,809)
Property, plant and equipment:		
– Purchase	**(105,103)**	(117,645)
– Proceeds from disposal	**143**	4,979
Intangible assets:		
– Purchase	**(176,490)**	(140,826)
Financial investments AFS and HTM:		
– Interest received	**1,382,256**	1,402,217
– Investment income received	**261,034**	215,634
Dividend income received from financial assets FVTPL and financial investments AFS	**53,923**	47,711
Net cash outflow arising from internal reorganisation	**–**	(3,614,753)
Net cash inflow from disposal of a subsidiary	**–**	845
Net cash generated from/(used in) investing activities	**2,936,714**	(3,471,647)
Cash flows from financing activities		
Proceeds from issuance of subordinated notes	**1,200,000**	–
Redemption of subordinated notes	**(2,995,000)**	(350,000)
(Redemption)/Proceeds from issuance of senior debt securities	**(2,173,766)**	2,242,600
Drawdown of borrowings	**2,475,972**	2,404,716
Repayment of borrowings	**(2,227,672)**	(2,246,038)
Proceeds from issuance of share capital	**–**	2,490,001
Dividends paid to equity holders of the Bank	**(481,205)**	(200,502)
Dividends paid by subsidiaries to the former holding company and NCI	**–**	(25,000)
Net cash (used in)/generated from financing activities	**(4,201,671)**	4,315,777

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000
Net (decrease)/increase in cash and cash equivalents		**(4,526,304)**	1,657,894
Effects of exchange rate differences		**(204,761)**	143,654
Cash and cash equivalents:			
– at the beginning of the financial year		**14,682,943**	12,881,395
– at the end of the financial year		**9,951,878**	14,682,943
Cash and cash equivalents comprise the following:			
– Cash and short term funds	2	**9,951,878**	14,682,943
Note:			
Significant non-cash transaction during the financial year is as follows:			
– Re-capitalisation of dividend		**–**	565,000

		Cash Changes		Non-Cash Changes			
	Balance as at the beginning of the financial year RM'000	Net cash flow from financing activities RM'000	Net cash flow from operating activities RM'000	Foreign exchange movement RM'000	Accrued interest RM'000	Amortisation/ (Accretion) RM'000	Balance as at the end of the financial year RM'000
2017							
Borrowings	**972,030**	**248,300**	**(19,764)**	**(67,283)**	**20,436**	**–**	**1,153,719**
Subordinated obligations	**5,543,358**	**(1,795,000)**	**(254,463)**	**–**	**253,929**	**470**	**3,748,294**
Hybrid Tier-1 Capital Securities	**602,143**	**–**	**(45,064)**	**–**	**45,187**	**400**	**602,666**
Senior debt securities	**5,856,389**	**(2,173,766)**	**(130,039)**	**(422,260)**	**120,906**	**1,351**	**3,252,581**
	12,973,920	**(3,720,466)**	**(449,330)**	**(489,543)**	**440,458**	**2,221**	**8,757,260**
2016							
Borrowings	788,250	158,678	(17,055)	24,911	17,246	–	972,030
Subordinated obligations	5,895,786	(350,000)	(278,979)	–	275,725	826	5,543,358
Hybrid Tier-1 Capital Securities	601,858	–	(45,365)	–	45,280	370	602,143
Senior debt securities	3,451,380	2,242,600	(106,507)	154,101	119,760	(4,945)	5,856,389
	10,737,274	2,051,278	(447,906)	179,012	458,011	(3,749)	12,973,920

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Bank	
	2017 RM'000	Restated 2016 RM'000
Cash flows from operating activities		
Profit before taxation	**1,849,243**	1,576,756
Adjustments for:		
Allowance for impairment on loans and other losses	**514,421**	663,910
Property, plant and equipment:		
– Depreciation	**84,729**	85,145
– Gain on disposal	**(18)**	(697)
– Written off	**114**	8,664
Intangible assets:		
– Amortisation	**62,664**	51,180
– Written off	**239**	–
Net impairment made on financial investments AFS and HTM	**214,219**	249,259
Net gain arising from disposal/redemption of financial assets FVTPL, financial investments AFS and HTM	**(36,255)**	(79,058)
Net (gain)/loss on fair value hedges	**(115)**	16
Net unrealised gain on revaluation of financial assets FVTPL and derivatives	**(25,783)**	(1,491)
Net unrealised foreign exchange gain	**(83,001)**	(415,474)
Dividend income from financial investments AFS	**(6,515)**	(5,481)
Dividend income from subsidiaries	**(97,075)**	(109,469)
Amortisation of premium/(Accretion of discount) for borrowings, subordinated obligations and Hybrid Tier-1 Capital Securities	**2,221**	(3,749)
Interest income from financial assets FVTPL, financial investments AFS and HTM	**(1,325,812)**	(1,289,256)
Operating profit before working capital changes	**1,153,276**	730,255
Increase/(Decrease) in operating assets:		
Securities purchased under resale agreements	**1,257,914**	(1,121,097)
Deposits and placements with banks and other financial institutions	**(1,636,510)**	142,239
Financial assets FVTPL	**313,702**	(498,252)
Loans, advances and financing	**1,586,098**	(1,307,344)
Other assets	**2,362,562**	(1,630,551)
Statutory deposits	**286,669**	894,345
	4,170,435	(3,520,660)
(Increase)/Decrease in operating liabilities:		
Deposits from customers	**(6,377,437)**	4,122,333
Deposits and placements of banks and other financial institutions	**(143,922)**	3,288,763
Obligations on securities sold under repurchase agreements	**(1,127,084)**	(2,018,989)
Bills and acceptances payable	**1,345**	(197,058)
Other liabilities	**(1,167,496)**	1,279,711
Recourse obligation on loans sold to Cagamas	**(1,009,205)**	593,915
	(9,823,799)	7,068,675
Cash (used in)/generated from operations	**(4,500,088)**	4,278,270
Net tax paid	**(273,408)**	(399,948)
Net cash (used in)/generated from operating activities	**(4,773,496)**	3,878,322

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Bank	
	Note	2017 RM'000	Restated 2016 RM'000
Cash flows from investing activities			
Net proceeds from disposal/(purchase) of financial investments AFS and HTM		**2,484,657**	(1,579,818)
Property, plant and equipment:			
– Purchase		**(80,881)**	(86,529)
– Proceeds from disposal		**104**	4,573
Intangible assets:			
– Purchase		**(148,414)**	(125,183)
Interest received from financial investments AFS and HTM		**1,307,474**	1,265,194
Dividend income received from financial investments AFS		**6,515**	5,481
Dividend income received from subsidiaries		**2,375**	109,469
Capital reduction in subsidiaries		**862,523**	–
Net cash outflow arising from internal reorganisation		**–**	(3,614,753)
Additional investments in subsidiaries		**(17,701)**	(100,000)
Net cash generated from/(used in) investing activities		**4,416,652**	(4,121,566)
Cash flows from financing activities			
Drawdown of borrowings		**606,983**	783,021
Repayment of borrowings		**(277,195)**	(669,928)
Proceeds from issuance of share capital		**–**	2,490,001
Proceeds from issuance of subordinated notes		**750,000**	–
Redemption of subordinated notes		**(2,750,000)**	(250,000)
(Redemption)/Proceeds from issuance of senior debt securities		**(2,173,766)**	2,242,600
Dividends paid to equity holders of the Bank		**(481,205)**	(200,502)
Net cash (used in)/generated from financing activities		**(4,325,183)**	4,395,192
Net (decrease)/increase in cash and cash equivalents		**(4,682,027)**	4,151,948
Effects of exchange rate differences		**(133,580)**	64,639
Cash and cash equivalents:			
– at the beginning of the financial year		**12,430,270**	8,213,683
– at the end of the financial year		**7,614,663**	12,430,270
Cash and cash equivalents comprise the following:			
– Cash and short term funds	2	**7,614,663**	12,430,270
Note:			
Significant non-cash transaction during the financial year is as follows:			
– Re-capitalisation of dividend		**–**	565,000

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

		Cash Changes		Non-Cash Changes			
	Balance as at the beginning of the financial year RM'000	Net cash flow from financing activities RM'000	Net cash flow from operating activities RM'000	Foreign exchange movement RM'000	Accrued interest RM'000	Amortisation/ (Accretion) RM'000	Balance as at the end of the financial year RM'000
2017							
Borrowings	**698,651**	**329,788**	**(11,720)**	**(51,043)**	**12,392**	**–**	**978,068**
Subordinated obligations	**4,592,576**	**(2,000,000)**	**(203,003)**	**–**	**198,595**	**470**	**2,588,638**
Hybrid Tier-1 Capital Securities	**607,155**	**–**	**(45,402)**	**–**	**45,525**	**400**	**607,678**
Senior debt securities	**5,856,389**	**(2,173,766)**	**(130,039)**	**(422,260)**	**120,906**	**1,351**	**3,252,581**
	11,754,771	**(3,843,978)**	**(390,164)**	**(473,303)**	**377,418**	**2,221**	**7,426,965**
2016							
Borrowings	575,718	113,093	(9,867)	9,649	10,058	–	698,651
Subordinated obligations	4,843,845	(250,000)	(230,769)	–	228,674	826	4,592,576
Hybrid Tier-1 Capital Securities	606,870	–	(45,704)	–	45,619	370	607,155
Senior debt securities	3,451,380	2,242,600	(106,507)	154,101	119,760	(4,945)	5,856,389
	9,477,813	2,105,693	(392,847)	163,750	404,111	(3,749)	11,754,771

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act, 2016 in Malaysia.

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

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Section (B).

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group and the Bank's financial year beginning on or after 1 January 2017 are as follows:

(i) Amendments to MFRS 112 'Income Taxes' – The amendments clarify the requirements for recognising deferred tax assets on unrealised losses where an asset is measured at fair value and that fair value is below the asset's tax base.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

(ii) Amendments to MFRS 107 'Statements of Cash Flows' – The amendments introduce additional disclosure which require an entity to evaluate changes in liabilities arising from financing activities, including cash flows and non-cash changes.

(iii) Annual Improvements to MFRSs 2014 – 2016 Cycle: Amendments to MFRS 12 'Disclosures of Interests in Other Entities' – The amendment clarifies that when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sale in accordance with MFRS 5, the entity is not required to disclose summarised financial information of these interests. Other disclosure requirements in MFRS 12 remain applicable.

The adoption of these annual improvements and amendments to published standards and interpretations to existing accounting standards do not give rise to any material financial impact to the Group and the Bank.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The Group and the Bank have reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard:

(A) Classification

(i) Financial instruments classified as fair value through other comprehensive income ('FVOCI')

Financial instruments classified as FVOCI will be measured at fair value, with changes in fair value recognised in FVOCI reserve.

Gains or losses realised on the sales of financial assets at FVOCI will be transferred to profit or loss on sale, except for equity instruments.

Gains and losses realised on the sales of equity instruments classified as FVOCI will be reclassified below the line from the FVOCI reserve to retained earnings.

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

Arising from the change in business model, the Group and the Bank also intend to classify certain financial instruments currently classified as financial investments HTM or financial assets FVTPL to FVOCI going forward. Fair value is measured at reclassification date, and related changes in fair value for financial investments HTM will be adjusted to FVOCI reserve while fair value for financial assets FVTPL becomes its new carrying amount on 1 January 2018.

In addition, financial instruments AFS that did not pass the 'solely payment for principal and interest' ('SPPI') test prescribed under MFRS 9 will be classified to FVTPL. Related fair value gains from AFS investments will have to be transferred from the AFS reserve to retained earnings on 1 January 2018.

(ii) Financial instruments classified as amortised cost

The majority of the Group's and the Bank's debt instruments currently classified as HTM and measured at amortised cost will meet the conditions for classification at amortised cost under MFRS 9 and continue to be recognised at amortised cost, except for the reclassification of certain debt instruments to FVOCI arising from changes in the Group and Bank's business model mentioned in paragraph (A)(i) above.

(iii) Financial instruments classified as fair value through profit or loss ('FVTPL')

Under MFRS 9, FVTPL is the residual category and financial instruments which do not qualify to be recognised as FVOCI or at amortised cost will be recognised as FVTPL. The majority of instruments currently held at fair value through profit or loss will continue to be measured on the same basis under MFRS 9, except for those financial instruments currently classified under financial investment AFS that do not pass the SPPI test mentioned in paragraph (A)(i) above.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The Group and the Bank have reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard (continued):

(B) Financial liabilities

There will be no impact on the Group's 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. The derecognition rules have been transferred from MFRS 139 'Financial Instruments: Recognition and Measurement' and have not been changed.

(C) Hedge accounting

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's and the Bank's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group and the Bank have confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of MFRS 9.

Changes in the fair value of foreign exchange forward contracts attributable to forward points, and in the time value of the option contracts, will in future be deferred in a new costs of hedging reserve within equity. The deferred amounts will be recognised against the related hedged transaction when it occurs.

(D) Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments and certain financial guarantee contracts.

(E) Disclosure requirements

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's and the Bank's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group and the Bank are now progressing to the implementation of the identified changes and will complete this process prior to the releasing of the interim results for the financial period ending 31 March 2018. The Group and the Bank have therefore not finalised the financial impact of the adoption of MFRS 9. However, based on the preliminary assessments undertaken to-date, the Group and the Bank expect an increase in the allowance for impairment on loans, financing and other losses under the new impairment requirements, which will result in a reduction in opening retained profits as of 1 January 2018.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(ii) MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group and the Bank are in the process of finalising the financial implication arising from the adoption of this new standard, although it is not expected to have any material impact to both the Group and the Bank.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(iii) Annual Improvements to MFRS 2014-2016 Cycle:

- "MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards' effective for annual periods beginning on or after 1 January 2018. The amendment deletes short-term exemptions covering transition provisions of MFRS 7, MFRS 10 and MFRS 119. Those reliefs provided were available for entities with reporting periods that had passed and therefore no longer applicable.

- MFRS 128 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2018. The amendments allow:

  (i) venture capital organisations, mutual funds, unit trusts and similar entities to elect, on an individual basis, measuring their investments in associates and joint ventures at fair value through profit or loss.

  (ii) an entity that is not an investment entity to retain the fair value measurement applied by its associates or joint ventures (that are investment entities) when applying equity method.

- Amendments to MFRS 4 – Applying MFRS 9 'Financial Instruments' with MFRS 4 'Insurance Contracts' effective for annual periods beginning on or after 1 January 2018. The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 'Financial Instruments' before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 4 'Insurance Contracts', the related liabilities from insurance contracts are often measured on amortised cost basis.

  The amendments provide 2 different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' effective for annual periods beginning on or after 1 January 2018. This interpretation applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(iv) MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statements.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

(v) IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

(vi) MFRS 17 'Insurance Contracts' (effective from 1 January 2021) replaces MFRS 4 'Insurance Contracts'.

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue". An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that are related to financial risks either in profit or loss in other comprehensive income.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(vi) MFRS 17 'Insurance Contracts' (effective from 1 January 2021) replaces MFRS 4 'Insurance Contracts' (continued).

Alternative measurement models are provided for the different insurance coverages:

(i) Simplified Premium Allocation Approach if the insurance coverage period is a year or less; or

(ii) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the period in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The insurance subsidiary has not fully assessed the impact of MFRS 17 on its financial statements.

The adoption of the above accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Group and the Bank except for the cumulative impact of the adoption of MFRS 9 which will be recognised in retained earnings as at 1 January 2018, and enhanced disclosures.

(c) Changes in regulatory requirements

(i) Companies Act, 2016

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

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

(1) abolition of the authorised capital; and

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(c) Changes in regulatory requirements (continued)

(ii) Revised Policy Document on Capital Funds

BNM had on 3 May 2017, issued a Revised Policy Document on Capital Funds and Capital Funds for Islamic Banks ('Revised Policy Document') which is applicable to banking institutions in Malaysia that covers licensed bank, licensed investment bank and licensed Islamic bank. The issuance of this Revised Policy Document has superseded two guidelines issued by BNM previously, namely Capital Funds and Capital Funds for Islamic Banks dated 1 July 2013.

The key changes in the Revised Policy Document are:

(1) the removal of the requirement on maintenance of a reserve fund; and

(2) the revised component of capital funds shall exclude share premium and reserve fund.

During the financial year, the Group and the Bank had transferred a total of RM4,930,714,000 and RM3,784,558,000 respectively from the statutory reserves to retained profits pursuant to the adoption of the Revised Policy Document.

(iii) Policy Document on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 and Islamic Financial Services Act 2013 issued by BNM

On 21 June 2017, BNM issued a Policy Document on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 ('FSA') and Islamic Financial Services Act 2013 ('IFSA'). This Policy Document applies to banking institutions in Malaysia that covers licensed commercial bank and licensed Islamic bank.

The Policy Document clarifies that structured products that do not guarantee full repayment of principal amount on demand do not fulfil the definition of deposits under Section 2 of the FSA and IFSA and hence must not be classified as deposits or Islamic deposits.

Effective from June 2017 reporting date onwards, banking institutions shall report structured products (in accordance with the accounting treatment adopted) under either of these items:

- 'Financial Liabilities Designated at Fair Value through Profit or Loss' if applying fair value options; or
- 'Other Liabilities' if accounted for separately from the embedded derivative.

(iv) Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 2 February 2018, 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 companies 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 adoption of this requirement is expected to have minimal impact to the capital ratios of the Group and the Bank as the Bank and its domestic banking subsidiaries companies are currently maintaining, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION

(a) Subsidiaries

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

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

(i) Acquisition accounting

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

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

Acquisition-related costs are expensed as incurred.

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

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

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the gain is recognised in income statements. Refer to accounting policy Note 7 on goodwill.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

(ii) Predecessor accounting

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

The acquired entity's results, assets and liabilities are consolidated as if both the acquirer and acquiree had always been combined. Consequently, the consolidated financial statements reflect both entities' full year results. The corresponding amounts for the previous year are restated to reflect the combined results of both entities.

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

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

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

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

(c) Disposal of subsidiaries

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(d) Joint ventures

A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses in income statements and the Group's share of movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(e) Associates

Associates are those corporations or other entities in which the Group exercises significant influence, but which it does not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policies through representation on the Board but not power to exercise control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting involves recognising the Group's share of its associates' post-acquisition profits or losses in income statements, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of investment and include goodwill on acquisition, less accumulated impairment loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its amount.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(e) Associates (continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its shares of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Dilution gains and losses arising in investments in associates are recognised in the income statements.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method of accounting, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

(3) INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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

(4) FINANCIAL ASSETS

(a) Classification

The Group and the Bank classify their financial assets in the following categories: at fair value through profit or loss, loans and receivables, financial investments AFS and HTM. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

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

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term. Derivatives are also classified in this category unless they are designated as hedges. Refer to accounting policy Note 6 on hedge accounting.

(ii) Loans and receivables

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(a) Classification (continued)

(iii) Financial investments AFS

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

(iv) Financial investments HTM

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

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement – gain and loss

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

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

Changes in the fair value of financial investments AFS are recognised in other comprehensive income, except for impairment losses (refer to accounting policy Note 20 on impairment of financial assets) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in income statements, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(d) De-recognition

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

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

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

(e) Offsetting financial instruments

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

(5) REPURCHASE AGREEMENTS

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

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

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

(6) 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 re-measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Cash collateral held in relation to derivative transactions are carried at amortised cost.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 4. The Group and the Bank designate certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or (3) net investment hedge. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

Amounts accumulated in equity are recycled to the income statements in the 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.

(c) Net investment hedge

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

(d) Derivatives that do not qualify for hedge accounting

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) GOODWILL

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

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

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

(8) INTANGIBLE ASSETS

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group and the Bank have a definite useful life. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exists, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired. Refer to accounting policy Note 21 on impairment of non-financial assets.

(a) Computer software licenses

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

(b) Other intangible assets

Other intangible assets consist of customer relationship, brands, trading rights and membership. Other intangible assets are initially recognised when they are separable or arose from contractual or other legal rights, and when the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, it is recognised where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Other intangible assets with definite life are stated at cost less amortisation and allowance for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over the following useful lives:

Customer relationship	10 years
Brand	3-10 years

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(9) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expense in income statements during the financial period in which they are incurred.

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

Leasehold land	Amortised over the period of the lease*
Buildings	2% to 3.33%
Renovations and improvements	10% to 11%
Computer equipment	14.28% to 33.33%
Furniture, fittings and equipment	10% to 20%
Motor vehicles	20%
Computer software	10% to 33.33%

* The remaining period of the lease ranges from 3 to 866 years.

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

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

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

(10) FINANCIAL LIABILITIES

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

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

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

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 6 on hedge accounting.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FINANCIAL LIABILITIES (CONTINUED)

(b) Other financial liabilities measured at amortised cost

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

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

(c) Borrowings measured at amortised cost

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

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

Borrowings measured at amortised cost are long term and short term borrowings from financial institutions, subordinated obligations, senior debt securities and Hybrid Tier-1 Capital Securities.

(11) RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

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

(12) LEASES – WHERE THE GROUP IS LESSEE

(a) Operating lease

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) LEASES – WHERE THE GROUP IS LESSEE (CONTINUED)

(b) Finance lease

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

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

(13) LEASES – WHERE THE GROUP IS LESSOR

(a) Operating lease

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

(b) Finance lease

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

(14) PROVISIONS

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

(16) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) SHARE CAPITAL

(a) Classification

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

(b) Share issue cost

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividend distribution

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

(18) CASH AND CASH EQUIVALENTS

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

(19) REVENUE RECOGNITION

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

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

(b) Loan arrangement fees, commissions and placement fees are recognised as income when all conditions precedent are fulfilled.

(c) Guarantee fees are recognised as income upon issuance of guarantees.

(d) Commitment fees are recognised as income based on time apportionment.

(e) Income from Islamic Banking business is recognised on accrual basis and in accordance with the principles of Shariah.

(f) Brokerage commission is recognised when services are rendered. Interest income from margin financing, clients' overdue outstanding purposes and contra losses are recognised using effective interest method.

(g) Premium income from general insurance business (net of all reinsurance) is recognised on the date of assumption of risks. Premium in respect of risk incepted, for which policies have not been raised as at the date of statements of financial position, is accrued at that date.

(h) Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

(i) Management fees of the unit trust and asset management company are recognised on accrual basis.

(j) Dividends from all investments are recognised when the shareholders' right to receive payment is established. This applies even if they are paid out of the pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(k) Income from bancassurance/bancatakaful agreements are amortised on a straight-line basis throughout the exclusive services agreement period.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

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

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in income statements.

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

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

(i) Individual impairment allowance

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

(ii) Collective impairment allowance

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

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

(iii) Regulatory reserve

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

(b) Assets classified as AFS

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

(22) GENERAL INSURANCE

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance subsidiary (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

The general insurance underwriting results are determined for each class of business after taking into account, reinsurances, commissions, unearned premiums and claims incurred.

(a) Premium income

Premium income is recognised on the date of assumption of risk. Premiums in respect of risks incepted for which policies have not been raised as of the date of statement of financial position, are accrued at the date.

Premiums, claims and other transactions of inward treaty business are accounted for in the income statements as and when the statements of account are received.

Outward reinsurance premium are recognised in the same accounting period as the original policies to which the reinsurance relate.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) GENERAL INSURANCE (CONTINUED)

(b) Premium liabilities

Premium liabilities refer to the higher of:

(i) The aggregate of the unearned premium reserves; or

(ii) The best estimate value of the insurer's unexpired risk reserves at the valuation date and the Provision of Risk Margin for Adverse Deviation ('PRAD') calculated at the overall insurance subsidiary. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

Unearned premium reserves ('UPR') represent the portion of premium income not yet earned at the date of statements of financial position. UPR is computed with reference to the month of accounting for the premium on the following basis:

(i) 25% method for marine and aviation cargo, and transit business;

(ii) $1/24^{th}$ method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by Bank Negara Malaysia ('BNM'); and

(iii) Time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

(c) Claim liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of claims liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the date of statements of financial position. These include provision for claims reported, claims incurred but not reported, claims incurred but not enough reserved and direct and indirect claims-related expenses such as investigation fees, loss adjustment fees, legal fees, sue and labour charges and the expected internal costs that the insurer expects to incur when settling these claims.

(d) Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premium is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(e) Reinsurance

The insurance subsidiary cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiary from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) GENERAL INSURANCE (CONTINUED)

(e) Reinsurance (continued)

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiary may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in income statements.

Gains or losses on buying reinsurance are recognised in income statements immediately at the date of purchase and are not amortised.

The Group also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(f) Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the date of statements of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of statement of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled. The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in income statements by setting up a provision for liability adequacy.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) EMPLOYEE BENEFITS

(a) Short term employee benefits

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

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

(b) Defined contribution plans

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

(c) Termination benefits

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

(24) CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(25) CURRENCY CONVERSION AND TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

(i) Assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;

(ii) Income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions); and

(iii) All resulting exchange differences are recognised as a separate component of other comprehensive income.

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(26) SEGMENT REPORTING

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Allowance for impairment of financial assets

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

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

(b) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use requires the Group and the Bank to make an estimate of the expected future cash flows from the CGU. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the CGU also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise of significant judgement. The detailed disclosures on the assessment of impairment of goodwill is disclosed in Note 17 to the financial statements.

1 GENERAL INFORMATION

RHB Bank Berhad is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, property investment, general insurance, unit trust management, asset management, nominee and custodian services.

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

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 February 2018.

2 CASH AND SHORT TERM FUNDS

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash and balances with banks and other financial institutions	**3,266,695**	3,721,910	**1,963,941**	2,579,329
Money at call and deposit placements maturing within one month	**6,685,183**	10,961,033	**5,650,722**	9,850,941
	9,951,878	14,682,943	**7,614,663**	12,430,270

Included in the cash and short term funds of the Group are accounts held in trust for remisiers amounting to RM62,902,000 (2016: RM60,060,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Licensed banks	**729,004**	825,307	**1,301,499**	1,721,613
Licensed Islamic banks	**432,597**	180,771	**8,218,076**	7,236,791
Licensed investment banks	**–**	–	**1,755,530**	682,717
Other financial institutions	**–**	356,370	**–**	–
	1,161,601	1,362,448	**11,275,105**	9,641,121

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ('FVTPL')

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	Restated 2016 RM'000
(a) Designated as fair value through profit or loss	**424,642**	202,855	**–**	–
(b) Held-for-trading	**2,139,627**	2,121,868	**828,006**	1,112,252
	2,564,269	2,324,723	**828,006**	1,112,252

(a) Financial assets designated as fair value through profit or loss

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank Restated 2016 RM'000
QUOTED SECURITIES:				
In Malaysia				
Unit trusts	**64,783**	51,343	**–**	–
UNQUOTED SECURITIES:				
Outside Malaysia				
Private equity funds	**359,859**	151,512	**–**	–
	424,642	202,855	**–**	–

(b) Financial assets held-for-trading

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank Restated 2016 RM'000
At fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**263,769**	479,119	**263,769**	479,119
Malaysian Government Treasury Bills	**16,559**	–	**16,559**	–
Malaysian Government Investment Issues	**548,495**	499,148	**375,959**	488,971
Cagamas bonds	**20,198**	49,992	**20,198**	49,992
QUOTED SECURITIES:				
In Malaysia				
Shares, exchanged traded funds and warrants	**257,230**	111,710	**–**	–
Unit trusts	**16,989**	15,989	**–**	–
Corporate bond/sukuk	**3,235**	3,287	**3,235**	3,287
Outside Malaysia				
Shares, exchanged traded funds and warrants	**255,172**	360,421	**–**	–
UNQUOTED SECURITIES:				
In Malaysia				
Corporate bond/sukuk	**614,700**	527,709	**5,006**	16,390
Outside Malaysia				
Corporate bond/sukuk	**143,280**	74,493	**143,280**	74,493
	2,139,627	2,121,868	**828,006**	1,112,252

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ('FVTPL') (CONTINUED)

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

The effects of the reclassification on the income statements for the period from the date of reclassification to 31 December 2017 were as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Reclassified from financial assets FVTPL to financial investments AFS:		
– Carrying amount	**15,393**	15,535
– Fair value	**15,416**	15,478
Fair value gain/(loss) that would have been recognised if the financial assets FVTPL had not been reclassified	**23**	(57)

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE ('AFS')

	Group		Bank	
				Restated
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**1,377,296**	1,469,989	**1,238,204**	1,334,125
Malaysian Government Investment Issues	**3,310,678**	2,227,247	**2,521,291**	1,395,086
Cagamas bonds	**238,437**	295,161	**207,952**	255,143
Khazanah bonds	**50,785**	48,462	**–**	–
Wakala Global Sukuk	**94,532**	115,242	**94,532**	100,524
Negotiable instruments of deposits	**121,436**	–	**121,436**	–
Singapore Government Treasury Bills	**935,009**	1,612,515	**935,009**	1,612,515
Singapore Government Securities	**1,348,580**	283,655	**1,348,580**	283,655
Thailand Government bonds	**734,094**	804,706	**734,094**	804,706
Sukuk Perumahan Kerajaan	**147,857**	146,827	**78,382**	77,907
Malaysia Sovereign Sukuk	**51,977**	55,161	**51,977**	55,161
Other foreign government securities	**–**	4,592	**–**	4,592
QUOTED SECURITIES:				
In Malaysia				
Shares	**3,506**	284	**–**	–
Unit trusts	**14,934**	14,263	**–**	–
Outside Malaysia				
Shares	**7,568**	7,436	**4,072**	5,171
Unit trusts	**41,530**	43,539	**–**	–
UNQUOTED SECURITIES:				
In Malaysia				
Corporate bond/sukuk	**13,319,105**	15,870,737	**10,323,291**	13,096,493
Shares	**658,245**	645,282	**623,253**	612,217
Corporate loan stocks	**19,689**	19,037	**19,689**	19,037
Prasarana bonds	**1,051,682**	258,161	**1,026,294**	232,919
Perpetual notes/sukuk	**388,059**	388,126	**187,440**	187,507
Outside Malaysia				
Corporate bond/sukuk	**2,408,955**	1,279,066	**2,408,955**	865,762
Shares	**390**	408	**–**	–
	26,324,344	25,589,896	**21,924,451**	20,942,520
Accumulated impairment losses	**(507,728)**	(480,234)	**(496,796)**	(415,268)
	25,816,616	25,109,662	**21,427,655**	20,527,252

Included in financial investments AFS of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RMNil (2016: RM62,120,000).

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE ('AFS') (CONTINUED)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	Restated 2016 RM'000
Movements in allowance for impairment losses:				
Balance as at the beginning of the financial year				
– As previously reported	**480,234**	274,825	**387,633**	125,337
– Effect of predecessor accounting	**–**	–	**27,635**	27,635
– As restated	**480,234**	274,825	**415,268**	152,972
Charge during the financial year	**218,674**	264,276	**215,014**	255,002
Written back during the financial year	**–**	(3,566)	**–**	(2,559)
Written off during the financial year	**(182,134)**	(65,169)	**(124,813)**	–
Exchange differences	**(9,046)**	9,868	**(8,673)**	9,853
Balance as at the end of the financial year	**507,728**	480,234	**496,796**	415,268

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY ('HTM')

	Group		Bank	
				Restated
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**1,303,583**	2,236,862	**1,303,583**	2,216,567
Malaysian Government Investment Issues	**5,296,360**	5,037,022	**4,503,836**	4,388,725
Cagamas bonds	**350,601**	1,097,100	**350,601**	947,006
Khazanah bonds	**105,673**	101,094	**72,312**	69,103
Negotiable instruments of deposits	**3,697,694**	4,702,294	**1,859,604**	3,807,060
Wakala Global Sukuk	**30,182**	33,663	**21,348**	23,853
Sukuk Perumahan Kerajaan	**111,098**	111,125	**101,113**	101,155
Singapore Government Securities	**61,086**	62,630	**61,086**	62,630
Thailand Government Securities	**13,166**	13,674	**13,166**	13,674
Sukuk (Brunei) Incorporation	**37,862**	46,598	**37,862**	46,598
UNQUOTED SECURITIES:				
In Malaysia				
Corporate bond/sukuk	**7,859,344**	7,644,677	**5,989,837**	6,051,083
Corporate loan stocks	**56,857**	57,353	**30,144**	29,849
Prasarana bonds	**283,708**	254,101	**233,579**	233,870
Credit link notes	**–**	30,047	**–**	–
Outside Malaysia				
Corporate bond/sukuk	**20,603**	146,844	**20,603**	146,844
	19,227,817	21,575,084	**14,598,674**	18,138,017
Accumulated impairment losses	**(181,874)**	(209,981)	**(102,469)**	(105,605)
	19,045,943	21,365,103	**14,496,205**	18,032,412

Included in financial investments HTM of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM615,000,000 (2016: RM300,000,000) and RM1,600,000,000 (2016: RM2,660,000,000) respectively.

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY ('HTM') (CONTINUED)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	Restated 2016 RM'000
Movements in allowance for impairment losses:				
Balance as at the beginning of the financial year				
– As previously reported	**209,981**	234,835	**101,165**	106,292
– Effect of predecessor accounting	**–**	–	**4,440**	4,440
– As restated	**209,981**	234,835	**105,605**	110,732
Charge during the financial year	**–**	1,228	**–**	–
Written back during the financial year	**(2,668)**	(6,211)	**(795)**	(3,184)
Transfer to loans, advances and financing	**–**	(2,570)	**–**	(2,570)
Written off during the financial year	**(24,316)**	(17,940)	**(1,218)**	–
Exchange differences	**(1,123)**	639	**(1,123)**	627
Balance as at the end of the financial year	**181,874**	209,981	**102,469**	105,605

7 LOANS, ADVANCES AND FINANCING

	Group		Bank	
				Restated
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(a) By type				
At amortised cost				
Overdrafts	**6,471,039**	6,340,264	**5,610,819**	5,637,288
Term loans/financing:				
– Housing loans/financing	**49,566,956**	43,719,962	**37,523,253**	34,519,131
– Syndicated term loans/financing	**6,409,437**	7,656,204	**3,171,702**	3,873,291
– Hire purchase receivables/financing	**9,316,262**	9,911,076	**3,130,528**	4,277,547
– Lease receivables	**3,455**	9,653	**–**	–
– Other term loans/financing	**67,121,063**	68,480,261	**47,294,834**	51,050,283
Bills receivables	**2,714,555**	2,404,180	**1,669,445**	1,610,897
Trust receipts	**560,934**	668,038	**541,284**	653,267
Claims on customers under acceptance credits	**3,464,404**	3,641,348	**3,464,404**	3,641,348
Staff loans/financing	**146,789**	170,933	**127,447**	153,053
Credit/charge card receivables	**2,094,608**	2,032,899	**1,827,031**	1,758,367
Revolving credits/financing	**12,254,408**	9,434,578	**6,467,021**	6,474,842
Gross loans, advances and financing	**160,123,910**	154,469,396	**110,827,768**	113,649,314
Fair value changes arising from fair value hedges	**3,531**	13,072	**2,735**	4,112
	160,127,441	154,482,468	**110,830,503**	113,653,426
Allowance for impaired loans, advances and financing:				
– Individual impairment allowance	**(761,692)**	(999,328)	**(493,112)**	(827,505)
– Collective impairment allowance	**(1,064,286)**	(1,132,836)	**(807,074)**	(866,430)
Net loans, advances and financing	**158,301,463**	152,350,304	**109,530,317**	111,959,491

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 RM1,593,068,000 (2016: RM3,506,645,000) and RM1,593,068,000 (2016: RM2,715,407,000) respectively.

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	Restated 2016 RM'000
(b) By type of customer				
Domestic non-bank financial institutions:				
– Others	**3,222,619**	3,996,874	**538,467**	948,135
Domestic business enterprises:				
– Small and medium enterprises	**27,333,435**	25,154,454	**24,048,771**	22,411,410
– Others	**28,770,957**	30,122,281	**15,863,860**	19,780,031
Government and statutory bodies	**5,952,097**	5,476,853	**1,947,074**	2,388,962
Individuals	**76,401,814**	70,238,753	**54,403,698**	52,882,295
Other domestic entities	**118,489**	131,022	**18,312**	27,280
Foreign entities	**18,324,499**	19,349,159	**14,007,586**	15,211,201
	160,123,910	154,469,396	**110,827,768**	113,649,314
(c) By geographical distribution				
Malaysia	**141,991,108**	134,338,438	**98,067,587**	99,367,684
Labuan Offshore	**2,813,607**	3,282,900	**–**	–
Singapore	**11,456,127**	13,025,998	**11,309,482**	12,942,011
Thailand	**1,566,795**	1,439,806	**1,297,959**	1,184,501
Brunei	**152,740**	155,118	**152,740**	155,118
Indonesia	**111,148**	52,511	**–**	–
Hong Kong	**170,649**	368,798	**–**	–
Cambodia	**1,650,403**	1,622,419	**–**	–
Lao	**211,333**	183,408	**–**	–
	160,123,910	154,469,396	**110,827,768**	113,649,314
(d) By interest/profit rate sensitivity				
Fixed rate:				
– Housing loans/financing	**585,855**	1,289,823	**113,242**	764,614
– Hire purchase receivables/financing	**7,583,002**	9,911,076	**3,130,528**	4,277,547
– Other fixed rate loans/financing	**17,887,103**	16,441,425	**8,036,358**	7,775,905
Variable rate:				
– Base lending/financing rate/base rate plus	**81,427,609**	73,279,049	**53,413,028**	52,992,455
– Cost-plus	**30,805,844**	35,602,267	**27,987,482**	33,655,563
– Other variable rates	**21,834,497**	17,945,756	**18,147,130**	14,183,230
	160,123,910	154,469,396	**110,827,768**	113,649,314

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
				Restated
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(e) By purpose				
Purchase of securities	**12,052,907**	12,222,870	**8,442,043**	10,254,279
Purchase of transport vehicles	**8,727,290**	9,181,216	**2,366,712**	3,369,743
Purchase of landed property:				
– Residential	**48,547,367**	42,894,096	**36,968,845**	34,014,640
– Non-residential	**17,120,395**	15,185,536	**13,513,090**	12,600,114
Purchase of property, plant and equipment other than land and building	**3,138,179**	3,533,786	**2,252,525**	2,554,979
Personal use	**9,023,193**	8,387,583	**6,224,880**	6,224,656
Credit card	**2,094,608**	2,032,899	**1,827,031**	1,758,367
Purchase of consumer durables	**20,439**	55,829	**20,238**	22,311
Construction	**7,007,002**	6,815,337	**5,270,528**	5,458,478
Working capital	**36,976,750**	37,181,494	**25,425,147**	27,033,966
Merger and acquisition	**3,037,916**	2,581,065	**1,545,552**	705,163
Other purposes	**12,377,864**	14,397,685	**6,971,177**	9,652,618
	160,123,910	154,469,396	**110,827,768**	113,649,314
(f) By remaining contractual maturities				
Maturity within one year	**44,794,269**	45,740,764	**33,861,312**	39,006,800
One year to three years	**13,972,130**	8,781,255	**7,574,660**	4,736,823
Three years to five years	**10,789,675**	16,342,012	**6,699,923**	8,942,991
Over five years	**90,567,836**	83,605,365	**62,691,873**	60,962,700
	160,123,910	154,469,396	**110,827,768**	113,649,314

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	Restated 2016 RM'000
(g) Impaired loans, advances and financing				
(i) Movements in impaired loans, advances and financing				
Balance as at the beginning of the financial year				
– As previously reported	**3,749,949**	2,841,211	**2,703,321**	2,333,889
– Effect of predecessor accounting	**–**	–	**15,806**	15,806
– As restated	**3,749,949**	2,841,211	**2,719,127**	2,349,695
Classified as impaired	**4,121,726**	4,661,442	**3,471,543**	3,373,527
Reclassified as non-impaired	**(2,504,932)**	(2,228,423)	**(1,971,469)**	(1,875,566)
Amount recovered	**(787,464)**	(1,020,258)	**(528,042)**	(674,421)
Amount written off	**(946,957)**	(532,350)	**(887,533)**	(473,573)
Transfer from financial investments HTM	**–**	3,589	**–**	3,589
Exchange differences	**(64,534)**	24,738	**(19,156)**	15,876
Balance as at the end of the financial year	**3,567,788**	3,749,949	**2,784,470**	2,719,127
(ii) By purpose				
Purchase of securities	**176,696**	220,280	**70,571**	115,235
Purchase of transport vehicles	**113,095**	121,974	**58,087**	67,784
Purchase of landed property:				
– Residential	**620,088**	761,214	**504,010**	601,381
– Non-residential	**250,094**	221,882	**200,928**	134,710
Purchase of property, plant and equipment other than land and building	**12,308**	41,685	**10,917**	28,424
Personal use	**172,254**	168,615	**167,123**	163,746
Credit card	**30,886**	36,182	**26,303**	30,819
Purchase of consumer durables	**1,247**	1,387	**1,247**	1,387
Construction	**150,371**	454,234	**80,547**	287,346
Working capital	**1,957,482**	1,671,782	**1,622,931**	1,264,066
Other purposes	**83,267**	50,714	**41,806**	24,229
	3,567,788	3,749,949	**2,784,470**	2,719,127
(iii) By geographical distribution				
Malaysia	**1,839,499**	2,597,474	**1,494,742**	2,163,928
Labuan Offshore	**275,857**	481,559	**–**	–
Singapore	**1,268,365**	516,184	**1,253,371**	515,828
Thailand	**37,295**	29,365	**28,865**	29,365
Brunei	**7,492**	10,006	**7,492**	10,006
Cambodia	**63,103**	39,630	**–**	–
Hong Kong	**69,800**	73,007	**–**	–
Lao	**6,377**	2,724	**–**	–
	3,567,788	3,749,949	**2,784,470**	2,719,127

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
				Restated
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(g) Impaired loans, advances and financing (continued)				
(iv) Movements in allowance for impaired loans, advances and financing				
Individual impairment allowance				
Balance as at the beginning of the financial year				
– As previously reported	**999,328**	593,147	**817,539**	545,521
– Effect of predecessor accounting	**–**	–	**9,966**	9,966
– As restated	**999,328**	593,147	**827,505**	555,487
Net allowance made	**309,870**	475,332	**190,532**	342,931
Amount written off	**(517,524)**	(89,043)	**(514,721)**	(80,445)
Transfer from impairment of financial investments HTM	**–**	2,570	**–**	2,570
Exchange differences	**(29,982)**	17,322	**(10,204)**	6,962
Balance as at the end of the financial year	**761,692**	999,328	**493,112**	827,505
Collective impairment allowance				
Balance as at the beginning of the financial year	**1,132,836**	1,202,106	**866,430**	953,269
Net allowance made	**225,669**	222,739	**186,321**	175,942
Amount written off	**(288,436)**	(294,093)	**(244,386)**	(264,621)
Exchange differences	**(5,783)**	2,084	**(1,291)**	1,840
Balance as at the end of the financial year	**1,064,286**	1,132,836	**807,074**	866,430

8 CLIENTS' AND BROKERS' BALANCES

	Group	
	2017 RM'000	2016 RM'000
Amounts owing by clients	**1,061,043**	1,055,739
Allowance for impaired balances:		
– Individual impairment allowance	**(28,551)**	(16,568)
– Collective impairment allowance	**(3,331)**	(16,609)
	1,029,161	1,022,562
Amounts owing by brokers	**230,439**	679,891
Amounts owing by clearing houses and stock exchanges	**339,994**	388,330
	1,599,594	2,090,783

Movements in allowance for impaired balances are as follows:

	2017 RM'000	2016 RM'000
Individual impairment allowance		
Balance as at the beginning of the financial year	**16,568**	17,777
Allowance made/(written back)	**6,911**	(301)
Transfer from collective allowance	**12,634**	–
Amount written off	**(7,323)**	(1,073)
Exchange differences	**(239)**	165
Balance as at the end of the financial year	**28,551**	16,568
Collective impairment allowance		
Balance as at the beginning of the financial year	**16,609**	6,654
Allowance (written back)/made	**(219)**	9,445
Transfer to individual allowance	**(12,634)**	–
Exchange differences	**(425)**	510
Balance as at the end of the financial year	**3,331**	16,609

9 REINSURANCE ASSETS

		Group	
	Note	2017 RM'000	2016 RM'000
Claims liabilities	23(a)	**377,685**	287,126
Premium liabilities	23(b)	**105,075**	91,185
		482,760	378,311

10 OTHER ASSETS

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	(i)	**663,468**	852,326	**239,555**	303,092
Cash collateral in relation to derivative transactions		**271,320**	1,877,347	**268,434**	1,865,918
Deposits		**71,620**	99,186	**31,773**	52,230
Prepayments		**99,640**	87,692	**53,931**	53,930
Amount due from subsidiaries	(ii)	**–**	–	**313,202**	852,123
		1,106,048	2,916,551	**906,895**	3,127,293

(i) Other receivables of the Group are stated net of allowance for impairment losses of RM25,314,000 (2016: RM24,479,000).

(ii) Amounts due from subsidiaries are unsecured, interest free and receivable within the normal credit period.

11 DERIVATIVE ASSETS/(LIABILITIES)

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

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Derivative assets:				
– Trading derivatives	**1,826,667**	4,075,003	**1,834,676**	4,095,738
– Fair value hedging derivatives	**–**	415	**–**	415
	1,826,667	4,075,418	**1,834,676**	4,096,153
Derivative liabilities:				
– Trading derivatives	**(2,546,954)**	(3,667,890)	**(2,509,430)**	(3,660,692)
– Fair value hedging derivatives	**(4,550)**	(11,130)	**(4,550)**	(11,130)
	(2,551,504)	(3,679,020)	**(2,513,980)**	(3,671,822)

11 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	2017			2016		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Group						
Trading derivatives:						
Foreign exchange related contracts:						
– Forwards/swaps	**69,831,012**	**1,067,756**	**(1,696,944)**	87,708,353	1,980,966	(1,390,728)
– Options	**1,102,069**	**6,054**	**(4,276)**	1,126,466	6,220	(4,257)
– Cross-currency interest rate swaps	**8,982,468**	**617,212**	**(695,320)**	13,333,589	1,909,089	(2,170,087)
	79,915,549	**1,691,022**	**(2,396,540)**	102,168,408	3,896,275	(3,565,072)
Interest rate related contracts:						
– Swaps	**35,451,527**	**135,645**	**(104,467)**	38,605,396	178,605	(90,977)
Equity related contracts:						
– Options	**7,262**	**–**	**–**	14,368	123	(24)
Structured warrants	**233,286**	**–**	**(45,947)**	107,939	–	(11,817)
Fair value hedging derivatives:						
Interest rate related contracts:						
– Swaps	**2,350,000**	**–**	**(4,550)**	2,350,000	415	(11,130)
		1,826,667	**(2,551,504)**		4,075,418	(3,679,020)
Bank						
Trading derivatives:						
Foreign exchange related contracts:						
– Forwards/swaps	**72,253,738**	**1,072,083**	**(1,704,894)**	88,232,096	1,994,626	(1,393,427)
– Options	**1,102,069**	**6,054**	**(4,276)**	974,931	6,224	(5,048)
– Cross-currency interest rate swaps	**9,185,402**	**616,499**	**(695,706)**	13,333,589	1,907,908	(2,170,389)
	82,541,209	**1,694,636**	**(2,404,876)**	102,540,616	3,908,758	(3,568,864)
Interest rate related contracts:						
– Swaps	**36,796,527**	**140,040**	**(104,554)**	40,790,395	186,980	(91,828)
Fair value hedging derivatives:						
Interest rate related contracts:						
– Swaps	**2,350,000**	**–**	**(4,550)**	2,350,000	415	(11,130)
		1,834,676	**(2,513,980)**		4,096,153	(3,671,822)

11 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges

Fair value hedging are used by the Group and the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movements in market interest rates. The Group and the Bank use interest rate swaps to hedge against interest rate risk of specific identified fixed rate long term as well as portfolio homogenous pools of loans, advances and financing. Included in other operating income as disclosed in Note 35 is the net gains and losses arising from fair value hedges for the financial year as follows:

	Group and Bank	
	2017 RM'000	**2016 RM'000**
Gain/(Loss) on hedging instruments	**1,492**	(3,562)
(Loss)/Gain on the hedged items attributable to the hedged risk	**(1,377)**	3,546
	115	(16)

(ii) Net investment hedge

The Group's statements of financial position is affected by gains and losses as a result of the revaluation of net assets of its subsidiaries denominated in currencies other than its functional currency. The Group hedges its exposures to foreign currency risk via the designation of foreign currency denominated deposits and the fair value as at 31 December 2017 amounted to RM327 million (2016: RM347 million). The hedging relationship was fully effective for the total hedging period and as of the reporting date.

12 STATUTORY DEPOSITS

		Group		Bank	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Statutory deposits with BNM	(a)	**3,597,219**	3,780,944	**2,429,369**	2,649,194
Statutory deposits with Monetary Authority of Singapore	(b)	**90,870**	160,363	**90,870**	160,363
Statutory deposits with Ministry of Finance Negara Brunei Darussalam	(c)	**17,868**	19,685	**17,868**	19,685
Statutory deposits with Labuan Offshore Financial Services Authority ('LOFSA')	(d)	**100**	100	**–**	–
Statutory deposits and reserve deposits with National Bank of Cambodia ('NBC')	(e)	**293,396**	278,282	**–**	–
Statutory deposits with National Bank of Lao ('BOL')	(f)	**1,549**	2,135	**–**	–
		4,001,002	4,241,509	**2,538,107**	2,829,242

(a) Non-interest bearing statutory deposits maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount is determined at a set percentage of total eligible liabilities.

(b) Non-interest bearing statutory deposits maintained with the Monetary Authority of Singapore in compliance with Banking Act, Cap.19 and Singapore Finance Companies Act, Cap.108.

(c) Non-interest bearing statutory deposits maintained with the Ministry of Finance, Negara Brunei Darussalam in compliance with Section 6A of the Banking Act.

12 STATUTORY DEPOSITS (CONTINUED)

(d) Non-interest bearing statutory deposits maintained with LOFSA relating to a trust subsidiary which is maintained in accordance with Section 61(2)(b)(ii) of the Labuan Financial Services and Securities Act 2010.

(e) Included in statutory deposits with NBC are:

(i) Interest bearing statutory deposits of RM28.7 million (2016: RM30.1 million) maintained with NBC in compliance with NBC's Prakas B7-01-136 dated 15 October 2001 as capital guarantee. This deposit bears interest at 0.36% (2016: 0.06%) per annum, and is not available for use in day-to-day operations but it is refundable when RHB Indochina Bank Limited voluntarily ceases to operate its banking business in Cambodia.

(ii) Non-interest bearing deposits of RM260.7 million (2016: RM243.8 million) maintained with NBC as reserve, computed at 8.0% (2016: 8.0%) and 12.5% (2016: 12.5%) of customer deposits in Cambodian Riel ('KHR') and in foreign currencies, respectively.

(iii) Non-interest bearing statutory deposits of RM4.0 million (2016: RM4.4 million) maintained with NBC as capital guarantee deposits in compliance with Securities and Exchange Commission of Cambodia ('SECC')'s Prakas No. 009 on the Licensing of Securities Firms and Securities Representatives for operating as a securities underwriter in Cambodia.

(f) Non-interest bearing statutory deposits maintained with BOL computed at 5% and 10% (2016: 5% and 10%) of customer deposits in Lao Kip ('LAK') and in foreign currencies, respectively.

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

13 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts determined after appropriate set off, are shown in the statements of financial position:

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**Restated 2016 RM'000**
Deferred tax assets	**36,072**	100,611	**–**	58,300
Deferred tax liabilities	**(19,698)**	(3,194)	**(14,467)**	–
	16,374	97,417	**(14,467)**	58,300
Deferred tax assets:				
– Settled more than twelve months	**105,311**	23,620	**88,162**	4,162
– Settled within twelve months	**140,614**	164,618	**105,580**	122,668
Deferred tax liabilities:				
– Settled more than twelve months	**(196,222)**	(56,847)	**(183,977)**	(49,030)
– Settled within twelve months	**(33,329)**	(33,974)	**(24,232)**	(19,500)
	16,374	97,417	**(14,467)**	58,300

13 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	Note	Property, plant and equipment and intangible assets RM'000	Financial investments AFS RM'000	Tax losses RM'000	Other liabilities RM'000	Total RM'000
2017						
Balance as at the beginning of the financial year		**(50,858)**	**(32,732)**	**18,421**	**162,586**	**97,417**
Transfer from/(to) income statements	41	**414**	**(432)**	**(11,451)**	**(7,375)**	**(18,844)**
Transfer to equity		**–**	**(59,919)**	**–**	**(159)**	**(60,078)**
Exchange differences		**39**	**–**	**(1,810)**	**(350)**	**(2,121)**
Balance as at the end of the financial year		**(50,405)**	**(93,083)**	**5,160**	**154,702**	**16,374**
2016						
Balance as at the beginning of the financial year		(54,545)	(40,000)	4,069	193,372	102,896
Transfer from/(to) income statements	41	4,134	531	13,937	(30,084)	(11,482)
Transfer from equity		–	6,442	–	315	6,757
Exchange differences		(447)	295	415	(1,017)	(754)
Balance as at the end of the financial year		(50,858)	(32,732)	18,421	162,586	97,417

13 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	Note	Property, plant and equipment and intangible assets RM'000	Financial investments AFS RM'000	Tax losses RM'000	Other liabilities RM'000	Total RM'000
2017						
Balance as at the beginning of the financial year						
– As previously reported		**(34,387)**	**(36,928)**	**11,343**	**115,487**	**55,515**
– Effect of predecessor accounting	53(1)	**–**	**2,785**	**–**	**–**	**2,785**
– As restated		**(34,387)**	**(34,143)**	**11,343**	**115,487**	**58,300**
Transfer to income statements	41	**(3,994)**	**–**	**(9,611)**	**(5,744)**	**(19,349)**
Transfer to equity		**–**	**(51,603)**	**–**	**–**	**(51,603)**
Exchange differences		**–**	**–**	**(1,732)**	**(83)**	**(1,815)**
Balance as at the end of the financial year		**(38,381)**	**(85,746)**	**–**	**109,660**	**(14,467)**
Restated						
2016						
Balance as at the beginning of the financial year						
– As previously reported		(37,945)	(49,638)	–	145,574	57,991
– Effect of predecessor accounting		–	2,785	–	–	2,785
– As restated		(37,945)	(46,853)	–	145,574	60,776
Transfer from/(to) income statements	41	3,558	–	11,343	(30,408)	(15,507)
Transfer from equity		–	12,710	–	–	12,710
Exchange differences		–	–	–	321	321
Balance as at the end of the financial year		(34,387)	(34,143)	11,343	115,487	58,300

13 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	Group	
	2017 RM'000	2016 RM'000
Unabsorbed tax losses carried forward	**916,372**	822,717
Unabsorbed capital allowances carried forward	**1,108**	870
	917,480	823,587

The above deductible temporary differences have no expiry date.

14 INVESTMENTS IN SUBSIDIARIES

	Bank	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost:		
– In Malaysia	**4,013,233**	4,875,756
– Outside Malaysia	**483,348**	465,647
	4,496,581	5,341,403
Accumulated impairment losses	**(744)**	(744)
	4,495,837	5,340,659

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %	Effective equity interest held by NCI 2017 %	Effective equity interest held by NCI 2016 %	Principal activities
RHB Islamic Bank Berhad ('RHB Islamic Bank')	Malaysia	1,273,424,002	**100**	100	–	–	Islamic banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	**100**	100	–	–	Labuan banking business
RHB International Trust (L) Ltd	Malaysia	USD40,000	**100**	100	–	–	Labuan trust company
RHB Corporate Services Sdn Bhd	Malaysia	150,000	**100**	100	–	–	Corporate secretarial services
RHB Indochina Bank Limited[1,3] ('RHB Indochina Bank')	Cambodia	USD71,000,000	**100**	100	–	–	Commercial banking
RHB Bank Lao Limited[1]	Lao PDR	LAK301,500 million	**100**	100	–	–	Commercial banking
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	–	–	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	–	–	Nominee services for foreign beneficial shareholders
RHB Investment Ltd[1]	Singapore	SGD19,000,000	**100**	100	–	–	Other investment holding companies
Banfora Pte Ltd[1]	Singapore	SGD25,000,000	**100**	100	–	–	Other investment holding companies
RHB Bank Nominees Pte Ltd[1]	Singapore	SGD100,000	**100**	100	–	–	Trustee, fiduciary and custody services firm
RHB Leasing Sdn Bhd	Malaysia	10,000,000	**100**	100	–	–	Leasing of industrial construction, business equipment and motor vehicles
RHB Trade Services Limited[2]	Hong Kong	HKD2	**100**	100	–	–	Dormant
RHB Capital Properties Sdn Bhd[4]	Malaysia	7,300,000	**100**	100	–	–	Property investment
Utama Assets Sdn Bhd[5]	Malaysia	300,000	**100**	100	–	–	Own and manage real properties for use by its related companies

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %	Effective equity interest held by NCI 2017 %	Effective equity interest held by NCI 2016 %	Principal activities
RHB Investment Bank Berhad[6] ('RHB Investment Bank')	Malaysia	1,487,773,000	**100**	100	**–**	–	Merchant banking business, dealing in securities, stock, debt and derivatives, stockbroking business and the business of brokers and dealers in futures and options contracts
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	Nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	**100**	100	**–**	–	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	**100**	100	**–**	–	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	**100**	100	**–**	–	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd	Malaysia	10,000,000	**100**	100	**–**	–	Rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services
RHB Islamic International Asset Management Berhad	Malaysia	13,000,000	**100**	100	**–**	–	Rendering of Islamic fund management services and management of Islamic unit trust funds
RHB Research Institute Sdn Bhd	Malaysia	500,000	**100**	100	**–**	–	Research services
RHB Private Equity Holdings Sdn Bhd	Malaysia	110,000,002	**100**	100	**–**	–	Investment holding
RHB Private Equity Management Ltd	Malaysia	USD 1	**100**	100	**–**	–	Investment holding, investment management and other ancillary services for private equity business

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2017 %	2016 %	2017 %	2016 %	
RHB Private Equity Fund Ltd[7]	Cayman Islands	USD 10,001	**100**	100	**–**	–	Investment company
RHB International Investments Pte Ltd[1]	Singapore	SGD12,000,000	**100**	100	**–**	–	Investment holding
RHB Asset Management Pte Ltd[1]	Singapore	SGD12,100,000	**100**	100	**–**	–	Fund management
RHB Hong Kong Limited[1]	Hong Kong	HKD300,000,000	**100**	100	**–**	–	Investment holding
RHB Securities Hong Kong Limited[1]	Hong Kong	HKD340,000,000	**100**	100	**–**	–	Securities dealing and provision of securities margin financing and advising on securities
RHB Futures Hong Kong Limited[1]	Hong Kong	HKD35,000,000	**100**	100	**–**	–	Dealing in futures and options contracts
RHB Finance Hong Kong Limited[1]	Hong Kong	HKD1	**100**	100	**–**	–	Money lending
RHB Capital Hong Kong Limited[1]	Hong Kong	HKD10,000,000	**100**	100	**–**	–	Provision of corporate finance advisory services and to engage in securities dealing activities incidental to its corporate finance advisory activities
RHB Fundamental Capital Hong Kong Limited[1]	Hong Kong	HKD10,000,000	**100**	100	**–**	–	Investment activities
RHB Asset Management Limited[1]	Hong Kong	HKD17,000,000	**100**	100	**–**	–	Dealing in securities, advising on securities and provision of asset management services
RHB Wealth Management Hong Kong Limited[1]	Hong Kong	HKD5,000,000	**100**	100	**–**	–	Negotiating or arranging contracts of insurance in or from Hong Kong as the agent of the policy holder or potential policy holder or advising on matters related to insurance

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %	Effective equity interest held by NCI 2017 %	Effective equity interest held by NCI 2016 %	Principal activities
RHB (China) Investment Advisory Co Ltd[1]	People's Republic of China	USD2,000,000	**100**	100	**–**	–	Consulting for investment and business advisory and related services
PT RHB Sekuritas Indonesia[1] *(formerly known as PT RHB Securities Indonesia)*	Indonesia	IDR204,082 million	**99**	99	**1**	1	Securities brokerage and underwriting
PT RHB Asset Management Indonesia[1]	Indonesia	IDR50,000 million	**98.62**	98.62	**1.38**	1.38	Investment manager
RHB Securities Singapore Pte. Ltd.[1]	Singapore	SGD75,000,000	**100**	100	**–**	–	Provision of stock and share broking services and corporate finance advisory services
RHB Research Institute Singapore Pte. Ltd.[1]	Singapore	SGD175,000	**100**	100	**–**	–	Financial advisory services
RHB Securities (Thailand) Public Company Limited[1,8]	Thailand	THB819,171,600	**99.95**	99.95	**0.05**	0.05	Provision of stock and derivatives broking services
RHB Trustees Berhad	Malaysia	6,000,000	**100**	100	**–**	–	Professional retail trustee services (will writing, estate planning and private trust) and corporate trustee services (collective investment schemes)
Malaysian Trustees Berhad	Malaysia	550,000	**100**	100	**–**	–	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act, 1949
RHB Finexasia.Com Sdn Bhd	Malaysia	11,361,111	**100**	100	**–**	–	Investment holding, development of products and provision of services related to information technology
RHB Indochina Securities Plc.[1]	Cambodia	USD12,500,000	**100**	100	**–**	–	Securities underwriting, dealing, brokerage and investment advisory service

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %	Effective equity interest held by NCI 2017 %	Effective equity interest held by NCI 2016 %	Principal activities
RHB Entrepreneur Fund[1,^]	Singapore	–	**49.54**	49.09	**50.46**	50.91	Invest in securities of companies that possess entrepreneurial characteristics as determined by the Manager
RHB Insurance Berhad ('RHB Insurance')	Malaysia	100,000,000	**94.7**	94.7	**5.3**	5.3	Underwriting of all classes of general insurance business
RHB-OSK Income Plus Fund 9^	Malaysia	–	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
RHB-OSK Income Plus Fund 2^	Malaysia	–	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
AmIncome Value[^]	Malaysia	–	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
RHB Property Management Sdn Bhd	Malaysia	500,000	**100**	100	**–**	–	Property management
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,013	**100**	100	**–**	–	Investment holding
RHB Kawal Sdn Bhd	Malaysia	1,500,000	**100**	100	**–**	–	Security services
RHB Bank's dormant subsidiaries							
UMBC Sdn Bhd	Malaysia	1,482,499,818	**100**	100	**–**	–	Dormant
RHB Delta Sdn Bhd[9]	Malaysia	345,000,000	**100**	100	**–**	–	Dormant
Utama Gilang Sdn Bhd[9]	Malaysia	800,000,000	**100**	100	**–**	–	Dormant
RHB (Philippines) Inc.[1,10]	Philippines	PHP180,000,000	**100**	100	**–**	–	Dormant
RHB Equities Sdn Bhd[11]	Malaysia	20,000,000	**100**	100	**–**	–	Dormant
KYB Sdn Bhd[12]	Malaysia	7,671,695,865	**100**	100	**–**	–	Dormant
RHBF Sdn Bhd	Malaysia	148,145,176	**100**	100	**–**	–	Dormant
RHB Stock 188.Com Sdn Bhd	Malaysia	480,000	**100**	100	**–**	–	Dormant

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %	Effective equity interest held by NCI 2017 %	Effective equity interest held by NCI 2016 %	Principal activities
RHB Investment Bank's dormant subsidiaries							
RHB Excel Sdn Bhd[12]	Malaysia	200,000,000	**100**	100	**–**	–	Dormant
RHB Progressive Sdn Bhd[12]	Malaysia	13,500,000	**100**	100	**–**	–	Dormant
RHB Marketing Services Sdn Bhd[9]	Malaysia	100,000	**100**	100	**–**	–	Dormant
RHB Unit Trust Management Berhad[12]	Malaysia	5,000,000	**100**	100	**–**	–	Dormant
RHB Futures and Options Sdn Bhd	Malaysia	10,000,000	**100**	100	**–**	–	Dormant
RHB Research Sdn Bhd[13]	Malaysia	500,000	**100**	100	**–**	–	Dormant
RHB International Asset Management Sdn Bhd	Malaysia	7,000,000	**100**	100	**–**	–	Dormant
RHBIB Nominees (Tempatan) Sdn Bhd[13]	Malaysia	3,670,000	**100**	100	**–**	–	Dormant
RHBIB Nominees (Asing) Sdn Bhd[13]	Malaysia	2,670,000	**100**	100	**–**	–	Dormant
RHB Islamic Asset Management Sdn Bhd	Malaysia	4,000,000	**100**	100	**–**	–	Dormant
RHBIM Berhad	Malaysia	10,000,000	**100**	100	**–**	–	Dormant
TCL Nominees (Tempatan) Sdn Bhd[13]	Malaysia	644,000	**100**	100	**–**	–	Dormant
TCL Nominees (Asing) Sdn Bhd[13]	Malaysia	4,000	**100**	100	**–**	–	Dormant
KE-ZAN Nominees (Tempatan) Sdn Bhd[13]	Malaysia	650,000	**100**	100	**–**	–	Dormant

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %	Effective equity interest held by NCI 2017 %	Effective equity interest held by NCI 2016 %	Principal activities
RHB Investment Bank's dormant subsidiaries (continued)							
KE-ZAN Nominees (Asing) Sdn Bhd[13]	Malaysia	10,000	**100**	100	**–**	–	Dormant
RHB Nominees Singapore Pte. Ltd.[1]	Singapore	SGD2	**100**	100	**–**	–	Inactive
Summit Nominees Pte Ltd[1]	Singapore	SGD2,000	**100**	100	**–**	–	Inactive

Notes:

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

2 Subsidiaries audited by a firm other than member firms of PricewaterhouseCoopers.

3 The Bank has on 30 March 2017, injected additional capital of USD4,000,000 (equivalent to RM17,701,000) into the company. The Bank has further injected USD4,000,000 (equivalent to RM15,823,000) on 29 January 2018, raising the issued share capital to USD75,000,000.

4 On 29 November 2017, the High Court of Malaya had granted an order confirming the cancellation of 14,500,000 shares of the company amounting to RM14,500,000 pursuant to Section 116 of the Companies Act 2016. Accordingly, the share capital of the company has reduced from RM21,800,000 to RM7,300,000, and the credit arising from the cancellation thereof has been set-off against intercompany balance due from the Bank.

5 On 15 November 2017, the High Court of Malaya had granted an order confirming the cancellation of 2,000,000 shares of the company amounting to RM2,000,000 pursuant to Section 116 of the Companies Act 2016. Accordingly, the share capital of the company has reduced from RM2,300,000 to RM300,000, and the credit arising from the cancellation thereof has been set-off against intercompany balance due from the Bank.

6 As part of the transfer of certain businesses to the Bank and capital repayment as disclosed in Note 53(1), the share capital of RHB Investment Bank is now reduced to RM1,487,773,000.

7 Subsidiary not audited pursuant to Companies Act, 2013 in Cayman Islands.

8 On 23 March 2017, RHB Investment Bank acquired additional 37,500 ordinary shares of THB2.61 each in RHB Securities (Thailand) Public Company Limited ('RST') for a total consideration of THB98,000 (equivalent to RM12,000). Accordingly, RHB Investment Bank's equity interest in RST increased from 99.949% to 99.954%.

9 The company has commenced member's voluntary winding up on 16 February 2011.

10 The company has ceased operations effective from the close of business on 10 December 2001.

11 With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.

12 The company has commenced member's voluntary winding up on 28 March 2012.

13 The company has commenced member's voluntary winding up on 30 June 2017.

^ The funds are subsidiaries consolidated in the Group as the Group controls the funds in accordance with MFRS 10 'Consolidated Financial Statements'.

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

		Group	
	Note	2017 RM'000	2016 RM'000
Investments in associates – at cost	(a)	**45,000**	45,000
Less: Allowance for impairment losses		**(12,500)**	(12,500)
		32,500	32,500
Share of net assets of joint ventures	(b)	**29,523**	30,807
Less: Allowance for impairment losses		**(13,770)**	(13,770)
		15,753	17,037
		48,253	49,537

(a) Share of net assets of associates

The details of the associates are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest 2017 %	Effective equity interest 2016 %	Principal activities
Prostar Capital (Asia-Pacific) Ltd.[1] ('Prostar')	Cayman Islands	USD 60	**33.33**	33.33	Investment holding with subsidiaries involved in the investment advisory and management of private equity funds
Satin Straits Sdn Bhd[2] ('Satin Straits')	Malaysia	5,000,000	**–**	–	Investment holding

Notes:

1 Held through RHB Private Equity Management Ltd, a wholly-owned subsidiary of RHB Private Equity Holdings Sdn Bhd ('RHBPE'), which in turn is a wholly-owned subsidiary of RHB Investment Bank.

As at 31 December 2017, the Group's share of cumulative losses in Prostar of RM3,618,000 (2016: RM3,717,000) has exceeded the cost of investment. Accordingly the Group does not recognise further losses in the current financial year.

2 Held through RHBPE, a wholly-owned subsidiary of RHB Investment Bank. The effective equity interest in Satin Straits is Nil as RHBPE has only subscribed for RM45 million Redeemable Convertible Preference Shares. RHBPE will only share the profits of the company and is entitled for full principal repayment upon maturity and with upside potential upon the trade sales or listing of the company.

The Group has accounted for this as an associate as the Group is deemed to have significant influence in accordance with MFRS 128 'Investment in Associates and Joint Ventures'.

There are no capital commitments or contingent liabilities relating to the Group's investments in the associates as at 31 December 2017.

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(b) Share of net assets of joint ventures

The details of the joint ventures are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest 2017 %	Effective equity interest 2016 %	Principal activities
Vietnam Securities Corporation ('VSEC')	Vietnam	VND135 billion	**49**	49	Securities brokerage, securities investment, consulting and self trading
RHB GC-Millennium Capital Pte Ltd ('RHB GC')	Singapore	SGD10,000	**40**	40	Investment activities

There are no capital commitments or contingent liabilities relating to the Group's investments in the joint ventures as at 31 December 2017.

Summarised financial information of VSEC and RHB GC which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	VSEC		RHB GC		Total	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Assets						
Cash and cash equivalents	**32,412**	33,913	**24**	26	**32,436**	33,939
Other current assets	**451**	532	**62**	4	**513**	536
Total assets	**32,863**	34,445	**86**	30	**32,949**	34,475
Liabilities						
Financial liabilities	**(135)**	(60)	**(32)**	–	**(167)**	(60)
Other current liabilities	**(77)**	(208)	**(24)**	–	**(101)**	(208)
Total liabilities	**(212)**	(268)	**(56)**	–	**(268)**	(268)
Net assets	**32,651**	34,177	**30**	30	**32,681**	34,207

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(b) Share of net assets of joint ventures (continued)

Summarised financial information of VSEC and RHB GC which are accounted for using the equity method is as follows (continued):

(ii) Summarised statements of comprehensive income

	VSEC		RHB GC		Total	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Interest income	**2,392**	2,078	**–**	–	**2,392**	2,078
Interest expense	**(2)**	(1)	**–**	–	**(2)**	(1)
Net interest income	**2,390**	2,077	**–**	–	**2,390**	2,077
Other operating income	**17**	1,036	**33**	36	**50**	1,072
Net operating income	**2,407**	3,113	**33**	36	**2,440**	3,149
Other operating expenses	**(1,413)**	(1,271)	**(33)**	(36)	**(1,446)**	(1,307)
Including:						
Depreciation and amortisation	**(63)**	(150)	**–**	–	**(63)**	(150)
Profit before taxation	**994**	1,842	**–**	–	**994**	1,842
Taxation	**(197)**	(364)	**–**	–	**(197)**	(364)
Net profit for the financial year	**797**	1,478	**–**	–	**797**	1,478

(iii) Reconciliation of summarised financial information presented to the carrying amount of its interest in joint ventures:

	VSEC		RHB GC		Total	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Balance as at the beginning of the financial year	**34,177**	32,450	**30**	30	**34,207**	32,480
Net profit for the financial year	**797**	1,478	**–**	–	**797**	1,478
Translation reserves	**(2,323)**	249	**–**	–	**(2,323)**	249
Balance as at the end of the financial year	**32,651**	34,177	**30**	30	**32,681**	34,207
Equity interest attributable to net assets	**15,999**	16,747	**12**	12	**16,011**	16,759
Goodwill	**14,204**	14,204	**–**	–	**14,204**	14,204
Accumulated impairment losses	**(13,770)**	(13,770)	**–**	–	**(13,770)**	(13,770)
Exchange differences	**(692)**	(156)	**–**	–	**(692)**	(156)
Carrying value	**15,741**	17,025	**12**	12	**15,753**	17,037

16 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2017								
Cost								
Balance as at the beginning of the financial year		346,211	491,684	544,789	690,049	392,334	24,049	2,489,116
Additions		–	–	14,615	73,244	16,347	897	105,103
Disposals		–	–	–	(357)	(8)	(221)	(586)
Written off		–	–	(13,662)	(6,149)	(10,820)	(19)	(30,650)
Exchange differences		(3,211)	(1,742)	(4,679)	(5,091)	(2,519)	(800)	(18,042)
Reclassifications from intangible assets	18	–	–	–	4,700	–	–	4,700
Balance as at the end of the financial year		343,000	489,942	541,063	756,396	395,334	23,906	2,549,641
Accumulated depreciation								
Balance as at the beginning of the financial year		9,271	184,854	328,430	581,755	331,437	18,214	1,453,961
Charge for the financial year	37	577	10,238	33,430	53,807	18,855	2,435	119,342
Disposals		–	–	–	(357)	(8)	(128)	(493)
Written off		–	–	(13,251)	(5,832)	(10,821)	(19)	(29,923)
Exchange differences		(55)	(661)	(2,583)	(4,131)	(1,901)	(606)	(9,937)
Balance as at the end of the financial year		9,793	194,431	346,026	625,242	337,562	19,896	1,532,950
Accumulated impairment loss								
Balance as at the beginning of the financial year		–	1,348	–	1,676	–	–	3,024
Exchange differences		–	(43)	–	–	–	–	(43)
Balance as at the end of the financial year		–	1,305	–	1,676	–	–	2,981
Net book value as at the end of the financial year		333,207	294,206	195,037	129,478	57,772	4,010	1,013,710

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2016								
Cost								
Balance as at the beginning of the financial year		344,658	492,196	544,386	661,107	377,745	25,920	2,446,012
Additions		–	–	41,229	40,261	35,308	847	117,645
Disposals		(1,241)	(1,850)	(2,497)	(644)	(484)	(3,443)	(10,159)
Written off		–	(126)	(41,935)	(14,468)	(23,186)	(25)	(79,740)
Exchange differences		2,794	1,464	4,236	3,458	2,321	750	15,023
Reclassifications from/(to) intangible assets	18	–	–	(630)	335	630	–	335
Balance as at the end of the financial year		346,211	491,684	544,789	690,049	392,334	24,049	2,489,116
Accumulated depreciation								
Balance as at the beginning of the financial year		8,757	174,949	324,245	547,116	327,822	18,536	1,401,425
Charge for the financial year	37	553	10,098	34,775	46,757	25,211	2,525	119,919
Disposals		(84)	(637)	(1,161)	(477)	(423)	(3,236)	(6,018)
Written off		–	(126)	(31,004)	(14,392)	(22,908)	(25)	(68,455)
Exchange differences		45	570	1,575	2,751	1,735	414	7,090
Balance as at the end of the financial year		9,271	184,854	328,430	581,755	331,437	18,214	1,453,961
Accumulated impairment loss								
Balance as at the beginning of the financial year		–	1,328	–	1,676	–	–	3,004
Exchange differences		–	20	–	–	–	–	20
Balance as at the end of the financial year		–	1,348	–	1,676	–	–	3,024
Net book value as at the end of the financial year		336,940	305,482	216,359	106,618	60,897	5,835	1,032,131

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2017								
Cost								
Balance as at the beginning of the financial year		212,675	442,153	399,274	508,692	258,049	6,807	1,827,650
Additions		–	–	8,485	56,639	15,190	567	80,881
Disposals		–	–	–	(6)	–	(158)	(164)
Written off		–	–	(12,875)	(3,730)	(10,187)	(14)	(26,806)
Exchange differences		(45)	(716)	(732)	(761)	(150)	(64)	(2,468)
Reclassifications from intangible assets	18	–	–	–	4,700	–	–	4,700
Balance as at the end of the financial year		212,630	441,437	394,152	565,534	262,902	7,138	1,883,793
Accumulated depreciation								
Balance as at the beginning of the financial year		5,199	173,465	232,911	424,947	228,899	5,026	1,070,447
Charge for the financial year	37	255	9,345	23,805	39,216	11,480	628	84,729
Disposals		–	–	–	(5)	–	(73)	(78)
Written off		–	–	(12,741)	(3,746)	(10,191)	(14)	(26,692)
Exchange differences		–	(456)	(439)	(531)	128	(53)	(1,351)
Balance as at the end of the financial year		5,454	182,354	243,536	459,881	230,316	5,514	1,127,055
Accumulated impairment loss								
Balance as at the beginning of the financial year		–	304	–	–	–	–	304
Balance as at the end of the financial year		–	304	–	–	–	–	304
Net book value as at the end of the financial year		207,176	258,779	150,616	105,653	32,586	1,624	756,434

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2016								
Cost								
Balance as at the beginning of the financial year		213,876	443,503	396,833	478,464	261,154	7,484	1,801,314
Additions		–	–	31,699	40,063	14,341	426	86,529
Disposals		(1,241)	(1,850)	(2,461)	(493)	(357)	(1,160)	(7,562)
Written off		–	(126)	(27,071)	(10,344)	(18,108)	(25)	(55,674)
Exchange differences		40	626	904	667	389	82	2,708
Reclassifications from/(to) intangible assets	18	–	–	(630)	335	630	–	335
Balance as at the end of the financial year		212,675	442,153	399,274	508,692	258,049	6,807	1,827,650
Accumulated depreciation								
Balance as at the beginning of the financial year		5,027	164,496	227,313	396,697	235,094	5,473	1,034,100
Charge for the financial year	37	256	9,339	24,849	38,354	11,666	681	85,145
Disposals		(84)	(637)	(1,148)	(355)	(302)	(1,160)	(3,686)
Written off		–	(126)	(18,658)	(10,293)	(17,908)	(25)	(47,010)
Exchange differences		–	393	555	544	349	57	1,898
Balance as at the end of the financial year		5,199	173,465	232,911	424,947	228,899	5,026	1,070,447
Accumulated impairment loss								
Balance as at the beginning of the financial year		–	304	–	–	–	–	304
Balance as at the end of the financial year		–	304	–	–	–	–	304
Net book value as at the end of the financial year		207,476	268,384	166,363	83,745	29,150	1,781	756,899

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Accumulated depreciation and impairment loss				
Balance as at the beginning of the financial year	**1,456,985**	1,404,429	**1,070,751**	1,034,404
Balance as at the end of the financial year	**1,535,931**	1,456,985	**1,127,359**	1,070,751

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

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cost				
Renovations and improvements	**27,452**	38,643	**26,781**	38,381

17 GOODWILL

The carrying amounts of goodwill allocated to the Group's and the Bank's CGUs are as follows:

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**Restated 2016 RM'000**
CGU				
Group Retail Banking	**340,615**	340,615	**292,837**	292,837
Group Business Banking	**184,297**	184,297	**174,777**	174,777
Group Wholesale Banking ('GWB')	**2,008,094**	2,008,094	**1,183,928**	1,183,928
– Group Corporate Banking and Group Investment Banking ('CBIB')	**1,110,688**	1,110,688	**314,308**	314,308
– Group Treasury and Global Markets	**897,406**	897,406	**869,620**	869,620
Commercial Indochina Bank	**116,301**	116,301	**–**	–
	2,649,307	2,649,307	**1,651,542**	1,651,542

During the current financial year, there was a restructuring of management monitoring of businesses at the Group, whereby RHB Securities Singapore Pte. Ltd. ('RHBSS') and PT RHB Sekuritas Indonesia ('RHBSI') are now monitored together with CBIB businesses. Accordingly, the existing CGUs of CBIB, RHBSS and RHBSI have been merged, and the goodwill from RHBSS of RM63.9 million and RHBSI of RM74.0 million are now merged with CBIB.

17 GOODWILL (CONTINUED)

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Directors covering a three-year (2016: three-year) period. Cash flows beyond the three-year period are extrapolated using the estimated terminal growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

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

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

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

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

	Discount rate		Terminal growth rate	
	2017	**2016**	**2017**	**2016**
	%	**%**	**%**	**%**
CGU				
Group Retail Banking	**8.5**	10.9	**5.0**	4.0
Group Business Banking	**8.4**	11.0	**5.0**	4.0
GWB				
– Group CBIB	**8.6**	11.4	**5.0**	4.0
– Group Treasury and Global Markets	**8.7**	11.4	**5.0**	4.0
Commercial Indochina Bank	**13.6**	14.5	**6.0**	7.0

18 INTANGIBLE ASSETS

Group	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
2017						
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,783	1,161,512	1,211,726
Additions		–	–	–	176,490	176,490
Written off		–	–	–	(37,642)	(37,642)
Exchange differences		–	–	(88)	(3,267)	(3,355)
Reclassifications to property, plant and equipment	16	–	–	–	(4,700)	(4,700)
Balance as at the end of the financial year		22,333	25,098	2,695	1,292,393	1,342,519
Accumulated amortisation						
Balance as at the beginning of the financial year		9,304	22,215	1,354	750,780	783,653
Amortisation for the financial year	37	2,234	494	–	78,281	81,009
Written off		–	–	–	(8,670)	(8,670)
Exchange differences		–	–	(51)	(2,291)	(2,342)
Balance as at the end of the financial year		11,538	22,709	1,303	818,100	853,650
Accumulated impairment loss						
Balance as at the beginning of the financial year		–	–	–	29,069	29,069
Reversal for the financial year	40	–	–	–	(336)	(336)
Written off		–	–	–	(28,733)	(28,733)
Balance as at the end of the financial year		–	–	–	–	–
Net book value as at the end of the financial year		10,795	2,389	1,392	474,293	488,869

18 INTANGIBLE ASSETS (CONTINUED)

Group	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
2016						
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,651	1,019,880	1,069,962
Additions		–	–	–	140,826	140,826
Written off		–	–	–	(1,369)	(1,369)
Exchange differences		–	–	132	2,510	2,642
Reclassifications to property, plant and equipment	16	–	–	–	(335)	(335)
Balance as at the end of the financial year		22,333	25,098	2,783	1,161,512	1,211,726
Accumulated amortisation						
Balance as at the beginning of the financial year		7,071	21,719	1,290	684,122	714,202
Amortisation for the financial year	37	2,233	496	–	66,352	69,081
Written off		–	–	–	(1,357)	(1,357)
Exchange differences		–	–	64	1,663	1,727
Balance as at the end of the financial year		9,304	22,215	1,354	750,780	783,653
Accumulated impairment loss						
Balance as at the beginning of the financial year		–	–	–	29,069	29,069
Balance as at the end of the financial year		–	–	–	29,069	29,069
Net book value as at the end of the financial year		13,029	2,883	1,429	381,663	399,004

		Computer software license	
Bank	**Note**	**2017 RM'000**	**2016 RM'000**
Cost			
Balance as at the beginning of the financial year		**971,952**	845,835
Additions		**148,414**	125,183
Written off		**(1,631)**	(14)
Exchange differences		**(1,278)**	1,283
Reclassifications to property, plant and equipment	16	**(4,700)**	(335)
Balance as at the end of the financial year		**1,112,757**	971,952
Accumulated amortisation			
Balance as at the beginning of the financial year		**636,799**	584,707
Amortisation for the financial year	37	**62,664**	51,180
Written off		**(1,392)**	(14)
Exchange differences		**(1,004)**	926
Balance as at the end of the financial year		**697,067**	636,799
Net book value as at the end of the financial year		**415,690**	335,153

19 DEPOSITS FROM CUSTOMERS

	Group		Bank	
				Restated
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) By type of deposits				
Demand deposits	**40,599,769**	33,165,717	**33,819,798**	29,370,827
Savings deposits	**9,861,321**	9,297,898	**8,302,388**	7,902,328
Fixed/investment deposits	**115,624,467**	123,066,986	**78,537,835**	90,210,180
Negotiable instruments of deposits	**72,194**	105,652	**72,194**	102,412
	166,157,751	165,636,253	**120,732,215**	127,585,747
(b) By type of customer				
Government and statutory bodies	**8,947,445**	8,445,695	**4,634,166**	4,434,553
Business enterprises	**98,108,327**	99,851,495	**67,937,474**	72,986,000
Individuals	**53,968,119**	51,999,571	**43,546,269**	45,430,914
Other financial institutions	**5,133,860**	5,339,492	**4,614,306**	4,734,280
	166,157,751	165,636,253	**120,732,215**	127,585,747
(c) By maturity structure of fixed/investment deposits and negotiable instruments of deposits				
Due within six months	**94,841,819**	102,045,773	**66,160,033**	73,581,751
Six months to one year	**20,406,629**	20,552,944	**12,010,770**	16,301,372
One year to three years	**435,387**	546,193	**428,470**	402,191
Three years to five years	**12,826**	27,728	**10,756**	27,278
	115,696,661	123,172,638	**78,610,029**	90,312,592

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Licensed banks	**17,268,724**	16,652,234	**20,926,529**	21,538,426
Licensed Islamic banks	**2,945,973**	4,179,222	**5,912**	1,845
Licensed investment banks	**479,730**	350,913	**618,214**	563,423
BNM	**500,867**	586,468	**480,178**	582,578
Other financial institutions	**591,723**	931,779	**506,108**	574
	21,787,017	22,700,616	**22,536,941**	22,686,846

21 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

The financial assets sold under repurchase agreements are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial investments AFS	**–**	62,120	**–**	62,120
Financial investments HTM	**615,000**	300,000	**1,600,000**	2,660,000
	615,000	362,120	**1,600,000**	2,722,120

22 CLIENTS' AND BROKERS' BALANCES

	Group	
	2017 RM'000	2016 RM'000
Amounts due to:		
– Clients	**962,428**	1,217,592
– Brokers	**168,738**	298,594
– Clearing houses and stock exchanges	**238,229**	227,056
	1,369,395	1,743,242

23 GENERAL INSURANCE CONTRACT LIABILITIES

	Group	
	2017 RM'000	**2016 RM'000**
Claims liabilities	**692,187**	588,466
Premium liabilities	**306,123**	283,717
	998,310	872,183

	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2017				
Claims reported by policyholders		**481,109**	**(291,147)**	**189,962**
Incurred but not reported claims ('IBNR')		**211,078**	**(86,538)**	**124,540**
Claims liabilities	(a)	**692,187**	**(377,685)**	**314,502**
Premium liabilities	(b)	**306,123**	**(105,075)**	**201,048**
Total		**998,310**	**(482,760)**	**515,550**
2016				
Claims reported by policyholders		418,378	(211,043)	207,335
IBNR		170,088	(76,083)	94,005
Claims liabilities	(a)	588,466	(287,126)	301,340
Premium liabilities	(b)	283,717	(91,185)	192,532
Total		872,183	(378,311)	493,872

23 GENERAL INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross RM'000	Reinsurance RM'000	Net RM'000
(a) Claims liabilities			
2017			
Balance as at the beginning of the financial year	**588,466**	**(287,126)**	**301,340**
Claims incurred in current accident year:			
– Paid	**155,796**	**(50,365)**	**105,431**
– Case reserves	**191,634**	**(112,334)**	**79,300**
– IBNR	**123,880**	**(52,178)**	**71,702**
Claims incurred in prior accident year:			
– Paid	**163,569**	**(58,107)**	**105,462**
– Case reserves	**(427,194)**	**139,068**	**(288,126)**
– IBNR	**(103,964)**	**43,357**	**(60,607)**
Balance as at the end of the financial year	**692,187**	**(377,685)**	**314,502**
2016			
Balance as at the beginning of the financial year	572,940	(275,023)	297,917
Claims incurred in current accident year:			
– Paid	108,495	(28,365)	80,130
– Case reserves	175,466	(88,413)	87,053
– IBNR	114,589	(50,102)	64,487
Claims incurred in prior accident year:			
– Paid	215,794	(110,014)	105,780
– Case reserves	(499,401)	222,509	(276,892)
– IBNR	(99,417)	42,282	(57,135)
Balance as at the end of the financial year	588,466	(287,126)	301,340

	Gross RM'000	Reinsurance RM'000	Net RM'000
(b) Premium liabilities			
2017			
Balance as at the beginning of the financial year	**283,717**	**(91,185)**	**192,532**
Premium written for the financial year	**690,897**	**(230,900)**	**459,997**
Premium earned during the financial year	**(668,491)**	**217,010**	**(451,481)**
Balance as at the end of the financial year	**306,123**	**(105,075)**	**201,048**
2016			
Balance as at the beginning of the financial year	297,944	(96,215)	201,729
Premium written for the financial year	645,637	(223,603)	422,034
Premium earned during the financial year	(659,864)	228,633	(431,231)
Balance as at the end of the financial year	283,717	(91,185)	192,532

24 OTHER LIABILITIES

	Group		Bank	
				Restated
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other creditors and accruals	**1,259,331**	1,334,725	**514,606**	698,036
Deferred income	**97,913**	140,908	**63,000**	84,000
Short term employee benefits	**368,423**	345,597	**257,227**	222,419
Accrual for operational expenses	**101,959**	186,149	**126,696**	136,727
Prepaid instalments	**55,079**	58,814	**54,609**	58,814
Cash collateral pledged for derivative transactions	**530,465**	625,396	**530,465**	625,396
Remisiers' trust deposits	**62,902**	60,060	**–**	–
Amount due to trust funds	**160,214**	25,792	**–**	–
Amount due to subsidiaries	**–**	–	**26,943**	1,724,038
Puttable instruments	**78,825**	68,705	**–**	–
	2,715,111	2,846,146	**1,573,546**	3,549,430

25 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD ('CAGAMAS')

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

26 BORROWINGS

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unsecured					
Revolving credits:					
– Hong Kong Dollar ('HKD')	(a)	**16,576**	185,691	**–**	–
Term loans:					
– United States Dollar ('USD')	(b(i))	**978,068**	698,651	**978,068**	698,651
– Thai Baht ('THB')	(b(ii))	**62,180**	–	**–**	–
Promissory note:					
– THB	(c)	**96,895**	87,688	**–**	–
		1,153,719	972,030	**978,068**	698,651
Scheduled repayment of borrowings:					
– Within one year		**333,119**	563,182	**157,468**	289,803
– One year to three years		**820,600**	408,848	**820,600**	408,848
		1,153,719	972,030	**978,068**	698,651

26 BORROWINGS (CONTINUED)

The borrowings of the Group and the Bank are as follows:

(a) Revolving credits

The HKD revolving credit facilities of the Group bear interest at rates ranging from 1.69% to 5.18% (2016: 1.56% to 2.56%) per annum.

(b) Term loans

(i) USD term loans

The USD term loans of the Group and the Bank bear interest at rates ranging from 1.12% to 2.69% (2016: 0.64% to 2.23%) per annum.

(ii) THB term loans

The THB term loans of the Group in 2017 bear interest at rates ranging from 2.5% to 3.6% per annum.

(c) Promissory note

The THB promissory note facilities of the Group bear interest at rates ranging from 1.85% to 3.25% (2016: 1.85% to 3.53%) per annum.

27 SUBORDINATED OBLIGATIONS

		Group		Bank	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
5.50% RM700 million Tier II Subordinated Notes 2007/2022	(a)	**–**	703,375	**–**	703,375
5.60% RM300 million Tier II Subordinated Notes 2010/2025	(b)	**302,900**	302,854	**302,900**	302,854
4.30% RM750 million Tier II Subordinated Notes 2012/2022	(c)	**–**	754,784	**–**	754,784
4.40% RM1,300 million Tier II Subordinated Notes 2012/2022	(c)	**–**	1,304,757	**–**	1,304,757
4.40% RM245 million Tier II Subordinated Notes 2012/2022	(d)	**–**	245,561	**–**	–
4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024	(e)	**503,187**	503,187	**–**	–
4.99% RM1 billion Tier II Subordinated Notes 2014/2024	(f)	**1,023,788**	1,023,651	**1,023,788**	1,023,651
4.95% RM200 million Tier II Subordinated Notes 2015/2025	(g)	**202,061**	202,034	**–**	–
4.75% RM500 million Tier II Subordinated Notes 2015/2025	(h)	**503,256**	503,155	**503,256**	503,155
4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027	(e)	**252,206**	–	**–**	–
4.82% RM750 million Tier II Subordinated Notes 2017/2027	(h)	**758,694**	–	**758,694**	–
4.90% RM200 million Tier II Subordinated Notes 2017/2027	(g)	**202,202**	–	**–**	–
		3,748,294	5,543,358	**2,588,638**	4,592,576

The subordinated obligations comprise unsecured liabilities of the Bank and its investment bank 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 50 for the purpose of determining the capital adequacy ratios of the respective subsidiaries.

27 SUBORDINATED OBLIGATIONS (CONTINUED)

(a) 5.50% RM700 million Tier II Subordinated Notes 2007/2022

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

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

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

The Bank had fully redeemed the RM700 million Tier II Subordinated Notes 2007/2022 during the current financial year.

(b) 5.60% RM300 million Tier II Subordinated Notes 2010/2025

On 29 April 2010, the Bank issued RM300 million nominal value of Subordinated Notes, being part of the remaining balance of the issuance of RM3 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme.

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

(c) 4.30% RM750 million Tier II Subordinated Notes 2012/2022 and 4.40% RM1,300 million Tier II Subordinated Notes 2012/2022

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

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

The Bank had fully redeemed the RM750 million and RM1,300 million Tier II Subordinated Notes 2012/2022 during the current financial year.

27 SUBORDINATED OBLIGATIONS (CONTINUED)

(d) 4.40% RM245 million Tier II Subordinated Notes 2012/2022

On 10 December 2012, RHB Investment Bank issued RM245 million nominal value of Subordinated Notes.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2012/2022	245	9 December 2022 (callable in 2017)	4.40% per annum chargeable to 9 December 2022	Accrued and payable semi-annually in arrears

RHB Investment Bank had fully redeemed the RM245 million Tier II Subordinated Notes 2012/2022 during the current financial year.

(e) 4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024 and 4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027

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

On 27 April 2017, RHB Islamic Bank has further issued RM250 million nominal value of Subordinated Sukuk Murabahah under the same RM1 billion Subordinated Sukuk programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2014/2024	500	15 May 2024 (callable in 2019)	4.95% per annum chargeable to 15 May 2024	Accrued and payable semi-annually in arrears
2017/2027	250	27 April 2027 (callable in 2022)	4.88% per annum chargeable to 27 April 2027	Accrued and payable semi-annually in arrears

(f) 4.99% RM1 billion Tier II Subordinated Notes 2014/2024

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

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

27 SUBORDINATED OBLIGATIONS (CONTINUED)

(g) 4.95% RM200 million Tier II Subordinated Notes 2015/2025 and 4.90% RM200 million Tier II Subordinated Notes 2017/2027

On 16 April 2015, RHB Investment Bank issued RM200 million nominal value of Subordinated Notes, being part of RM1 billion Multi-Currency Medium Term Note Programme ('MCMTN Programme').

On 11 October 2017, RHB Investment Bank has further issued RM200 million nominal value of Subordinated Notes, being part of the same RM1 billion MCMTN Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2015/2025	200	16 April 2025 (callable in 2020)	4.95% per annum chargeable to 16 April 2025	Accrued and payable semi-annually in arrears
2017/2027	200	11 October 2027 (callable in 2022)	4.90% per annum chargeable to 11 October 2027	Accrued and payable semi-annually in arrears

(h) 4.75% RM500 million Tier II Subordinated Notes 2015/2025 and 4.82% RM750 million Tier II Subordinated Notes 2017/2027

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

On 27 September 2017, the Bank has further issued RM750 million nominal value of Subordinated Notes, being part of the same RM5 billion MCMTN Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2015/2025	500	8 May 2025 (callable in 2020)	4.75% per annum chargeable to 8 May 2025	Accrued and payable semi-annually in arrears
2017/2027	750	27 September 2027 (callable in 2022)	4.82% per annum chargeable to 27 September 2027	Accrued and payable semi-annually in arrears

28 HYBRID TIER-1 CAPITAL SECURITIES

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
RM370 million Hybrid Tier-1 Capital Securities	**377,083**	368,818	**377,083**	368,818
RM230 million Hybrid Tier-1 Capital Securities	**225,583**	233,325	**230,595**	238,337
	602,666	602,143	**607,678**	607,155

28 HYBRID TIER-1 CAPITAL SECURITIES (CONTINUED)

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

29 SENIOR DEBT SECURITIES

		Group and Bank	
	Note	2017 RM'000	2016 RM'000
USD300 million 3.25% senior debt securities due in 2017	(a)	**–**	1,350,942
USD200 million 3.25% senior debt securities due in 2017	(a)	**–**	902,110
USD300 million 3.088% senior debt securities due in 2019	(b)	**1,221,292**	1,352,808
USD500 million 2.503% senior debt securities due in 2021	(b)	**2,031,289**	2,250,529
		3,252,581	5,856,389

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

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

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

The Bank had on 11 May 2017 fully redeemed the USD500 million senior debt securities issued pursuant to the USD500 million EMTN Programme.

29 SENIOR DEBT SECURITIES (CONTINUED)

(b) 3.088% USD300 million Senior Debts Securities 2014/2019 and 2.503% USD500 million Senior Debts Securities 2016/2021

The senior unsecured notes issued under a USD5 billion (or its equivalent in other currencies) EMTN are as follows:

Issuance date	Tranche	Principal USD'million	Maturity date	Interest rate	Interest payment
3 October 2014	I	300	3 October 2019	3.088% per annum	Accrued and payable semi-annually in arrears
6 October 2016	II	500	6 October 2021	2.503% per annum	Accrued and payable semi-annually in arrears

30 SHARE CAPITAL

		Group and Bank			
		2017		2016	
	Note	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid:					
Ordinary shares					
Balance as at the beginning of the financial year		**4,010,045**	**4,010,045**	3,460,585	3,460,585
Transfer from share premium account pursuant to Companies Act 2016		**–**	**2,984,058**	–	–
Issuance of rights issue:					
– Issued on 7 April 2016	(i)	**–**	**–**	101,618	101,618
– Issued on 14 April 2016	(ii)	**–**	**–**	447,842	447,842
Balance as at the end of the financial year		**4,010,045**	**6,994,103**	4,010,045	4,010,045

There were no issue of shares in the Bank during the current financial year.

In the previous financial year, the Bank increased its issued and paid up share capital from:

(i) RM3,460,585,030 to RM3,562,203,735 via the issuance of rights issue of 101,618,705 new ordinary shares of RM1.00 each at an issue price of RM5.56 per share on 7 April 2016 pursuant to the recapitalisation of the interim dividend for the financial year ended 31 December 2015; and

(ii) RM3,562,203,735 to RM4,010,045,621 via the issuance of 447,841,886 new ordinary shares of RM1.00 each at an issue price of RM5.56 per share on 14 April 2016 pursuant to the capital injection by the former holding company, RHB Capital Berhad ('RHB Capital') of RM2.49 billion.

31 RESERVES

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	Restated 2016 RM'000
Share premium	(a)	**–**	2,984,058	**–**	2,984,058
Statutory reserves	(b)	**513**	4,931,227	**–**	3,784,558
Regulatory reserves	(c)	**1,797,903**	669,501	**1,484,902**	461,870
AFS reserves	(d)	**275,937**	80,567	**271,524**	118,843
Translation reserves	(e)	**628,753**	888,864	**343,563**	400,289
Other reserves		**23,331**	23,331	**–**	–
Retained profits		**13,429,174**	8,157,185	**10,333,461**	6,618,571
		16,155,611	17,734,733	**12,433,450**	14,368,189

(a) Share premium was used to record premium arising from new shares issued in the Bank under the Companies Act, 1965. Pursuant to the amendments in Section 74 of the Companies Act, 2016 ('New Act'), all shares issued before or upon commencement of New Act shall have no par or nominal value i.e. any amount outstanding in the share premium account shall be part of the entity's paid up share capital upon commencement of New Act. Under the New Act, companies are given a transitional period of 24 months to utilise the balances in share premium account. As at the effective date of Companies Act, 2016 on 31 January 2017, the entire balance of share premium had been transferred to paid up share capital of the Bank as disclosed in Note 30.

(b) Statutory reserves in 2017 represents non-distributable profits held by the Thailand's stockbroking subsidiary in compliance with Section 116 of the Public Limited Company Act B.E. 2535 in Thailand.

Pursuant to the revised policy document on Capital Funds and Capital Funds for Islamic Banks by BNM whereby the previous requirement to maintain a reserve fund is no longer required given the implementation of the Capital Conservation Buffer under the Capital Adequacy Framework, statutory reserves which were previously maintained by the Bank and its domestic banking subsidiaries are no longer required and had been transferred to retained profits.

(c) Regulatory reserves represent the Group's and the Bank's compliance with BNM's Policy on Classification and Impairment Provisions for Loans/Financing, to maintain, in aggregate, the collective impairment allowances and regulatory reserve of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances.

(d) AFS reserves arise from a change in the fair value of financial investments classified as AFS. The unrealised gains or losses are transferred to the income statements upon disposal, de-recognition or impairment of such securities.

(e) Translation reserves comprise all foreign exchange differences from the translation of the financial statements of foreign operations, subsidiaries and joint ventures, and the effect of the effective portion of net investment hedges.

32 NON-CONTROLLING INTERESTS ('NCI')

	Group	
	2017 RM'000	**2016 RM'000**
Balance as at the beginning of the financial year	**29,089**	24,618
Share of profit during the financial year	**5,895**	5,964
Share of AFS reserves during the financial year, net of tax	**(11)**	62
Actuarial gain/(loss) on defined benefit plan of subsidiaries, net of tax	**7**	(9)
Dividends paid	**–**	(1,325)
(Dilution)/Accretion of interest in a subsidiary	**(12)**	338
Disposal of a subsidiary	**–**	(688)
Exchange differences	**(254)**	129
Balance as at the end of the financial year	**34,714**	29,089

33 INTEREST INCOME

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loans and advances	**6,072,485**	6,259,442	**5,682,915**	5,858,648
Money at call and deposits and placements with banks and other financial institutions	**204,461**	119,432	**561,100**	456,220
Securities purchased under resale agreements	**1,572**	4,554	**1,305**	4,554
Financial assets FVTPL	**34,031**	29,254	**33,903**	28,887
Financial investments AFS	**756,523**	708,164	**703,273**	614,624
Financial investments HTM	**608,086**	673,516	**588,636**	645,745
Others	**28,672**	37,953	**20,948**	16,859
	7,705,830	7,832,315	**7,592,080**	7,625,537
Of which:				
Interest income accrued on impaired financial assets	**152,064**	149,911	**133,037**	130,037

34 INTEREST EXPENSE

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits and placements of banks and other financial institutions	**467,549**	367,013	**511,682**	342,130
Deposits from customers	**3,163,341**	3,380,779	**2,996,731**	3,271,569
Obligations on securities sold under repurchase agreements	**2,347**	54,404	**53,060**	113,116
Recourse obligation on loans sold to Cagamas	**104,828**	105,826	**104,828**	105,826
Subordinated obligations	**220,856**	250,907	**198,595**	228,674
Senior debt securities	**120,906**	119,760	**120,906**	119,760
Hybrid Tier-I Capital Securities	**45,186**	45,280	**45,525**	45,619
Borrowings	**20,436**	17,246	**12,392**	10,058
Others	**38,574**	37,631	**35,840**	35,395
	4,184,023	4,378,846	**4,079,559**	4,272,147

35 OTHER OPERATING INCOME

	Note	Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fee income					
Service charges and fees		**168,469**	192,481	**145,548**	178,943
Commission		**155,174**	136,091	**173,944**	146,412
Guarantee fees		**48,318**	72,937	**46,372**	68,913
Commitment fees		**47,898**	50,012	**44,986**	47,291
Net brokerage income		**324,541**	290,050	**–**	–
Fund management fees		**229,331**	169,313	**–**	–
Unit trust fee income		**108,509**	81,306	**–**	–
Corporate advisory fees		**48,359**	76,156	**–**	–
Underwriting and arrangement fees		**38,921**	63,577	**–**	–
Other fee income		**62,897**	56,996	**21,128**	19,015
		1,232,417	1,188,919	**431,978**	460,574
Fee and commission expenses		**(190,328)**	(126,628)	**–**	–
		1,042,089	1,062,291	**431,978**	460,574

35 OTHER OPERATING INCOME (CONTINUED)

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gain/(loss) arising from financial assets FVTPL					
– Net gain/(loss) on disposal		**27,599**	75,717	**(27,491)**	22,256
– Unrealised net gain/(loss) on revaluation		**35,575**	(37,610)	**24,890**	(43,571)
– Dividend income		**14,848**	13,125	**–**	–
		78,022	51,232	**(2,601)**	(21,315)
Net gain on revaluation of derivatives		**77,542**	49,544	**893**	45,062
Net gain/(loss) on fair value hedges	11	**115**	(16)	**115**	(16)
Net gain arising from financial investments AFS					
– Net gain on disposal		**51,494**	60,420	**49,880**	56,144
– Dividend income		**39,075**	34,586	**6,515**	5,481
		90,569	95,006	**56,395**	61,625
Net gain arising from financial investments HTM					
– Net gain on early redemption		**13,866**	856	**13,866**	658
Dividend income from subsidiaries		**–**	–	**97,075**	109,469
Other income					
Net foreign exchange gain		**236,464**	234,948	**231,877**	202,112
Insurance underwriting surplus before management expenses		**190,497**	207,642	**–**	–
Gain on disposal of property, plant and equipment		**50**	838	**18**	697
Gain on disposal of a subsidiary		**–**	434	**–**	–
Rental income		**3,618**	3,230	**11,915**	11,183
Other operating income		**42,671**	43,153	**38,359**	43,123
Other non-operating income		**10,556**	10,148	**1,818**	4,052
		483,856	500,393	**283,987**	261,167
		1,786,059	1,759,306	**881,708**	917,224

36 INCOME FROM ISLAMIC BANKING BUSINESS

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Income derived from investment of depositors' fund	**1,906,333**	1,691,383	**8**	–
Income derived from investment account funds	**375,939**	317,988	**–**	–
Income derived from investment of shareholders' fund	**98,002**	157,106	**–**	–
	2,380,274	2,166,477	**8**	–
Income attributable to depositors	**(1,301,397)**	(1,189,309)	**(14)**	–
	1,078,877	977,168	**(6)**	–
Of which:				
Financing income earned on impaired financing and advances	**10,886**	12,222	**–**	–

37 OTHER OPERATING EXPENSES

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Personnel costs				
Salaries, bonuses, wages and allowances	**1,493,490**	1,413,065	**939,003**	913,789
Defined contribution plan	**209,817**	196,932	**144,500**	135,657
Other staff related costs	**163,503**	161,521	**96,310**	113,728
	1,866,810	1,771,518	**1,179,813**	1,163,174
Establishment costs				
Property, plant and equipment:				
– Depreciation	**119,342**	119,919	**84,729**	85,145
– Written off	**727**	11,285	**114**	8,664
Intangible assets:				
– Amortisation	**81,009**	69,081	**62,664**	51,180
– Written off	**239**	12	**239**	–
Rental of premises	**105,416**	146,746	**59,040**	93,721
Rental of equipment	**13,335**	14,171	**12,657**	12,730
Insurance	**30,792**	23,864	**30,748**	30,002
Water and electricity	**30,301**	36,310	**18,709**	23,207
Repair and maintenance	**32,333**	33,235	**23,017**	23,740
Security and escorting expenses	**41,063**	47,309	**40,080**	45,923
Information technology expenses	**230,648**	209,966	**133,276**	112,812
Others	**13,959**	15,080	**–**	–
	699,164	726,978	**465,273**	487,124

37 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Marketing expenses				
Sales commission	**75,335**	73,570	**59,471**	54,775
Advertisement and publicity	**67,112**	58,516	**48,171**	41,804
Others	**107,331**	105,575	**35,999**	38,510
	249,778	237,661	**143,641**	135,089
Administration and general expenses				
Communication expenses	**163,842**	193,481	**95,873**	118,162
Auditors' remuneration (Note (i))	**7,687**	7,375	**3,600**	4,346
Legal and professional fees	**48,947**	28,054	**103,029**	54,213
Others	**150,321**	130,370	**81,675**	77,057
	370,797	359,280	**284,177**	253,778
	3,186,549	3,095,437	**2,072,904**	2,039,165

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
(i) Auditors' remuneration				
(a) Audit:				
Statutory audit:				
– Malaysia	**2,579**	2,873	**1,462**	1,626
– Overseas	**3,543**	2,640	**1,116**	1,021
Limited review	**514**	475	**437**	420
Other audit related	**300**	300	**200**	200
	6,936	6,288	**3,215**	3,267
(b) Non-audit:				
– Malaysia	**751**	1,087	**385**	1,079
	751	1,087	**385**	1,079
	7,687	7,375	**3,600**	4,346

Included in the personnel costs is the Group Managing Director's remuneration (excluding benefits-in-kind) totalling RM6,194,000 (2016: RM6,672,000) for the Group and the Bank, as disclosed in Note 38.

Included in administration and general expenses of the Group and the Bank are other directors' remuneration (excluding benefits-in-kind) totalling RM4,092,000 (2016: RM4,917,000) and RM2,133,000 (2016: RM2,272,000) respectively, as disclosed in Note 38.

38 DIRECTORS' REMUNERATION

Group and Bank	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
2017				
Group Managing Director				
Dato' Khairussaleh Ramli	**2,594**	**35**	**3,600**	**6,229**
2016				
Group Managing Director				
Dato' Khairussaleh Ramli	2,358	40	4,314	6,712

	Group				Bank			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
2017								
Non-executive Directors								
Tan Sri Azlan Zainol	**429**	**54**	**271**	**754**	**200**	**30**	**226**	**456**
Tan Sri Saw Choo Boon	**242**	**–**	**181**	**423**	**175**	**–**	**162**	**337**
Abdul Aziz Peru Mohamed	**502**	**–**	**132**	**634**	**175**	**–**	**38**	**213**
Tan Sri Ong Leong Huat @ Wong Joo Hwa	**384**	**–**	**191**	**575**	**175**	**–**	**78**	**253**
Mohamed Ali Ismaeil Ali Alfahim	**175**	**–**	**20**	**195**	**175**	**–**	**20**	**195**
Tan Sri Dr Rebecca Fatima Sta Maria	**310**	**–**	**111**	**421**	**175**	**–**	**51**	**226**
Ong Ai Lin	**133**	**–**	**71**	**204**	**88**	**–**	**42**	**130**
Ong Seng Pheow	**401**	**32**	**211**	**644**	**155**	**–**	**60**	**215**
Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	**182**	**–**	**146**	**328**	**87**	**–**	**51**	**138**
	2,758	**86**	**1,334**	**4,178**	**1,405**	**30**	**728**	**2,163**

Note: During the financial year, Directors of the Group and the Bank are covered under the Directors' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors of the Group and the Bank subject to the term of the policy. The total amount of Directors' Liability Insurance effected for the Directors of the Group and the Bank was RM200 million. The total amount of premium paid for the Directors' Liability Insurance by the Group and the Bank was RM816,000 and RM688,000 respectively.

38 DIRECTORS' REMUNERATION (CONTINUED)

	Group				Bank			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
2016								
Non-executive Directors								
Tan Sri Azlan Zainol	349	21	344	714	180	21	318	519
Tan Sri Saw Choo Boon	204	–	154	358	82	–	89	171
Ong Seng Pheow	386	–	175	561	150	–	77	227
Abdul Aziz Peru Mohamed	472	–	193	665	150	–	108	258
Tan Sri Ong Leong Huat @ Wong Joo Hwa	400	22	62	484	150	–	29	179
Mohamed Ali Ismaeil Ali Alfahim	220	–	24	244	150	–	17	167
Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	296	–	218	514	150	–	101	251
Tan Sri Dr Rebecca Fatima Sta Maria	71	–	20	91	63	–	16	79
Dato' Abdul Rahman Ahmad	137	–	41	178	44	–	14	58
Chin Yoong Kheong	315	–	184	499	87	–	60	147
Dato' Mohamed Khadar Merican	115	–	56	171	54	–	20	74
Haji Khairuddin Ahmad	262	–	219	481	54	–	109	163
	3,227	43	1,690	4,960	1,314	21	958	2,293

39 ALLOWANCE FOR IMPAIRMENT ON LOANS, FINANCING AND OTHER LOSSES

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Allowance for impaired loans and financing:				
– Individual impairment allowance made	**309,870**	475,332	**190,532**	342,931
– Collective impairment allowance made	**225,669**	222,739	**186,321**	175,942
Impaired loans and financing recovered	**(269,445)**	(272,458)	**(256,564)**	(258,476)
Impaired loans and financing written off	**151,299**	154,323	**137,568**	145,037
Allowance made for impairment on other debtors	**9,390**	15,226	**–**	–
	426,783	595,162	**257,857**	405,434

40 IMPAIRMENT LOSSES MADE/(WRITTEN BACK) ON OTHER ASSETS

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Charge for the financial year:				
– Financial investments AFS	**218,674**	264,276	**215,014**	255,002
– Financial investments HTM	**–**	1,228	**–**	–
– Investment in an associate	**–**	12,500	**–**	–
	218,674	278,004	**215,014**	255,002
Reversal for the financial year:				
– Financial investments AFS	**–**	(3,566)	**–**	(2,559)
– Financial investments HTM	**(2,668)**	(6,211)	**(795)**	(3,184)
– Intangible assets	**(336)**	–	**–**	–
	(3,004)	(9,777)	**(795)**	(5,743)
	215,670	268,227	**214,219**	249,259

41 TAXATION

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax based on profit for the financial year:					
– Malaysian income tax		**590,860**	536,163	**413,689**	367,804
– Overseas tax		**13,172**	15,014	**2,131**	2,038
Deferred tax	13	**18,844**	11,482	**19,349**	15,507
		622,876	562,659	**435,169**	385,349
Overprovision in respect of prior financial years		**(20,784)**	(18,406)	**(20,495)**	(34,276)
		602,092	544,253	**414,674**	351,073

41 TAXATION (CONTINUED)

The numerical reconciliation between the applicable statutory income tax rate and the effective income tax rate of the Group and the Bank are as below:

	Group		Bank	
	2017 %	**2016 %**	**2017 %**	**2016 %**
Tax at Malaysian statutory tax rate	**24.0**	24.0	**24.0**	24.0
Tax effects in respect of:				
Effects of different tax rate in Labuan/other countries	**(0.4)**	(0.8)	**–**	–
Non-taxable income	**(2.2)**	(0.8)	**(1.7)**	(1.8)
Non-allowable expenses	**2.9**	2.2	**1.1**	1.4
Temporary differences not recognised in prior financial years	**–**	0.6	**0.1**	0.9
Overprovision in respect of prior financial years	**(0.8)**	(0.8)	**(1.1)**	(2.2)
	23.5	24.4	**22.4**	22.3

42 EARNINGS PER SHARE ('EPS')

(a) Basic earnings per share

Basic EPS is calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2017	**2016**
Net profit attributable to equity holders (RM'000)	**1,950,145**	1,681,624
Weighted average number of ordinary shares in issue ('000)	**4,010,045**	3,855,858
Basic earnings per share (sen)	**48.6**	43.6

(b) Diluted earnings per share

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

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

Attributable to equity holders of the Group:

	Group		
	Before tax RM'000	Tax benefits RM'000	Net of tax RM'000
2017			
Financial investments AFS			
– Net fair value gain and net amount transfer to income statements	**255,289**	**(59,919)**	**195,370**
Actuarial gain on defined benefit plan of subsidiaries	**882**	**(157)**	**725**
	256,171	**(60,076)**	**196,095**
2016			
Financial investments AFS			
– Net fair value loss and net amount transfer to income statements	(52,215)	6,442	(45,773)
Actuarial loss on defined benefit plan of subsidiaries	(1,600)	312	(1,288)
	(53,815)	6,754	(47,061)

Attributable to equity holders of the Bank:

	Bank		
	Before tax RM'000	Tax benefits RM'000	Net of tax RM'000
2017			
Financial investments AFS			
– Net fair value gain and net amount transfer to income statements	**204,284**	**(51,603)**	**152,681**
2016			
Financial investments AFS			
– Net fair value loss and net amount transfer to income statements	(52,961)	12,710	(40,251)

44 ORDINARY DIVIDENDS

Dividends declared or proposed are as follows:

	Group and Bank			
	2017		2016	
	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
Ordinary shares:				
Interim dividend	**5.00**	**200,502**	5.00	200,502
Final dividend	**10.00**	**401,005**	7.00	280,703
	15.00	**601,507**	12.00	481,205

At the forthcoming Annual General Meeting, a single-tier final dividend in respect of the current financial year of 10.00 sen per share amounting to RM401,005,000 will be proposed for shareholders' approval. The single-tier final dividend was approved by the Board of Directors on 24 January 2018.

The financial statements for the current financial year do not reflect this single-tier final dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

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

	Group and Bank			
	2017		2016	
	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
Ordinary shares				
Interim dividend – 2017	**5.00**	**200,502**	–	–
Final dividend – 2016	**7.00**	**280,703**	–	–
Interim dividend – 2016	**–**	**–**	5.00	200,502
Interim dividend – 2015	**–**	**–**	16.3267	565,000
	12.00	**481,205**	21.3267	765,502

45 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 financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Direct credit substitutes	**1,713,757**	1,958,320	**1,691,694**	2,308,064
Transaction-related contingent items	**5,241,528**	4,974,915	**4,997,587**	4,527,903
Short term self-liquidating trade-related contingencies	**1,062,958**	965,839	**975,179**	955,407
Obligations under underwriting agreements	**–**	76,000	**–**	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	**629,085**	307,856	**1,657,649**	2,743,442
Irrevocable commitments to extend credit:				
– Maturity not exceeding one year	**2,215,137**	2,821,168	**548,057**	641,526
– Maturity exceeding one year	**28,020,104**	22,964,647	**20,464,906**	17,546,299
Foreign exchange related contracts^:				
– Less than one year	**72,013,970**	93,465,618	**73,557,981**	93,922,890
– One year to less than five years	**5,284,174**	7,442,666	**6,262,028**	7,442,666
– More than five years	**2,613,222**	1,175,060	**2,721,200**	1,175,060
Equity related contracts^:				
– Less than one year	**7,262**	14,368	**–**	–
Interest rate related contracts^:				
– Less than one year	**10,804,368**	11,067,109	**11,724,368**	11,292,108
– One year to less than five years	**15,171,523**	26,387,742	**15,596,523**	28,347,742
– More than five years	**11,825,636**	3,500,545	**11,825,636**	3,500,545
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	**15,622,899**	19,068,447	**13,355,680**	16,332,017
	172,225,623	196,190,300	**165,378,488**	190,735,669

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

45 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Corporate guarantee provided to licensed banks for facilities granted to subsidiaries	**–**	390,957	**–**	362,037
Corporate guarantee issued in favour of Monetary Authority of Singapore in relation to undertaking of subsidiaries	**151,450**	155,302	**–**	–
Corporate guarantee issued in favour of the Stock Exchange of Thailand in relation to a derivative warrant programme of a subsidiary	**133**	–	**–**	–
	151,583	546,259	**–**	362,037

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

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

46 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Rental of premises:				
– Within one year	**99,945**	86,888	**53,268**	48,355
– Between one to five years	**81,232**	100,891	**38,590**	48,708
– More than five years	**304**	913	**–**	352
	181,481	188,692	**91,858**	97,415

47 CAPITAL COMMITMENTS

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Authorised and contracted for:				
– Property, plant and equipment	**433,157**	223,849	**399,518**	188,126
– Investment securities	**40,905**	305,767	**–**	–
	474,062	529,616	**399,518**	188,126

48 RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

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

Related parties	**Relationship**
Employees Provident Fund ('EPF')	Substantial shareholder, a fund body that is significantly influenced by the government
Subsidiaries, associates and joint ventures of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Bank as disclosed in Note 14	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of: – All Directors of the Bank and its key subsidiaries; and – Members of the Group Management Committee ('GMC')
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel; and (ii) Entities that are controlled, jointly controlled or significantly influenced, by or for which voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Notes 10 and 24, set out below are other significant related party transactions and balances.

Other related parties of the Bank comprise of transactions or balances with the Bank's subsidiaries.

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

48 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2017		2016	
Group	**Key management personnel RM'000**	**EPF and EPF Group of companies RM'000**	**Key management personnel RM'000**	**EPF and EPF Group of companies RM'000**
Income				
Interest on loans, advances and financing	**572**	**17,828**	477	49,866
Interest on financial investments AFS	**–**	**18,372**	–	20,584
Interest on financial investments HTM	**–**	**5,838**	–	4,837
Fee income	**371**	**8,284**	560	11,998
Insurance premium	**153**	**19,339**	–	32,789
Brokerage income	**113**	**14,532**	294	9,832
Other income	**1**	**141**	55	122
	1,210	**84,334**	1,386	130,028
Expenses				
Interest expense on deposits and placements	**36**	**1,616**	373	–
Interest on deposits from customers	**282**	**3,442**	333	5,749
Marketing expenses	**–**	**–**	–	904
Rental of premises	**920**	**–**	9,098	–
Other expenses	**65**	**1,334**	–	16,041
	1,303	**6,392**	9,804	22,694
Amounts due from				
Loans, advances and financing	**13,979**	**792,394**	13,790	865,686
Clients' and brokers' balances	**101**	**94,255**	51	–
Financial investments AFS	**–**	**360,784**	–	445,405
Financial investments HTM	**–**	**213,775**	–	244,882
Other assets	**107**	**7,374**	317	2,621
	14,187	**1,468,582**	14,158	1,558,594
Amounts due to				
Deposits from customers	**31,501**	**441,186**	47,092	1,233,591
Clients' and brokers' balances	**327**	**24,290**	7	322
Other liabilities	**18**	**1,891**	17	9,346
	31,846	**467,367**	47,116	1,243,259

48 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2017			2016		
Bank	**Key management personnel RM'000**	**EPF and EPF Group of companies RM'000**	**Subsidiaries RM'000**	**Key management personnel RM'000**	**EPF and EPF Group of companies RM'000**	**Subsidiaries RM'000**
Income						
Interest on deposits and placements with other financial institutions	–	–	415,824	–	–	381,219
Interest on loans, advances and financing	422	114	2,301	365	19,129	1,539
Interest on financial investments AFS	–	15,211	–	–	14,026	–
Interest on financial investments HTM	–	5,838	4,097	–	4,837	–
Fee income	11	–	–	3	–	–
Other income	–	–	(30,436)	–	–	46,320
	433	21,163	391,786	368	37,992	429,078
Expenses						
Interest on deposits and placements of banks and other financial institutions	–	–	141,304	–	–	98,832
Interest on deposits from customers	182	2,167	9,072	207	270	9,360
Interest on Hybrid Tier-1 Capital Securities	–	–	339	–	–	339
Rental of premises	–	–	7,814	–	–	7,304
Management fee	–	–	9,047	–	–	9,191
Reimbursement of operating expenses from a subsidiary	–	–	(239,036)	–	–	(158,318)
Other expenses	–	–	96,835	–	–	67,779
	182	2,167	25,375	207	270	34,487
Amounts due from						
Money at call and deposit placements	–	–	1,889,469	–	–	2,486,465
Deposits and placements with banks and other financial institutions	–	–	11,232,377	–	–	9,539,848
Derivative assets	–	–	14,649	–	–	380,560
Loans, advances and financing	9,754	–	197,982	10,017	100,046	195,563
Financial investments AFS	–	315,570	–	–	339,666	–
Financial investments HTM	–	213,775	–	–	244,882	–
Other assets	–	–	313,202	–	–	852,123
	9,754	529,345	13,647,679	10,017	684,594	13,454,559

48 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Bank	2017 Key management personnel RM'000	2017 EPF and EPF Group of companies RM'000	2017 Subsidiaries RM'000	2016 Key management personnel RM'000	2016 EPF and EPF Group of companies RM'000	2016 Subsidiaries RM'000
Amounts due to						
Deposits from customers	**15,243**	**307,234**	**535,800**	24,598	719,555	599,212
Deposits and placements with banks and other financial institutions	**–**	**–**	**6,021,155**	–	–	6,167,043
Derivative liabilities	**–**	**–**	**321,562**	–	–	50,263
Other liabilities	**–**	**–**	**26,943**	–	–	1,724,038
Hybrid Tier-1 Capital Securities	**–**	**–**	**5,012**	–	–	5,012
Obligations on securities sold under repurchase agreements	**–**	**–**	**1,587,979**	–	–	2,353,950
	15,243	**307,234**	**8,498,451**	24,598	719,555	10,899,518

(c) Key management personnel

The remuneration of Directors and other members of key management are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Short term employee benefits:				
– Fees	**2,758**	3,227	**1,405**	1,314
– Salary and other remuneration	**28,528**	25,821	**18,133**	16,251
– Contribution to EPF	**3,140**	3,171	**2,466**	2,264
– Benefits-in-kind	**315**	454	**96**	102
	34,741	32,673	**22,100**	19,931

The above includes Directors' remuneration as disclosed in Note 38.

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Approved limit on loans, advances and financing for key management personnel	**28,308**	33,650	**16,729**	22,476

48 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Credit exposures arising from transactions with connected parties

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

	Group		Bank	
	2017	**2016**	**2017**	**2016**
Outstanding credit exposures with connected parties (RM'000)	**11,154,524**	7,094,156	**10,933,966**	8,472,131
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures (%)	**5.76**	3.78	**7.90**	6.02
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	**0.001**	0.29	**0.001**	0.24

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.

49 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined its Management Committee as its chief operating decision-maker.

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

(a) Group Retail Banking

Group Retail Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, non-residential mortgages, hire purchase, purchase of securities, credit cards and other personal loans and financing), remittances, deposits collection, investment related products, and general and takaful insurance products.

(b) Group Business Banking

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

49 SEGMENT REPORTING (CONTINUED)

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

(c) Group Wholesale Banking

(i) Group Corporate Banking and Group Investment Banking

Group Corporate Banking caters to funding or lending needs of corporate customers including public listed corporations and its related entities, multinational corporations (including Japanese), financial institutions and Government and state owned enterprises. Included under Group Corporate Banking are offshore banking activities carried out by RHB Bank (L) Ltd whose borrowings and lending facilities are offered in major currencies mainly to corporate customers.

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

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

(ii) Group Treasury and Global Markets

Group Treasury and Global Markets operations are involved in proprietary and non-proprietary trading in fixed income securities and foreign exchange, derivatives trading and structuring, managing customer-based foreign exchange and money market transactions, funding and investments in ringgit and foreign currencies for the Group, as well as funding center.

(d) Group International Business

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

(e) Support Center and Others

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

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

During the financial year, no one group of related customers accounted for more than 10% of the Group's revenue.

49 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis

2017	Group Retail Banking RM'000	Group Business Banking RM'000	GWB: Group CBIB RM'000	GWB: Group Treasury and Global Markets RM'000	Group International Business RM'000	Support Center and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
External revenue	2,428,025	1,016,584	1,494,153	1,327,854	537,879	(417,752)	–	6,386,743
Inter-segment revenue	14,782	–	65,851	(52,102)	6,317	17,327	(52,175)	–
Segment revenue	2,442,807	1,016,584	1,560,004	1,275,752	544,196	(400,425)	(52,175)	6,386,743
Other operating expenses	(1,272,820)	(533,376)	(910,279)	(125,301)	(382,884)	(14,064)	52,175	(3,186,549)
Including:								
Depreciation of property, plant and equipment	(62,720)	(12,864)	(26,115)	(1,964)	(15,379)	(300)	–	(119,342)
Amortisation of intangible assets	(36,177)	(15,921)	(17,128)	(3,933)	(7,844)	(6)	–	(81,009)
Allowance for impairment on loans, financing and other losses	(80,048)	(90,718)	(78,416)	17,371	(198,291)	3,319	–	(426,783)
Impairment losses (made)/written back on other assets	–	–	(994)	(2,552)	(212,460)	336	–	(215,670)
Segment profit/(loss)	1,089,939	392,490	570,315	1,165,270	(249,439)	(410,834)	–	2,557,741
Share of results of joint ventures								391
Profit before taxation								2,558,132
Taxation								(602,092)
Net profit for the financial year								1,956,040

49 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

2017	Group Retail Banking RM'000	Group Business Banking RM'000	GWB: Group CBIB RM'000	GWB: Group Treasury and Global Markets RM'000	Group International Business RM'000	Support Center and Others RM'000	Total RM'000
Segment assets	78,901,011	24,134,440	59,842,186	40,599,762	25,643,884	468,183	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							230,209,926
Segment liabilities	48,769,609	22,809,848	62,109,781	43,540,492	20,869,184	21,514	198,120,428
Tax liabilities							33,531
Deferred tax liabilities							19,698
Borrowings							1,153,719
Subordinated obligations							3,748,294
Hybrid Tier-1 Capital Securities							602,666
Senior debt securities							3,252,581
Unallocated liabilities							94,581
Total liabilities							207,025,498
Other segment items:							
Capital expenditure	138,717	56,203	39,275	9,287	34,407	3,704	281,593

49 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

2016	Group Retail Banking RM'000	Group Business Banking RM'000	GWB: Group CBIB RM'000	GWB: Group Treasury and Global Markets RM'000	Group International Business RM'000	Support Center and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
External revenue	2,441,235	970,299	1,537,835	1,060,604	599,525	(419,555)	–	6,189,943
Inter-segment revenue	36,977	–	74,968	(52,615)	12,187	20	(71,537)	–
Segment revenue	2,478,212	970,299	1,612,803	1,007,989	611,712	(419,535)	(71,537)	6,189,943
Other operating expenses	(1,269,503)	(481,707)	(906,413)	(106,064)	(373,404)	(29,883)	71,537	(3,095,437)
Including:								
Depreciation of property, plant and equipment	(63,767)	(11,747)	(27,721)	(2,327)	(14,050)	(307)	–	(119,919)
Amortisation of intangible assets	(27,107)	(13,641)	(17,198)	(4,497)	(6,638)	–	–	(69,081)
Allowance for impairment on loans, financing and other losses	(150,518)	(41,970)	(173,542)	(14,072)	(218,228)	3,168	–	(595,162)
Impairment losses made on other assets	–	–	(7,042)	(5,933)	(253,082)	(2,170)	–	(268,227)
Segment profit/(loss)	1,058,191	446,622	525,806	881,920	(233,002)	(448,420)	–	2,231,117
Share of results of joint ventures								724
Profit before taxation								2,231,841
Taxation								(544,253)
Net profit for the financial year								1,687,588

49 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

			GWB				
2016	**Group Retail Banking RM'000**	**Group Business Banking RM'000**	**Group CBIB RM'000**	**Group Treasury and Global Markets RM'000**	**Group International Business RM'000**	**Support Center and Others RM'000**	**Total RM'000**
Segment assets	72,066,503	22,272,314	59,336,499	51,192,526	30,132,007	714,426	235,714,275
Investments in associates and joint ventures							49,537
Tax recoverable							246,895
Deferred tax assets							100,611
Unallocated assets							567,511
Total assets							236,678,829
Segment liabilities	45,139,824	22,611,713	57,013,031	52,719,015	24,084,365	73,379	201,641,327
Tax liabilities							57,329
Deferred tax liabilities							3,194
Borrowings							972,030
Subordinated obligations							5,543,358
Hybrid Tier-1 Capital Securities							602,143
Senior debt securities							5,856,389
Unallocated liabilities							229,192
Total liabilities							214,904,962
Other segment items:							
Capital expenditure	116,833	56,476	49,814	7,221	20,349	7,778	258,471

(b) The following geographical information is prepared based on the location of the assets:

	Revenue RM'000	**Segment assets RM'000**	**Capital expenditure RM'000**
2017			
Malaysia	**5,523,866**	**202,616,781**	**240,460**
Outside Malaysia	**862,877**	**27,593,145**	**41,133**
	6,386,743	**230,209,926**	**281,593**
2016			
Malaysia	5,213,238	203,569,448	234,261
Outside Malaysia	976,705	33,109,381	24,210
	6,189,943	236,678,829	258,471

50 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, a wholly owned subsidiary of the Bank is subject to National Bank of Cambodia's capital adequacy requirements.

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

	Group		Bank@	
	2017 RM'000	2016 RM'000	2017 RM'000	Restated 2016 RM'000
Common Equity Tier I ('CET I')/Tier I Capital				
Share capital	**6,994,103**	4,010,045	**6,994,103**	4,010,045
Share premium	**–**	2,984,058	**–**	2,984,058
Retained profits	**13,249,895**	7,987,701	**11,019,987**	7,228,090
Other reserves	**667,019**	5,857,844	**450,926**	4,399,075
AFS reserves	**275,224**	82,091	**272,449**	115,361
	21,186,241	20,921,739	**18,737,465**	18,736,629
Less:				
Goodwill	**(2,633,383)**	(2,633,383)	**(1,651,542)**	(1,651,542)
Intangible assets (include associated deferred tax liabilities)	**(447,837)**	(370,192)	**(390,769)**	(316,088)
Deferred tax assets	**(44,629)**	(120,584)	**(10,542)**	(77,557)
55% of cumulative gains arising from change in value of AFS instruments	**(151,373)**	(45,150)	**(149,847)**	(63,449)
Shortfall of eligible provisions to expected losses under the Internal Rating-Based ('IRB') approach	**–**	(308,827)	**–**	(296,432)
Investments in subsidiaries*	**(120,542)**	(91,176)	**(3,436,416)**	(3,084,205)
Other deductions#	**(35,272)**	(85,550)	**(30,965)**	(82,630)
Total CET I Capital	**17,753,205**	17,266,877	**13,067,384**	13,164,726
Hybrid Tier-1 Capital Securities**	**300,000**	360,000	**300,000**	360,000
Qualifying non-controlling interests recognised as Tier I Capital	**20,207**	11,677	**–**	–
Total Tier I Capital	**18,073,412**	17,638,554	**13,367,384**	13,524,726
Tier II Capital				
Subordinated obligations subject to gradual phase out treatment***	**300,000**	2,400,000	**300,000**	2,400,000
Subordinated obligations meeting all relevant criteria	**2,249,028**	1,499,641	**2,249,028**	1,499,641
Qualifying capital instruments of a subsidiary issued to third parties+	**385,523**	539,456	**–**	–
Surplus eligible provisions over expected losses	**457,989**	–	**376,282**	–
Collective impairment allowance and regulatory reserves^	**399,560**	533,379	**284,839**	277,942
	3,792,100	4,972,476	**3,210,149**	4,177,583
Less:				
Investments in subsidiaries*	**(30,135)**	(60,783)	**(859,104)**	(2,056,137)
Total Tier II Capital	**3,761,965**	4,911,693	**2,351,045**	2,121,446
Total Capital	**21,835,377**	22,550,247	**15,718,429**	15,646,172

50 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	Group		Bank@	
	2017	2016	2017	Restated 2016
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	**14.228%**	13.328%	**13.523%**	12.586%
Tier I Capital Ratio	**14.485%**	13.614%	**13.833%**	12.930%
Total Capital Ratio	**17.500%**	17.406%	**16.266%**	14.959%
After proposed dividends:				
CET I Capital Ratio	**13.907%**	13.111%	**13.108%**	12.318%
Tier I Capital Ratio	**14.164%**	13.398%	**13.418%**	12.662%
Total Capital Ratio	**17.179%**	17.189%	**15.851%**	14.690%

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

* Investments in subsidiaries are subject to the gradual deduction in the calculation under CET I Capital effective from 1 January 2014 as prescribed under paragraph 37.11 of the BNM's Capital Adequacy Framework (Capital Components).

Pursuant to Basel II Market Risk para 5.19 & 5.20 – Valuation Adjustments, the Capital Adequacy Framework (Basel II – RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

** Hybrid Tier-1 Capital Securities that are recognised as Tier I capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Capital Adequacy Framework (Capital Components).

*** Subordinated obligations that are recognised as Tier II capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Capital Adequacy Framework (Capital Components).

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

^ Excludes collective impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on 'Classification and Impairment Provisions for Loans/Financing'.

Includes the qualifying regulatory reserves under the Standardised Approach for non-impaired loans of the Group and the Bank of RM268,407,000 (2016: RM283,467,000) and RM202,172,000 (Restated 2016: RM165,720,000) respectively.

50 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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
CET I/Tier I Capital				
Share capital	**1,273,424**	1,273,424	**1,487,773**	818,646
Share premium	**–**	–	**–**	1,515,150
Retained profits	**1,787,323**	766,058	**883,218**	351,586
Other reserves	**–**	762,388	**–**	449,208
AFS reserves	**(15,929)**	(31,944)	**26,120**	7,850
	3,044,818	2,769,926	**2,397,111**	3,142,440
Less:				
Goodwill	**–**	–	**(372,395)**	(1,118,418)
Investments in subsidiaries, associates and joint ventures*	**–**	–	**(1,199,358)**	(915,469)
Intangible assets (include associated deferred tax liabilities)	**(4,412)**	–	**(27,700)**	(27,086)
Deferred tax assets	**(17,140)**	(25,748)	**(1,180)**	(7,919)
55% of cumulative gains arising from change in value of AFS instruments	**–**	–	**(14,366)**	(4,318)
Reduction in excess of Tier II Capital due to insufficient Tier II Capital+	**–**	–	**–**	(151,853)
Other deductions#	**(4,296)**	(2,891)	**(12)**	(29)
Total CET I Capital/Total Tier I Capital	**3,018,970**	2,741,287	**782,100**	917,348
Tier II Capital				
Subordinated sukuk	**750,000**	500,000	**–**	–
Subordinated obligations subject to gradual phase out treatment**	**–**	–	**–**	245,000
Subordinated obligations meeting all relevant criteria	**–**	–	**400,000**	200,000
Collective impairment allowance and regulatory reserves^	**343,212**	290,408	**8,987**	13,460
	1,093,212	790,408	**408,987**	458,460
Less:				
Investments in subsidiaries, associates and joint ventures*	**–**	–	**(299,839)**	(458,460)
Total Tier II Capital	**1,093,212**	790,408	**109,148**	–
Total Capital	**4,112,182**	3,531,695	**891,248**	917,348

50 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Islamic Bank		RHB Investment Bank	
	2017	**2016**	**2017**	**2016**
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	**10.376%**	10.868%	**34.995%**	29.623%
Tier I Capital Ratio	**10.376%**	10.868%	**34.995%**	29.623%
Total Capital Ratio	**14.134%**	14.002%	**39.878%**	29.623%
After proposed dividends:				
CET I Capital Ratio	**10.376%**	10.868%	**34.995%**	29.623%
Tier I Capital Ratio	**10.376%**	10.868%	**34.995%**	29.623%
Total Capital Ratio	**14.134%**	14.002%	**39.878%**	29.623%

* Investments in subsidiaries are subject to the gradual deduction in the calculation under CET I Capital effective from 1 January 2014 as prescribed under paragraph 37.11 of the BNM's Capital Adequacy Framework (Capital Components).

\+ The remaining portion of regulatory adjustments not deducted in the calculation of Tier II capital shall be deducted in the next higher tier of capital as prescribed under paragraph 31.1 of the BNM's Capital Adequacy Framework (Capital Components).

\# Pursuant to Basel II Market Risk para 5.19 & 5.20 – Valuation Adjustments, the Capital Adequacy Framework (Basel II – RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

** Subordinated obligations that are recognised as Tier II capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Capital Adequacy Framework (Capital Components).

^ Excludes collective impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on 'Classification and Impairment Provisions for Loans/Financing'.

Includes the qualifying regulatory reserves under the Standardised Approach for non-impaired loans and financing of RHB Islamic Bank and RHB Investment Bank of RM204,312,000 (2016: RM158,516,000) and RM8,987,000 (2016: RM13,008,000) respectively.

50 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	Group RM'000	Bank@ RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
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	**124,773,030**	**96,634,098**	**29,095,128**	**2,234,920**

	Group RM'000	Restated Bank@ RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
2016				
Credit risk	113,882,724	92,579,559	23,958,399	1,269,201
Market risk	4,846,916	3,733,756	63,426	676,232
Operational risk	10,828,115	8,283,570	1,200,381	1,151,279
Total risk-weighted assets	129,557,755	104,596,885	25,222,206	3,096,712

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

The total risk-weighted assets of the Group and the 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).

50 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	2017	**2016**
Before proposed dividends:		
Core capital ratio	**#**	#
Solvency ratio	**18.686%**	17.002%
After proposed dividends:		
Core capital ratio	**#**	#
Solvency ratio	**18.686%**	17.002%

The Solvency Ratio of RHB Indochina Bank is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as RHB Indochina Bank's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15%.

No equivalent ratio in Cambodia.

51 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

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

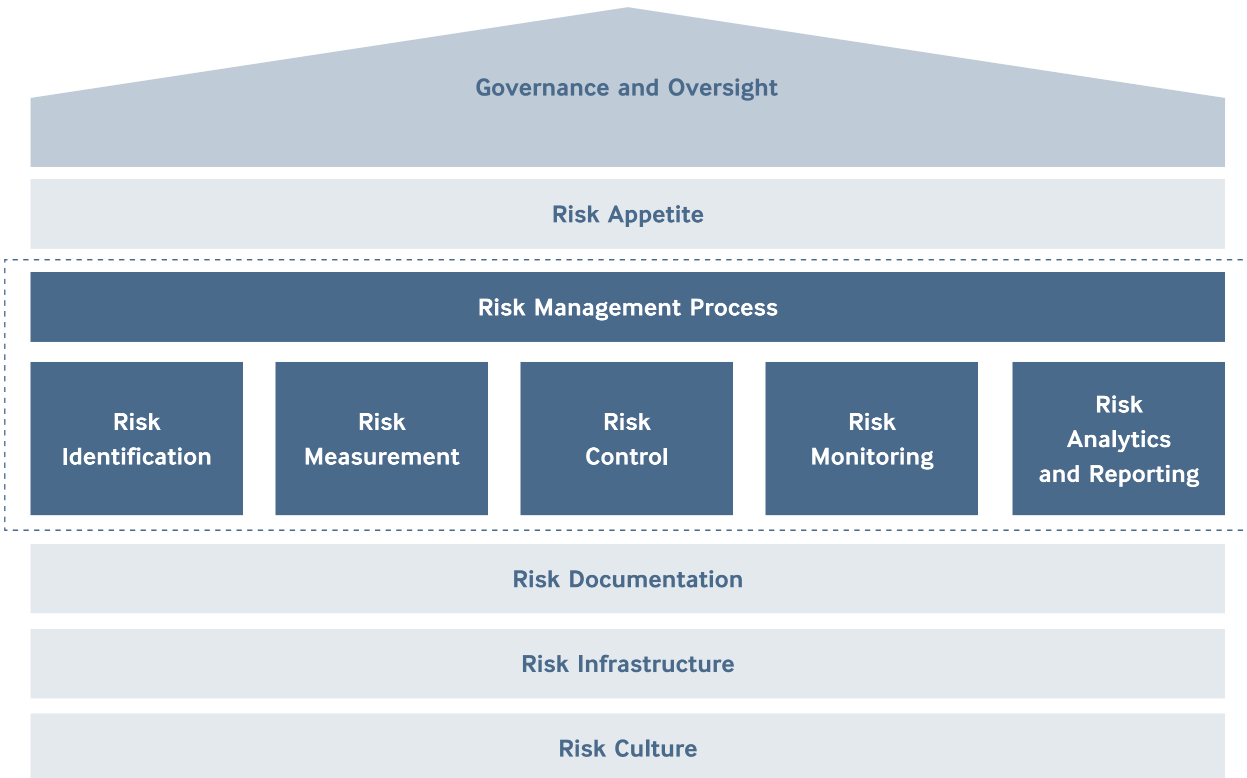
Effective risk management is fundamental to being able to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

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

1. It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.

2. It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

The Group Risk Management Framework is represented in the following diagram:



51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

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

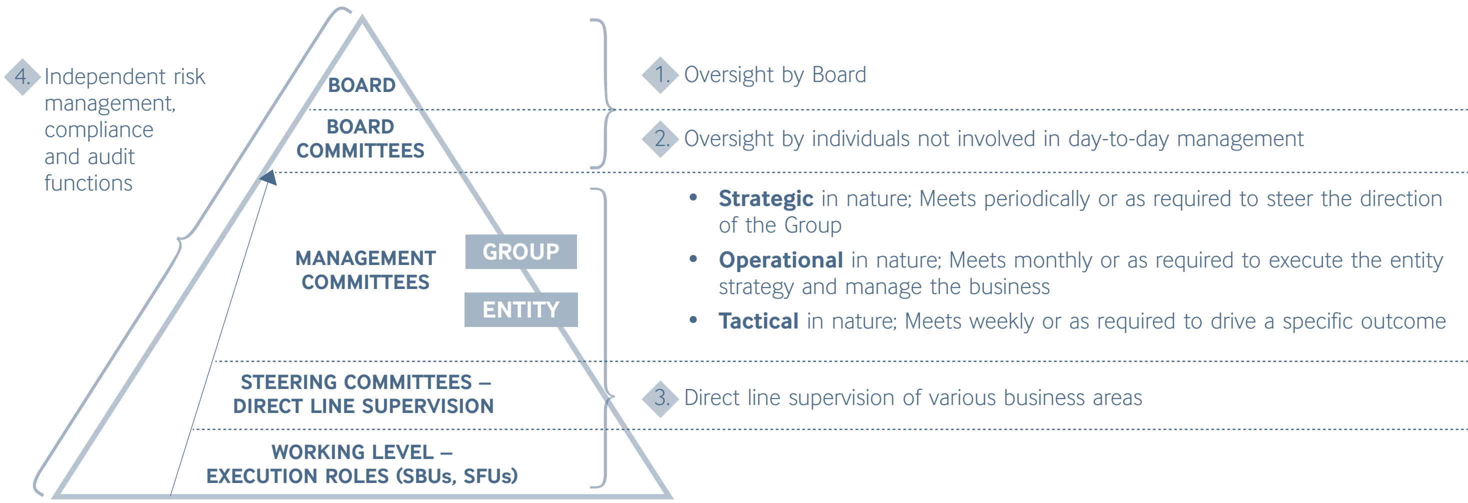
1. Risk governance from the Boards of Directors of various operating entities within the Group

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

   Risk Governance and Organisation

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

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



51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

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

Risk Culture

2. Clear understanding of risk management ownership

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Group. The Group adopts the principle that 'Risk and Compliance is Everyone's Responsibility'.

The Strategic Business Groups ('SBGs') and Strategic Functional Groups ('SFGs') of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risks. The business units manage certain defined risks supported by the services provided by the functional units, including the risk management function. The approach is based on the 'three lines of defence' model as depicted below:

FIRST LINE **Business/Functional Level**	• Responsible for managing day-to-day operational risks and compliance issues • Business Risk and Compliance Officer is to assist business/functional unit in day-to-day risks and compliance matters
SECOND LINE **Group Risk Management & Group Compliance**	• Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters
THIRD LINE **Group Internal Audit**	• Provide independent assurance to the Board that risk and compliance management functions effectively as designed

Risk Environment and Infrastructure

3. Institutionalisation of a risk-focused organisation

In addition to risk ownership, a risk-focused culture is promoted throughout the Group through strengthening of the central risk management functions and continuous reinforcement of a risk and control environment within the Group. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits.

Group Risk and Credit Management is independent of the business function to ensure that the necessary balance in risk/return decisions is not compromised by short term pressures to generate revenues. The said function is headed by the Group Chief Risk Officer.

The business and functional heads are accountable for risk management in their businesses and functions, and for overseas operations where they have governance responsibilities. The business and functional units have clear segregation of duties to ensure that business processes are functioning effectively. There is accountability delegated to the appropriate authority to enable them to execute their respective authorities in meeting the business strategies without compromising the risk management process.

The primary responsibility for managing risks, therefore, rests with the business managers who are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

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

Risk Environment and Infrastructure (continued)

3. Institutionalisation of a risk-focused organisation (continued)

The risk management processes within the Group seek to identify, measure, monitor and control risk so that risk exposures are adequately managed and the expected returns adequately compensate the risks.

- Identification: The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate and ensure that the risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary.
- Measurement: Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency.
- Controlling and Monitoring: Controls, triggers and limits are used to manage risk exposures and to facilitate early identification of potential problem on a timely basis.
- Analytics and Reporting: Risk analysis and reports prepared at the respective entities and consolidated level as well as business level are regularly escalated to the senior management and relevant Boards to ensure that the risks remain within the established appetite and to support an informed decision-making process.

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation and infrastructure. Towards this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are implemented consistently across the Group.

In terms of risk infrastructure, the Group has organised its resources and talents into specific functions, and invested into technology, including data management to support the Group's risk management activities.

Risk Appetite

4. Alignment of risk management to business strategies

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

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

5. Optimisation of risk-adjusted return

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

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

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

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

Major Areas of Risk

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

(i) Market risk – the risk of loss arising from adverse movements in market indicators, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices.

(ii) Liquidity risk – the risk of the Group and the Bank being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.

(iii) Credit risk – the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's and the Bank's lending/financing, trade finance and its funding, investment and trading activities from both on- and off-balance sheet transactions.

(iv) Operational risk – the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk.

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

Market Risk

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

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

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

Liquidity Risk

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

Credit Risk

- The Group and the Bank abide to the Board approved credit policy which supports the development of a strong credit culture and with the objective of maintaining a well-diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses.
- Industry best practices are incorporated into this policy.
- Group Credit Committee ('GCC') is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. GCC is the senior management committee empowered to approve or reject all financial investments, counterparty credit and lending/financing up to the defined threshold limits.
- Group Investment Underwriting Committee ('GIUC') deliberates, approves and rejects stockbroking/equities/futures business related proposals such as equity underwriting, equity derivatives and structured products, and share margin financing.
- GCC and GIUC submit to the Board Credit Committee ('BCC') for affirmation or veto if the financing facilities exceed a pre-defined threshold.
- The Group and the Bank also ensure that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated prior to submission to the relevant committees for approval. With the exception of credit applications for consumer and approved products under program lending/financing which can be approved by business units' supervisors, all other credit facilities are subject to independent assessment by a team of dedicated and experienced credit evaluators in Head Office. For proper checks and controls, joint approval is required for all discretionary lending between business and independent credit underwriters. Loans/financing which are beyond the delegated lending authority limits will be escalated to the relevant committees for approval.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

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

Credit Risk (continued)

- Internal credit rating models are an integral part of the Group's and the Bank's credit risk management, decision-making process, and regulatory capital calculations.
- Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.
- Counterparty, industry and product exposure limits/directions are set and risk reward relationships are mapped with the aim of maintaining a diverse credit profile and track the changing risk concentrations in response to market changes and external events.
- The Bank has obtained BNM's approval to apply the Internal Ratings-Based ('IRB') approach for credit risk, whereby more advanced Basel II approaches and key program components are implemented, which includes (i) enhancing the returns of the Bank using established credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit grading models for business loans/financing, and (iii) designing and implementing modelling of expected and unexpected losses.
- Plans are underway to migrate other material portfolios to the IRB approach for credit risk.

Operational Risk

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

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category

Group 2017	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
ASSETS					
Cash and short term funds	9,951,878	–	–	–	9,951,878
Deposits and placements with banks and other financial institutions	1,161,601	–	–	–	1,161,601
Financial assets FVTPL	–	2,564,269	–	–	2,564,269
Financial investments AFS	–	–	25,816,616	–	25,816,616
Financial investments HTM	–	–	–	19,045,943	19,045,943
Loans, advances and financing	158,301,463	–	–	–	158,301,463
Clients' and brokers' balances	1,599,594	–	–	–	1,599,594
Other financial assets	755,025	–	–	–	755,025
Derivative assets	–	1,826,667	–	–	1,826,667
	171,769,561	4,390,936	25,816,616	19,045,943	221,023,056

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	166,157,751	166,157,751
Deposits and placements of banks and other financial institutions	–	21,787,017	21,787,017
Obligations on securities sold under repurchase agreements	–	604,163	604,163
Bills and acceptances payables	–	302,152	302,152
Clients' and brokers' balances	–	1,369,395	1,369,395
Other financial liabilities	–	2,253,247	2,253,247
Derivative liabilities	2,551,504	–	2,551,504
Recourse obligation on loans sold to Cagamas	–	1,729,606	1,729,606
Borrowings	–	1,153,719	1,153,719
Subordinated obligations	–	3,748,294	3,748,294
Hybrid Tier-1 Capital Securities	–	602,666	602,666
Senior debt securities	–	3,252,581	3,252,581
	2,551,504	202,960,591	205,512,095

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (continued)

Group 2016	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
ASSETS					
Cash and short term funds	14,682,943	–	–	–	14,682,943
Securities purchased under resale agreements	1,303,589	–	–	–	1,303,589
Deposits and placements with banks and other financial institutions	1,362,448	–	–	–	1,362,448
Financial assets FVTPL	–	2,324,723	–	–	2,324,723
Financial investments AFS	–	–	25,109,662	–	25,109,662
Financial investments HTM	–	–	–	21,365,103	21,365,103
Loans, advances and financing	152,350,304	–	–	–	152,350,304
Clients' and brokers' balances	2,090,783	–	–	–	2,090,783
Other financial assets	2,357,234	–	–	–	2,357,234
Derivative assets	–	4,075,418	–	–	4,075,418
	174,147,301	6,400,141	25,109,662	21,365,103	227,022,207

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	165,636,253	165,636,253
Deposits and placements of banks and other financial institutions	–	22,700,616	22,700,616
Obligations on securities sold under repurchase agreements	–	362,706	362,706
Bills and acceptances payables	–	476,300	476,300
Clients' and brokers' balances	–	1,743,242	1,743,242
Other financial liabilities	–	2,287,948	2,287,948
Derivative liabilities	3,679,020	–	3,679,020
Recourse obligation on loans sold to Cagamas	–	3,554,053	3,554,053
Borrowings	–	972,030	972,030
Subordinated obligations	–	5,543,358	5,543,358
Hybrid Tier-1 Capital Securities	–	602,143	602,143
Senior debt securities	–	5,856,389	5,856,389
	3,679,020	209,735,038	213,414,058

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (continued)

Bank 2017	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
ASSETS					
Cash and short term funds	7,614,663	–	–	–	7,614,663
Deposits and placements with banks and other financial institutions	11,275,105	–	–	–	11,275,105
Financial assets FVTPL	–	828,006	–	–	828,006
Financial investments AFS	–	–	21,427,655	–	21,427,655
Financial investments HTM	–	–	–	14,496,205	14,496,205
Loans, advances and financing	109,530,317	–	–	–	109,530,317
Other financial assets	584,214	–	–	–	584,214
Derivative assets	–	1,834,676	–	–	1,834,676
	129,004,299	2,662,682	21,427,655	14,496,205	167,590,841

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	120,732,215	120,732,215
Deposits and placements of banks and other financial institutions	–	22,536,941	22,536,941
Obligations on securities sold under repurchase agreements	–	1,587,979	1,587,979
Bills and acceptances payables	–	286,751	286,751
Other financial liabilities	–	1,333,666	1,333,666
Derivative liabilities	2,513,980	–	2,513,980
Recourse obligation on loans sold to Cagamas	–	1,729,606	1,729,606
Borrowings	–	978,068	978,068
Subordinated obligations	–	2,588,638	2,588,638
Hybrid Tier-1 Capital Securities	–	607,678	607,678
Senior debt securities	–	3,252,581	3,252,581
	2,513,980	155,634,123	158,148,103

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (continued)

Bank Restated 2016	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
ASSETS					
Cash and short term funds	12,430,270	–	–	–	12,430,270
Securities purchased under resale agreements	1,289,891	–	–	–	1,289,891
Deposits and placements with banks and other financial institutions	9,641,121	–	–	–	9,641,121
Financial assets FVTPL	–	1,112,252	–	–	1,112,252
Financial investments AFS	–	–	20,527,252	–	20,527,252
Financial investments HTM	–	–	–	18,032,412	18,032,412
Loans, advances and financing	111,959,491	–	–	–	111,959,491
Other financial assets	2,735,224	–	–	–	2,735,224
Derivative assets	–	4,096,153	–	–	4,096,153
	138,055,997	5,208,405	20,527,252	18,032,412	181,824,066

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	127,585,747	127,585,747
Deposits and placements of banks and other financial institutions	–	22,686,846	22,686,846
Obligations on securities sold under repurchase agreements	–	2,716,656	2,716,656
Bills and acceptances payables	–	286,318	286,318
Other financial liabilities	–	3,286,154	3,286,154
Derivative liabilities	3,671,822	–	3,671,822
Recourse obligation on loans sold to Cagamas	–	2,738,811	2,738,811
Borrowings	–	698,651	698,651
Subordinated obligations	–	4,592,576	4,592,576
Hybrid Tier-1 Capital Securities	–	607,155	607,155
Senior debt securities	–	5,856,389	5,856,389
	3,671,822	171,055,303	174,727,125

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest/profit rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank.

The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. The Group and the Bank seek to ensure that the interest/profit rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest/profit rate sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities:

	Group		Bank	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
2017				
+100 bps	**146,031**	**(773,749)**	**108,529**	**(639,044)**
-100 bps	**(140,586)**	**830,583**	**(104,227)**	**686,565**
2016				
+100 bps	76,127	(672,597)	76,564	(505,792)
-100 bps	(70,309)	726,242	(70,900)	545,113

The results above represent financial assets and liabilities that have been prepared on the following basis:

(a) Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest/profit rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short term interest/profit rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps (2016: 100 bps) interest/profit rate change impact. For assets and liabilities with non-fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest/profit bearing assets and liabilities.

(b) Impact on equity represents the changes in fair values of fixed income instruments held in the AFS portfolio arising from the shift in the interest/profit rate.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates (mainly consists of USD and SGD) on the consolidated currency position, while other variables remain constant.

	Group	Bank
	Impact on profit after tax RM'000	Impact on profit after tax RM'000
2017		
+10%	**26,699**	**9,642**
-10%	**(26,699)**	**(9,642)**
2016		
+10%	8,372	(29,402)
-10%	(8,372)	29,402

Impact on the profit after tax is estimated on the assumption that foreign exchange move by the same amount and all other variables are held constant and are based on a constant reporting date position.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates:

	← Non-trading book						→		
Group 2017	**Up to 1 month RM'000**	**>1 – 3 months RM'000**	**>3 – 6 months RM'000**	**>6 – 12 months RM'000**	**>1 – 3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
ASSETS									
Cash and short term funds	7,217,684	–	–	–	–	–	2,734,194	–	9,951,878
Deposits and placements with banks and other financial institutions	–	965,572	125,599	60,973	621	–	8,836	–	1,161,601
Financial assets FVTPL	–	–	–	–	–	–	–	2,564,269	2,564,269
Financial investments AFS	693,111	1,297,511	883,870	1,408,580	6,263,677	14,109,740	1,160,127#	–	25,816,616
Financial investments HTM	157,456	3,729,889	694,659	1,409,914	4,860,912	8,054,550	138,563#	–	19,045,943
Loans, advances and financing									
– performing	119,715,379	10,503,834	3,201,454	541,191	6,482,348	15,355,413	760,034	–	156,559,653
– impaired	–	–	–	–	–	–	1,741,810*	–	1,741,810
Clients' and brokers' balances	220,222	–	–	–	–	–	1,379,372	–	1,599,594
Reinsurance assets	–	–	–	–	–	–	482,760	–	482,760
Other assets	–	100	100	–	–	3,412	1,102,436	–	1,106,048
Derivative assets	–	–	–	–	–	–	–	1,826,667	1,826,667
Statutory deposits	–	–	–	–	–	–	4,001,002	–	4,001,002
Tax recoverable	–	–	–	–	–	–	115,874	–	115,874
Deferred tax assets	–	–	–	–	–	–	36,072	–	36,072
Investments in associates and joint ventures	–	–	–	–	–	–	48,253	–	48,253
Property, plant and equipment	–	–	–	–	–	–	1,013,710	–	1,013,710
Goodwill	–	–	–	–	–	–	2,649,307	–	2,649,307
Intangible assets	–	–	–	–	–	–	488,869	–	488,869
TOTAL ASSETS	128,003,852	16,496,906	4,905,682	3,420,658	17,607,558	37,523,115	17,861,219	4,390,936	230,209,926

\# Included impairment loss.

* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

	Non-trading book								
Group 2017	**Up to 1 month RM'000**	**>1 – 3 months RM'000**	**>3 – 6 months RM'000**	**>6 – 12 months RM'000**	**>1 – 3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
LIABILITIES									
Deposits from customers	56,951,286	28,097,887	32,084,700	20,303,029	433,603	12,816	28,274,430	–	166,157,751
Deposits and placements of banks and other financial institutions	8,561,011	8,964,024	2,958,012	324,083	228,293	678,035	73,559	–	21,787,017
Obligations on securities sold under repurchase agreements	603,909	–	–	–	–	–	254	–	604,163
Bills and acceptances payable	49,497	8,864	–	–	–	–	243,791	–	302,152
Clients' and brokers' balances	107,991	–	–	–	–	–	1,261,404	–	1,369,395
General insurance contract liabilities	–	–	–	–	–	–	998,310	–	998,310
Other liabilities	20,150	4,987	2,610	27,142	42,848	4,300	2,613,074	–	2,715,111
Derivative liabilities	–	–	–	1,588	1,493	–	–	2,548,423	2,551,504
Recourse obligation on loans sold to Cagamas	–	–	–	–	1,725,000	–	4,606	–	1,729,606
Tax liabilities	–	–	–	–	–	–	33,531	–	33,531
Deferred tax liabilities	–	–	–	–	–	–	19,698	–	19,698
Borrowings	175,576	20,233	25,291	109,722	820,600	–	2,297	–	1,153,719
Subordinated obligations	–	–	–	–	2,499,743	1,199,285	49,266	–	3,748,294
Hybrid Tier-1 Capital Securities	–	–	–	–	594,461	–	8,205	–	602,666
Senior debt securities	–	–	–	–	1,212,233	2,019,331	21,017	–	3,252,581
TOTAL LIABILITIES	66,469,420	37,095,995	35,070,613	20,765,564	7,558,274	3,913,767	33,603,442	2,548,423	207,025,498
Shareholders' funds	–	–	–	–	–	–	23,149,714	–	23,149,714
NCI	–	–	–	–	–	–	34,714	–	34,714
TOTAL LIABILITIES AND EQUITY	66,469,420	37,095,995	35,070,613	20,765,564	7,558,274	3,913,767	56,787,870	2,548,423	230,209,926
On-balance sheet interest sensitivity gap	61,534,432	(20,599,089)	(30,164,931)	(17,344,906)	10,049,284	33,609,348			
Off-balance sheet interest sensitivity gap	750,000	431,954	794,793	(306,754)	(1,053,710)	1,305,145			
TOTAL INTEREST SENSITIVITY GAP	62,284,432	(20,167,135)	(29,370,138)	(17,651,660)	8,995,574	34,914,493			

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

	Non-trading book								
Group 2016	**Up to 1 month RM'000**	**>1 – 3 months RM'000**	**>3 – 6 months RM'000**	**>6 – 12 months RM'000**	**>1 – 3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
ASSETS									
Cash and short term funds	11,663,100	–	–	–	–	–	3,019,843	–	14,682,943
Securities purchased under resale agreements	1,303,454	–	–	–	–	–	135	–	1,303,589
Deposits and placements with banks and other financial institutions	–	611,005	82,606	436,517	229,210	–	3,110	–	1,362,448
Financial assets FVTPL	–	–	–	–	–	–	–	2,324,723	2,324,723
Financial investments AFS	301,282	1,612,097	745,092	3,085,949	5,831,929	11,906,459	1,626,854#	–	25,109,662
Financial investments HTM	1,172,973	3,791,789	830,640	1,692,603	5,155,085	8,604,121	117,892#	–	21,365,103
Loans, advances and financing									
– performing	111,482,646	12,039,149	3,529,898	807,289	4,834,141	17,608,434	430,962	–	150,732,519
– impaired	–	–	–	–	–	–	1,617,785*	–	1,617,785
Clients' and brokers' balances	286,643	–	–	–	–	–	1,804,140	–	2,090,783
Reinsurance assets	–	–	–	–	–	–	378,311	–	378,311
Other assets	6,459	100	100	–	–	3,260	2,906,632	–	2,916,551
Derivative assets	–	–	–	–	–	–	–	4,075,418	4,075,418
Statutory deposits	–	–	–	–	–	–	4,241,509	–	4,241,509
Tax recoverable	–	–	–	–	–	–	246,895	–	246,895
Deferred tax assets	–	–	–	–	–	–	100,611	–	100,611
Investments in associates and joint ventures	–	–	–	–	–	–	49,537	–	49,537
Property, plant and equipment	–	–	–	–	–	–	1,032,131	–	1,032,131
Goodwill	–	–	–	–	–	–	2,649,307	–	2,649,307
Intangible assets	–	–	–	–	–	–	399,004	–	399,004
TOTAL ASSETS	**126,216,557**	**18,054,140**	**5,188,336**	**6,022,358**	**16,050,365**	**38,122,274**	**20,624,658**	**6,400,141**	**236,678,829**

\# Included impairment loss.

* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

	Non-trading book								
Group **2016**	**Up to 1 month** **RM'000**	**>1 – 3 months** **RM'000**	**>3 – 6 months** **RM'000**	**>6 – 12 months** **RM'000**	**>1 – 3 years** **RM'000**	**Over 3 years** **RM'000**	**Non-interest sensitive** **RM'000**	**Trading book** **RM'000**	**Total** **RM'000**
LIABILITIES									
Deposits from customers	64,026,586	32,114,572	24,324,441	20,522,786	546,463	27,711	24,073,694	–	165,636,253
Deposits and placements of banks and other financial institutions	6,332,802	8,269,009	6,373,419	1,217,104	282,448	220,070	5,764	–	22,700,616
Obligations on securities sold under repurchase agreements	296,216	–	–	–	–	–	66,490	–	362,706
Bills and acceptances payable	151,944	88,386	24,783	–	–	–	211,187	–	476,300
Clients' and brokers' balances	2,679	–	–	–	–	–	1,740,563	–	1,743,242
General insurance contract liabilities	–	–	–	–	–	–	872,183	–	872,183
Other liabilities	85,644	7,906	35,490	12,599	31,043	–	2,673,464	–	2,846,146
Derivative liabilities	–	–	–	–	3,730	–	–	3,675,290	3,679,020
Recourse obligation on loans sold to Cagamas	–	–	–	1,800,442	1,725,000	–	28,611	–	3,554,053
Tax liabilities	–	–	–	–	–	–	57,329	–	57,329
Deferred tax liabilities	–	–	–	–	–	–	3,194	–	3,194
Borrowings	273,379	116,010	28,033	144,042	408,848	–	1,718	–	972,030
Subordinated obligations	–	–	749,925	2,244,742	1,000,000	1,499,641	49,050	–	5,543,358
Hybrid Tier-1 Capital Securities	–	–	–	–	594,060	–	8,083	–	602,143
Senior debt securities	–	–	2,242,930	–	1,342,767	2,237,275	33,417	–	5,856,389
TOTAL LIABILITIES	71,169,250	40,595,883	33,779,021	25,941,715	5,934,359	3,984,697	29,824,747	3,675,290	214,904,962
Shareholders' funds	–	–	–	–	–	–	21,744,778	–	21,744,778
NCI	–	–	–	–	–	–	29,089	–	29,089
TOTAL LIABILITIES AND EQUITY	71,169,250	40,595,883	33,779,021	25,941,715	5,934,359	3,984,697	51,598,614	3,675,290	236,678,829
On-balance sheet interest sensitivity gap	55,047,307	(22,541,743)	(28,590,685)	(19,919,357)	10,116,006	34,137,577			
Off-balance sheet interest sensitivity gap	1,464,528	(288,800)	(54,932)	3,943,745	1,614,759	2,852,731			
TOTAL INTEREST SENSITIVITY GAP	56,511,835	(22,830,543)	(28,645,617)	(15,975,612)	11,730,765	36,990,308			

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates:

Bank 2017	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	← Non-trading book						→		
ASSETS									
Cash and short term funds	5,675,866	–	–	–	–	–	1,938,797	–	7,614,663
Deposits and placements with banks and other financial institutions	–	1,442,665	1,311,761	1,137,710	2,588,417	4,497,775	296,777	–	11,275,105
Financial assets FVTPL	–	–	–	–	–	–	–	828,006	828,006
Financial investments AFS	404,087	1,272,492	768,507	1,197,453	5,509,015	11,250,327	1,025,774#	–	21,427,655
Financial investments HTM	13,920	2,057,607	441,485	1,106,097	4,572,445	6,189,711	114,940#	–	14,496,205
Loans, advances and financing									
– performing	87,038,882	8,900,632	2,533,195	370,147	4,080,088	4,567,238	555,851	–	108,046,033
– impaired	–	–	–	–	–	–	1,484,284*	–	1,484,284
Other assets	–	–	–	–	–	–	906,895	–	906,895
Derivative assets	–	–	–	–	–	–	–	1,834,676	1,834,676
Statutory deposits	–	–	–	–	–	–	2,538,107	–	2,538,107
Tax recoverable	–	–	–	–	–	–	58,871	–	58,871
Investment in subsidiaries	–	–	–	–	–	–	4,495,837	–	4,495,837
Property, plant and equipment	–	–	–	–	–	–	756,434	–	756,434
Goodwill	–	–	–	–	–	–	1,651,542	–	1,651,542
Intangible assets	–	–	–	–	–	–	415,690	–	415,690
TOTAL ASSETS	93,132,755	13,673,396	5,054,948	3,811,407	16,749,965	26,505,051	16,239,799	2,662,682	177,830,003

\# Included impairment loss.

* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued):

	Non-trading book								
Bank 2017	**Up to 1 month RM'000**	**>1 – 3 months RM'000**	**>3 – 6 months RM'000**	**>6 – 12 months RM'000**	**>1 – 3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
LIABILITIES									
Deposits from customers	44,963,509	19,348,883	20,801,640	12,010,770	428,470	10,756	23,168,187	–	120,732,215
Deposits and placements of banks and other financial institutions	8,791,978	9,667,698	2,781,703	312,808	227,598	658,045	97,111	–	22,536,941
Obligations on securities sold under repurchase agreements	–	968,712	609,921	–	–	–	9,346	–	1,587,979
Bills and acceptances payable	49,497	2,679	–	–	–	–	234,575	–	286,751
Other liabilities	20,150	4,987	2,610	27,142	42,848	4,300	1,471,509	–	1,573,546
Derivative liabilities	–	–	–	792	1,493	–	–	2,511,695	2,513,980
Recourse obligation on loans sold to Cagamas	–	–	–	–	1,725,000	–	4,606	–	1,729,606
Deferred tax liabilities	–	–	–	–	–	–	14,467	–	14,467
Borrowings	–	20,233	25,291	109,722	820,600	–	2,222	–	978,068
Subordinated obligations	–	–	–	–	1,799,743	749,285	39,610	–	2,588,638
Hybrid Tier-1 Capital Securities	–	–	–	–	599,460	–	8,218	–	607,678
Senior debt securities	–	–	–	–	1,212,233	2,019,331	21,017	–	3,252,581
TOTAL LIABILITIES	53,825,134	30,013,192	24,221,165	12,461,234	6,857,445	3,441,717	25,070,868	2,511,695	158,402,450
Total equity	–	–	–	–	–	–	19,427,553	–	19,427,553
TOTAL LIABILITIES AND EQUITY	53,825,134	30,013,192	24,221,165	12,461,234	6,857,445	3,441,717	44,498,421	2,511,695	177,830,003
On-balance sheet interest sensitivity gap	39,307,621	(16,339,796)	(19,166,217)	(8,649,827)	9,892,520	23,063,334			
Off-balance sheet interest sensitivity gap	750,000	651,954	639,793	343,246	(628,710)	1,305,145			
TOTAL INTEREST SENSITIVITY GAP	40,057,621	(15,687,842)	(18,526,424)	(8,306,581)	9,263,810	24,368,479			

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued):

	Non-trading book								
Bank Restated 2016	**Up to 1 month RM'000**	**>1 – 3 months RM'000**	**>3 – 6 months RM'000**	**>6 – 12 months RM'000**	**>1 – 3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
ASSETS									
Cash and short term funds	10,143,356	–	–	–	–	–	2,286,914	–	12,430,270
Securities purchased under resale agreements	1,289,776	–	–	–	–	–	115	–	1,289,891
Deposits and placements with banks and other financial institutions	–	858,172	1,110,472	708,012	1,642,978	4,962,988	358,499	–	9,641,121
Financial assets FVTPL	–	–	–	–	–	–	–	1,112,252	1,112,252
Financial investments AFS	901,940	1,599,770	682,449	2,735,338	5,200,310	8,610,750	796,695#	–	20,527,252
Financial investments HTM	999,964	2,722,555	780,607	1,616,323	4,432,556	7,386,787	93,620#	–	18,032,412
Loans, advances and financing									
– performing	85,592,921	10,492,375	2,986,774	644,072	4,279,802	6,681,227	257,128	–	110,934,299
– impaired	–	–	–	–	–	–	1,025,192*	–	1,025,192
Other assets	–	–	–	–	–	–	3,127,293	–	3,127,293
Derivative assets	–	–	–	–	–	–	–	4,096,153	4,096,153
Statutory deposits	–	–	–	–	–	–	2,829,242	–	2,829,242
Tax recoverable	–	–	–	–	–	–	180,705	–	180,705
Deferred tax assets	–	–	–	–	–	–	58,300	–	58,300
Investment in subsidiaries	–	–	–	–	–	–	5,340,659	–	5,340,659
Property, plant and equipment	–	–	–	–	–	–	756,899	–	756,899
Goodwill	–	–	–	–	–	–	1,651,542	–	1,651,542
Intangible assets	–	–	–	–	–	–	335,153	–	335,153
TOTAL ASSETS	98,927,957	15,672,872	5,560,302	5,703,745	15,555,646	27,641,752	19,097,956	5,208,405	193,368,635

Included impairment loss.

* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued):

Bank Restated 2016	Non-trading book Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	47,027,724	23,475,070	18,931,266	16,301,372	402,191	27,278	21,420,846	–	127,585,747
Deposits and placements of banks and other financial institutions	3,619,229	5,312,512	12,318,602	883,396	282,448	216,178	54,481	–	22,686,846
Obligations on securities sold under repurchase agreements	961,668	489,273	1,187,178	–	–	–	78,537	–	2,716,656
Bills and acceptances payable	83,153	1,027	–	–	–	–	202,138	–	286,318
Other liabilities	84,512	7,756	35,490	4,111	31,043	–	3,386,518	–	3,549,430
Derivative liabilities	–	–	–	–	3,730	–	–	3,668,092	3,671,822
Recourse obligation on loans sold to Cagamas	–	–	–	999,100	1,725,000	–	14,711	–	2,738,811
Borrowings	–	116,010	28,033	144,042	408,848	–	1,718	–	698,651
Subordinated obligations	–	–	749,925	1,999,742	1,000,000	799,641	43,268	–	4,592,576
Hybrid Tier-1 Capital Securities	–	–	–	–	599,060	–	8,095	–	607,155
Senior debt securities	–	–	2,242,930	–	1,342,767	2,237,275	33,417	–	5,856,389
TOTAL LIABILITIES	51,776,286	29,401,648	35,493,424	20,331,763	5,795,087	3,280,372	25,243,729	3,668,092	174,990,401
Total equity	–	–	–	–	–	–	18,378,234	–	18,378,234
TOTAL LIABILITIES AND EQUITY	51,776,286	29,401,648	35,493,424	20,331,763	5,795,087	3,280,372	43,621,963	3,668,092	193,368,635
On-balance sheet interest sensitivity gap	47,151,671	(13,728,776)	(29,933,122)	(14,628,018)	9,760,559	24,361,380			
Off-balance sheet interest sensitivity gap	(66,475)	291,000	(24,419)	3,968,887	963,202	1,716,535			
TOTAL INTEREST SENSITIVITY GAP	47,085,196	(13,437,776)	(29,957,541)	(10,659,131)	10,723,761	26,077,915			

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk

Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds upon maturity, extensions of credit and working capital needs.

The Group and the Bank have adopted the BNM's liquidity standard on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. The Group and the Bank continue to report Net Stable Funding Ratio under the Basel III observation reporting to BNM.

The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity:

Group 2017	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	9,242,803	702,569	–	–	–	–	6,506	9,951,878
Deposits and placements with banks and other financial institutions	–	–	973,754	126,185	61,040	622	–	1,161,601
Financial assets FVTPL	734,775	17,231	16,559	5,554	–	983,983	806,167	2,564,269
Financial investments AFS	34,852	383,388	1,324,319	895,084	1,419,639	20,668,536	1,090,798	25,816,616
Financial investments HTM	29,009	4,569	3,743,726	705,283	1,422,989	13,140,367	–	19,045,943
Loans, advances and financing	4,735,443	23,587,019	9,639,627	4,669,912	2,030,653	113,638,809	–	158,301,463
Clients' and brokers' balances	1,119,716	479,878	–	–	–	–	–	1,599,594
Reinsurance assets	–	–	–	–	482,760	–	–	482,760
Other assets	181,040	108,539	70,250	115,962	60,433	238,471	331,353	1,106,048
Derivative assets	58,914	564,716	133,177	130,666	343,240	595,954	–	1,826,667
Statutory deposits	–	–	–	–	–	–	4,001,002	4,001,002
Tax recoverable	–	–	–	–	–	–	115,874	115,874
Deferred tax assets	–	–	–	–	–	–	36,072	36,072
Investments in associates and joint ventures	–	–	–	–	–	–	48,253	48,253
Property, plant and equipment	–	–	–	–	–	–	1,013,710	1,013,710
Goodwill	–	–	–	–	–	–	2,649,307	2,649,307
Intangible assets	–	–	–	–	–	–	488,869	488,869
TOTAL ASSETS	16,136,552	25,847,909	15,901,412	6,648,646	5,820,754	149,266,742	10,587,911	230,209,926

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group 2017	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	60,960,666	23,225,411	28,429,062	32,585,490	20,497,288	459,834	–	166,157,751
Deposits and placements of banks and other financial institutions	2,550,374	6,032,103	8,994,213	2,971,605	326,229	912,493	–	21,787,017
Obligations on securities sold under repurchase agreements	604,163	–	–	–	–	–	–	604,163
Bills and acceptances payable	197,722	95,566	8,864	–	–	–	–	302,152
Clients' and brokers' balances	960,338	409,057	–	–	–	–	–	1,369,395
General insurance contract liabilities	–	–	–	–	998,310	–	–	998,310
Other liabilities	415,013	666,282	321,789	112,643	261,580	338,472	599,332	2,715,111
Derivative liabilities	80,110	672,438	634,136	230,203	396,062	538,555	–	2,551,504
Recourse obligation on loans sold to Cagamas	–	–	–	–	–	1,729,606	–	1,729,606
Tax liabilities	–	–	–	–	–	–	33,531	33,531
Deferred tax liabilities	–	–	–	–	–	–	19,698	19,698
Borrowings	163,226	12,425	22,455	25,291	109,722	820,600	–	1,153,719
Subordinated obligations	–	–	9,409	35,594	–	3,703,291	–	3,748,294
Hybrid Tier-1 Capital Securities	–	–	–	8,205	–	594,461	–	602,666
Senior debt securities	–	–	–	21,017	–	3,231,564	–	3,252,581
TOTAL LIABILITIES	65,931,612	31,113,282	38,419,928	35,990,048	22,589,191	12,328,876	652,561	207,025,498
Shareholders' funds	–	–	–	–	–	–	23,149,714	23,149,714
NCI	–	–	–	–	–	–	34,714	34,714
TOTAL LIABILITIES AND EQUITY	65,931,612	31,113,282	38,419,928	35,990,048	22,589,191	12,328,876	23,836,989	230,209,926

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group 2016	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	10,751,358	3,931,585	–	–	–	–	–	14,682,943
Securities purchased under resale agreements	1,303,589	–	–	–	–	–	–	1,303,589
Deposits and placements with banks and other financial institutions	–	–	612,473	83,249	437,518	229,208	–	1,362,448
Financial assets FVTPL	602,041	19	75,957	10,492	1,000	1,040,530	594,684	2,324,723
Financial investments AFS	13,607	924,878	1,665,256	773,068	3,098,991	17,657,745	976,117	25,109,662
Financial investments HTM	34,151	1,023,353	3,865,495	867,672	1,692,602	13,881,830	–	21,365,103
Loans, advances and financing	4,160,069	5,241,128	7,976,832	3,838,680	3,640,430	127,493,165	–	152,350,304
Clients' and brokers' balances	1,463,548	627,235	–	–	–	–	–	2,090,783
Reinsurance assets	–	–	–	–	378,311	–	–	378,311
Other assets	208,405	278,997	239,468	206,371	842,341	767,133	373,836	2,916,551
Derivative assets	152,937	521,336	622,767	426,542	1,312,924	1,038,912	–	4,075,418
Statutory deposits	–	–	–	–	–	–	4,241,509	4,241,509
Tax recoverable	–	–	–	–	–	–	246,895	246,895
Deferred tax assets	–	–	–	–	–	–	100,611	100,611
Investments in associates and joint ventures	–	–	–	–	–	–	49,537	49,537
Property, plant and equipment	–	–	–	–	–	–	1,032,131	1,032,131
Goodwill	–	–	–	–	–	–	2,649,307	2,649,307
Intangible assets	–	–	–	–	–	–	399,004	399,004
TOTAL ASSETS	18,689,705	12,548,531	15,058,248	6,206,074	11,404,117	162,108,523	10,663,631	236,678,829

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group 2016	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	55,162,322	32,132,310	32,447,398	24,609,248	20,687,036	597,939	–	165,636,253
Deposits and placements of banks and other financial institutions	1,298,151	5,049,133	8,242,134	6,387,947	1,219,964	503,287	–	22,700,616
Obligations on securities sold under repurchase agreements	298,457	64,249	–	–	–	–	–	362,706
Bills and acceptances payable	245,602	117,529	88,386	24,783	–	–	–	476,300
Clients' and brokers' balances	1,265,517	477,725	–	–	–	–	–	1,743,242
General insurance contract liabilities	–	–	–	–	872,183	–	–	872,183
Other liabilities	502,189	532,316	387,815	199,845	372,074	285,309	566,598	2,846,146
Derivative liabilities	6,894	269,328	446,524	384,995	1,406,595	1,164,684	–	3,679,020
Recourse obligation on loans sold to Cagamas	–	–	–	–	1,824,897	1,729,156	–	3,554,053
Tax liabilities	–	–	–	–	–	–	57,329	57,329
Deferred tax liabilities	–	–	–	–	–	–	3,194	3,194
Borrowings	273,379	–	117,728	28,033	144,042	408,848	–	972,030
Subordinated obligations	–	23,651	–	769,542	2,245,303	2,504,862	–	5,543,358
Hybrid Tier-1 Capital Securities	–	–	–	8,083	–	594,060	–	602,143
Senior debt securities	–	–	–	2,276,347	–	3,580,042	–	5,856,389
TOTAL LIABILITIES	59,052,511	38,666,241	41,729,985	34,688,823	28,772,094	11,368,187	627,121	214,904,962
Shareholders' funds	–	–	–	–	–	–	21,744,778	21,744,778
NCI	–	–	–	–	–	–	29,089	29,089
TOTAL LIABILITIES AND EQUITY	59,052,511	38,666,241	41,729,985	34,688,823	28,772,094	11,368,187	22,400,988	236,678,829

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank 2017	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	5,764,635	1,850,028	–	–	–	–	–	7,614,663
Deposits and placements with banks and other financial institutions	–	–	1,447,640	1,317,057	1,166,898	7,343,510	–	11,275,105
Financial assets FVTPL	–	–	16,559	–	–	811,447	–	828,006
Financial investments AFS	34,162	381,415	1,295,727	777,439	1,207,081	16,934,826	797,005	21,427,655
Financial investments HTM	19,009	2,530	2,070,513	443,798	1,117,305	10,843,050	–	14,496,205
Loans, advances and financing	2,447,025	19,555,453	8,813,155	2,512,539	492,797	75,709,348	–	109,530,317
Other assets	135,171	66,466	54,212	187,561	71,386	177,466	214,633	906,895
Derivative assets	60,043	563,889	137,047	131,021	346,266	596,410	–	1,834,676
Statutory deposits	–	–	–	–	–	–	2,538,107	2,538,107
Tax recoverable	–	–	–	–	–	–	58,871	58,871
Investments in subsidiaries	–	–	–	–	–	–	4,495,837	4,495,837
Property, plant and equipment	–	–	–	–	–	–	756,434	756,434
Goodwill	–	–	–	–	–	–	1,651,542	1,651,542
Intangible assets	–	–	–	–	–	–	415,690	415,690
TOTAL ASSETS	8,460,045	22,419,781	13,834,853	5,369,415	4,401,733	112,416,057	10,928,119	177,830,003
LIABILITIES								
Deposits from customers	50,147,182	17,337,360	19,599,426	21,087,429	12,108,396	452,422	–	120,732,215
Deposits and placements of banks and other financial institutions	3,217,144	5,618,801	9,700,461	2,793,881	314,850	891,804	–	22,536,941
Obligations on securities sold under repurchase agreements	–	–	975,560	612,419	–	–	–	1,587,979
Bills and acceptances payable	188,506	95,566	2,679	–	–	–	–	286,751
Other liabilities	45,238	480,133	193,756	57,656	228,075	328,990	239,698	1,573,546
Derivative liabilities	81,538	669,963	598,062	231,073	394,380	538,964	–	2,513,980
Recourse obligation on loans sold to Cagamas	–	–	–	–	–	1,729,606	–	1,729,606
Deferred tax liabilities	–	–	–	–	–	–	14,467	14,467
Borrowings	–	–	22,455	25,291	109,722	820,600	–	978,068
Subordinated obligations	–	–	9,409	30,201	–	2,549,028	–	2,588,638
Hybrid Tier-1 Capital Securities	–	–	–	8,218	–	599,460	–	607,678
Senior debt securities	–	–	–	21,017	–	3,231,564	–	3,252,581
TOTAL LIABILITIES	53,679,608	24,201,823	31,101,808	24,867,185	13,155,423	11,142,438	254,165	158,402,450
Total equity	–	–	–	–	–	–	19,427,553	19,427,553
TOTAL LIABILITIES AND EQUITY	53,679,608	24,201,823	31,101,808	24,867,185	13,155,423	11,142,438	19,681,718	177,830,003

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank Restated 2016	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	9,240,054	3,190,216	–	–	–	–	–	12,430,270
Securities purchased under resale agreements	1,289,891	–	–	–	–	–	–	1,289,891
Deposits and placements with banks and other financial institutions	–	–	860,249	1,114,969	770,395	6,895,508	–	9,641,121
Financial assets FVTPL	1,486	19	75,957	4,365	–	1,030,425	–	1,112,252
Financial investments AFS	9,347	913,749	1,639,742	699,462	2,748,380	13,832,514	684,058	20,527,252
Financial investments HTM	5,648	1,016,816	2,787,169	812,244	1,616,322	11,794,213	–	18,032,412
Loans, advances and financing	1,759,979	3,801,639	7,166,302	2,994,657	2,423,783	93,813,131	–	111,959,491
Other assets	740,915	136,979	216,542	207,623	835,202	702,516	287,516	3,127,293
Derivative assets	150,885	521,025	636,663	428,268	1,313,889	1,045,423	–	4,096,153
Statutory deposits	–	–	–	–	–	–	2,829,242	2,829,242
Tax recoverable	–	–	–	–	–	–	180,705	180,705
Deferred tax assets	–	–	–	–	–	–	58,300	58,300
Investments in subsidiaries	–	–	–	–	–	–	5,340,659	5,340,659
Property, plant and equipment	–	–	–	–	–	–	756,899	756,899
Goodwill	–	–	–	–	–	–	1,651,542	1,651,542
Intangible assets	–	–	–	–	–	–	335,153	335,153
TOTAL ASSETS	13,198,205	9,580,443	13,382,624	6,261,588	9,707,971	129,113,730	12,124,074	193,368,635
LIABILITIES								
Deposits from customers	46,626,743	21,165,957	23,729,910	19,165,212	16,444,949	452,976	–	127,585,747
Deposits and placements of banks and other financial institutions	869,933	2,769,197	5,325,670	12,336,414	886,235	499,397	–	22,686,846
Obligations on securities sold under repurchase agreements	969,016	64,249	490,701	1,192,690	–	–	–	2,716,656
Bills and acceptances payable	236,551	48,740	1,027	–	–	–	–	286,318
Other liabilities	240,389	345,994	278,535	162,608	340,426	268,962	1,912,516	3,549,430
Derivative liabilities	13,235	265,920	432,062	388,228	1,406,357	1,166,020	–	3,671,822
Recourse obligation on loans sold to Cagamas	–	–	–	–	1,009,654	1,729,157	–	2,738,811
Borrowings	–	–	117,728	28,033	144,042	408,848	–	698,651
Subordinated obligations	–	23,651	–	769,542	1,999,742	1,799,641	–	4,592,576
Hybrid Tier-1 Capital Securities	–	–	–	8,095	–	599,060	–	607,155
Senior debt securities	–	–	–	2,276,347	–	3,580,042	–	5,856,389
TOTAL LIABILITIES	48,955,867	24,683,708	30,375,633	36,327,169	22,231,405	10,504,103	1,912,516	174,990,401
Total equity	–	–	–	–	–	–	18,378,234	18,378,234
TOTAL LIABILITIES AND EQUITY	48,955,867	24,683,708	30,375,633	36,327,169	22,231,405	10,504,103	20,290,750	193,368,635

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group's and the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments:

Group 2017	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	84,402,447	61,641,930	20,993,260	466,633	15,188	–	167,519,458
Deposits and placements of banks and other financial institutions	8,742,894	11,878,102	334,139	235,720	767,975	–	21,958,830
Obligations on securities sold under repurchase agreements	604,265	–	–	–	–	–	604,265
Bills and acceptances payable	293,288	8,864	–	–	–	–	302,152
Clients' and brokers' balances	1,369,395	–	–	–	–	–	1,369,395
General insurance contract liabilities	–	–	267,761	357,304	57,671	9,450	692,186
Other financial liabilities	1,009,770	637,447	259,575	257,005	39,175	51,321	2,254,293
Derivative liabilities:							
– Gross settled derivatives:							
– Inflow	(14,954,127)	(20,202,383)	(5,473,116)	(2,627,584)	(655,249)	(787,326)	(44,699,785)
– Outflow	16,230,693	21,977,628	5,915,403	3,103,011	812,095	1,008,887	49,047,717
– Net settled derivatives	3,853	52,605	4,678	55,685	44,018	103,941	264,780
Recourse obligation on loans sold to Cagamas	–	39,919	39,919	1,805,058	–	–	1,884,896
Borrowings	175,651	94,670	93,736	839,106	–	–	1,203,163
Subordinated obligations	24,950	66,648	91,652	2,730,567	1,310,173	–	4,223,990
Hybrid Tier-1 Capital Securities	–	22,394	22,394	624,988	–	–	669,776
Senior debt securities	–	39,513	39,513	1,353,272	2,064,813	–	3,497,111
TOTAL FINANCIAL LIABILITIES	97,903,079	76,257,337	22,588,914	9,200,765	4,455,859	386,273	210,792,227
2016							
Deposits from customers	87,406,435	57,676,914	21,057,937	584,354	30,051	–	166,755,691
Deposits and placements of banks and other financial institutions	6,390,262	14,906,723	1,288,766	293,621	223,376	–	23,102,748
Obligations on securities sold under repurchase agreements	367,992	–	–	–	–	–	367,992
Bills and acceptances payable	363,237	113,765	–	–	–	–	477,002
Clients' and brokers' balances	1,743,242	–	–	–	–	–	1,743,242
General insurance contract liabilities	–	–	173,835	344,867	58,748	11,016	588,466
Other financial liabilities	1,031,342	598,776	350,259	216,803	41,325	50,471	2,288,976
Derivative liabilities:							
– Gross settled derivatives:							
– Inflow	(14,126,623)	(16,528,040)	(9,057,006)	(3,181,945)	(573,945)	(447,486)	(43,915,045)
– Outflow	14,364,922	17,236,361	10,362,516	4,100,573	577,249	526,352	47,167,973
– Net settled derivatives	1,072	27,592	14,892	15,497	57,906	67,464	184,423
Recourse obligation on loans sold to Cagamas	23,773	196,582	1,725,684	1,884,896	–	–	3,830,935
Borrowings	273,379	151,335	149,951	425,417	50,938	–	1,051,020
Subordinated obligations	–	871,575	2,871,073	1,680,900	541,564	–	5,965,112
Hybrid Tier-1 Capital Securities	–	22,394	22,394	669,775	–	–	714,563
Senior debt securities	–	2,322,838	43,796	1,520,743	2,334,681	–	6,222,058
TOTAL FINANCIAL LIABILITIES	97,839,033	77,596,815	29,004,097	8,555,501	3,341,893	207,817	216,545,156

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group's and the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued):

Bank 2017	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	**67,639,374**	**41,082,316**	**12,355,986**	**459,152**	**12,687**	**–**	**121,549,515**
Deposits and placements of banks and other financial institutions	**8,949,066**	**12,442,697**	**321,840**	**235,373**	**748,069**	**–**	**22,697,045**
Obligations on securities sold under repurchase agreements	**–**	**1,642,861**	**–**	**–**	**–**	**–**	**1,642,861**
Bills and acceptances payable	**284,072**	**2,679**	**–**	**–**	**–**	**–**	**286,751**
Other financial liabilities	**458,364**	**318,371**	**228,706**	**238,025**	**39,175**	**52,071**	**1,334,712**
Derivative liabilities:							
– Gross settled derivatives:							
– Inflow	**(15,500,899)**	**(20,251,977)**	**(5,494,010)**	**(2,874,284)**	**(700,041)**	**(839,500)**	**(45,660,711)**
– Outflow	**16,781,879**	**22,023,431**	**5,914,524**	**3,223,686**	**748,499**	**956,896**	**49,648,915**
– Net settled derivatives	**1,078**	**20,127**	**13,736**	**60,146**	**43,398**	**103,941**	**242,426**
Recourse obligation on loans sold to Cagamas	**–**	**39,919**	**39,919**	**1,805,058**	**–**	**–**	**1,884,896**
Borrowings	**–**	**94,670**	**93,736**	**839,106**	**–**	**–**	**1,027,512**
Subordinated obligations	**24,950**	**38,350**	**63,300**	**1,959,275**	**822,300**	**–**	**2,908,175**
Hybrid Tier-1 Capital Securities	**–**	**22,563**	**22,563**	**630,325**	**–**	**–**	**675,451**
Senior debt securities	**–**	**39,513**	**39,513**	**1,353,272**	**2,064,813**	**–**	**3,497,111**
TOTAL FINANCIAL LIABILITIES	**78,637,884**	**57,515,520**	**13,599,813**	**7,929,134**	**3,778,900**	**273,408**	**161,734,659**
Restated							
2016							
Deposits from customers	67,845,924	43,351,275	16,693,266	440,845	32,480	–	128,363,790
Deposits and placements of banks and other financial institutions	3,696,810	17,936,799	898,030	293,621	219,484	–	23,044,744
Obligations on securities sold under repurchase agreements	1,050,834	1,741,229	–	–	–	–	2,792,063
Bills and acceptances payable	285,291	1,027	–	–	–	–	286,318
Other financial liabilities	2,210,581	452,897	314,283	210,629	47,436	51,221	3,287,047
Derivative liabilities:							
– Gross settled derivatives:							
– Inflow	(14,217,682)	(16,637,013)	(9,061,306)	(3,219,749)	(573,945)	(447,486)	(44,157,181)
– Outflow	14,459,088	17,330,605	10,366,480	4,062,586	577,249	526,352	47,322,360
– Net settled derivatives	1,744	30,570	42,840	65,968	59,503	67,464	268,089
Recourse obligation on loans sold to Cagamas	–	57,189	1,056,843	1,884,896	–	–	2,998,928
Borrowings	–	151,335	149,951	425,417	50,938	–	777,641
Subordinated obligations	–	859,200	2,093,075	1,680,900	316,800	–	4,949,975
Hybrid Tier-1 Capital Securities	–	22,563	22,563	675,450	–	–	720,576
Senior debt securities	–	2,322,838	43,796	1,520,743	2,334,681	–	6,222,058
TOTAL FINANCIAL LIABILITIES	75,332,590	67,620,514	22,619,821	8,041,306	3,064,626	197,551	176,876,408

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the contractual expiry by maturity of the Group's and the Bank's commitments and contingencies:

Group 2017	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**257,838**	**1,455,919**	**1,713,757**
Transaction-related contingent items	**1,176,051**	**4,065,477**	**5,241,528**
Short term self-liquidating trade-related contingencies	**781,657**	**281,301**	**1,062,958**
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**	**629,085**
Irrevocable commitments to extend credit	**2,215,137**	**28,020,104**	**30,235,241**
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	**722,678**	**14,900,221**	**15,622,899**
TOTAL COMMITMENTS AND CONTINGENCIES	**5,153,361**	**49,352,107**	**54,505,468**
2016			
Direct credit substitutes	249,531	1,708,789	1,958,320
Transaction-related contingent items	431,569	4,543,346	4,974,915
Short term self-liquidating trade-related contingencies	611,487	354,352	965,839
Obligations under underwriting agreements	–	76,000	76,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	307,856	–	307,856
Irrevocable commitments to extend credit	2,821,168	22,964,647	25,785,815
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	2,490,486	16,577,961	19,068,447
TOTAL COMMITMENTS AND CONTINGENCIES	6,912,097	46,225,095	53,137,192

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the contractual expiry by maturity of the Group's and the Bank's commitments and contingencies (continued):

Bank 2017	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**251,157**	**1,440,537**	**1,691,694**
Transaction-related contingent items	**1,145,763**	**3,851,824**	**4,997,587**
Short term self-liquidating trade-related contingencies	**733,183**	**241,996**	**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	**1,657,649**	**–**	**1,657,649**
Irrevocable commitments to extend credit	**548,057**	**20,464,906**	**21,012,963**
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	**689,475**	**12,666,205**	**13,355,680**
TOTAL COMMITMENTS AND CONTINGENCIES	**5,025,284**	**38,665,468**	**43,690,752**
2016			
Direct credit substitutes	249,534	2,058,530	2,308,064
Transaction-related contingent items	411,182	4,116,721	4,527,903
Short term self-liquidating trade-related contingencies	596,925	358,482	955,407
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	2,743,442	–	2,743,442
Irrevocable commitments to extend credit	641,526	17,546,299	18,187,825
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	2,460,718	13,871,299	16,332,017
TOTAL COMMITMENTS AND CONTINGENCIES	7,103,327	37,951,331	45,054,658

Undrawn loans/financing commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group and the Bank. The Group and the Bank expect that not all of the contingent liabilities and undrawn loan/financing commitments will be drawn before expiry.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

The table below shows the maximum exposure to credit risk for the Group and the Bank:

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**Restated 2016 RM'000**
Credit risk exposure relating to on-balance sheet assets:				
Short term funds (exclude cash in hand)	**8,842,240**	13,664,950	**6,687,946**	11,455,564
Securities purchased under resale agreements	**–**	1,303,589	**–**	1,289,891
Deposits and placements with banks and other financial institutions	**1,161,601**	1,362,448	**11,275,105**	9,641,121
Financial assets and investments portfolio (exclude shares, unit trust and perpetual notes/sukuk):				
– FVTPL	**1,610,236**	1,633,748	**828,006**	1,112,252
– AFS	**24,721,745**	24,026,396	**20,626,578**	19,736,043
– HTM	**19,045,943**	21,365,103	**14,496,205**	18,032,412
Loans, advances and financing	**158,301,463**	152,350,304	**109,530,317**	111,959,491
Clients' and brokers' balances	**1,599,594**	2,090,783	**–**	–
Reinsurance assets	**377,685**	287,126	**–**	–
Other financial assets	**755,025**	2,357,234	**584,214**	2,735,224
Derivative assets	**1,826,667**	4,075,418	**1,834,676**	4,096,153
	218,242,199	224,517,099	**165,863,047**	180,058,151
Credit risk exposure relating to off-balance sheet items:				
– Commitments and contingencies	**54,505,468**	53,137,192	**43,690,752**	45,054,658
Total maximum credit risk exposure	**272,747,667**	277,654,291	**209,553,799**	225,112,809

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

(a) Fixed deposits, Commodity Murabahah Deposit-i, negotiable instrument of deposits, Islamic negotiable instrument of deposits, foreign currency deposits and cash deposits/margins

(b) Land and/or buildings

(c) Vessels and automobiles

(d) Quoted shares, unit trusts, government bonds and securities and private debt securities

(e) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accept non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract proceeds, Endowment Life Policies with Cash Surrender Value, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing and clients' and brokers' balances as at 31 December 2017 for the Group and the Bank are 71.8% (2016: 71.8%) and 74.2% (2016: 71.2%) respectively. The financial effect of collateral held for the remaining on-balance sheet assets are insignificant.

(iii) Credit quality

The Group and the Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers' judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
– Good	Exposures exhibit strong capacity to meet financial commitments with no cause of concern to the Group and the Bank
– Fair	Exposures exhibit fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Group and the Bank
– No Rating	Counterparties which do not satisfy the criteria to be rated based on internal credit grading system

The credit quality of financial assets other than loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

– AAA to AA3
– A1 to A3
– Baa1 to Baa3
– P1 to P3

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**Restated 2016 RM'000**
Neither past due nor impaired	**147,249,125**	141,356,765	**102,517,808**	106,235,214
Past due but not impaired	**9,310,528**	9,375,754	**5,528,225**	4,699,085
Individually impaired	**3,567,788**	3,749,949	**2,784,470**	2,719,127
Gross loans, advances and financing	**160,127,441**	154,482,468	**110,830,503**	113,653,426
Less: Individual impairment allowance	**(761,692)**	(999,328)	**(493,112)**	(827,505)
Collective impairment allowance	**(1,064,286)**	(1,132,836)	**(807,074)**	(866,430)
Net loans, advances and financing	**158,301,463**	152,350,304	**109,530,317**	111,959,491

(i) Loans, advances and financing neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's and the Bank's internal credit grading system is as follows:

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**Restated 2016 RM'000**
Good	**110,311,139**	112,926,686	**76,744,472**	82,800,561
Fair	**25,593,008**	20,451,406	**20,160,166**	17,192,917
No Rating	**11,344,978**	7,978,673	**5,613,170**	6,241,736
Neither past due nor impaired	**147,249,125**	141,356,765	**102,517,808**	106,235,214

Loans, advances and financing classified as non-rated mainly comprise loans/financing under the Standardised Approach for credit risk.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

(ii) Loans, advances and financing past due but not impaired

Analysis of ageing of loans, advances and financing that are past due but not impaired is as follows:

	Group		Bank	
				Restated
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Past due up to 30 days	**7,249,735**	5,645,618	**3,976,563**	1,700,995
Past due 31 to 60 days	**1,429,888**	2,591,218	**1,049,200**	2,046,963
Past due 61 to 90 days	**630,905**	1,138,918	**502,462**	951,127
Past due but not impaired	**9,310,528**	9,375,754	**5,528,225**	4,699,085

(iii) Impaired loans, advances and financing

Loans, advances and financing that are individually determined to be impaired are as follows:

	Group		Bank	
				Restated
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Individually impaired loans	**3,567,788**	3,749,949	**2,784,470**	2,719,127

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(b) Short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, reinsurance assets, other financial assets and derivative assets of the Group are summarised as follows:

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Reinsurance assets RM'000	Other financial assets RM'000	Derivative assets RM'000
2017									
Neither past due nor impaired	**10,003,841**	**–**	**1,610,236**	**24,700,374**	**19,045,382**	**1,544,698**	**377,685**	**752,908**	**1,826,667**
Past due but not impaired	**–**	**–**	**–**	**–**	**–**	**54,896**	**–**	**426**	**–**
Impaired	**–**	**–**	**–**	**509,737**	**182,435**	**31,882**	**–**	**27,005**	**–**
	10,003,841	**–**	**1,610,236**	**25,210,111**	**19,227,817**	**1,631,476**	**377,685**	**780,339**	**1,826,667**
Less: Impairment losses	**–**	**–**	**–**	**(488,366)**	**(181,874)**	**(31,882)**	**–**	**(25,314)**	**–**
	10,003,841	**–**	**1,610,236**	**24,721,745**	**19,045,943**	**1,599,594**	**377,685**	**755,025**	**1,826,667**
2016									
Neither past due nor impaired	15,027,398	1,303,589	1,633,748	24,004,326	21,364,542	2,054,375	287,126	2,356,470	4,075,418
Past due but not impaired	–	–	–	–	–	36,050	–	764	–
Impaired	–	–	–	486,230	210,542	33,535	–	24,479	–
	15,027,398	1,303,589	1,633,748	24,490,556	21,575,084	2,123,960	287,126	2,381,713	4,075,418
Less: Impairment losses	–	–	–	(464,160)	(209,981)	(33,177)	–	(24,479)	–
	15,027,398	1,303,589	1,633,748	24,026,396	21,365,103	2,090,783	287,126	2,357,234	4,075,418

The amount of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, reinsurance assets, other financial assets and derivative assets that are past due but not impaired is not material.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(b) Short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other financial assets and derivative assets of the Bank are summarised as follows:

Bank	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Other financial assets RM'000	Derivative assets RM'000
2017							
Neither past due nor impaired	**17,963,051**	**–**	**828,006**	**20,605,205**	**14,495,644**	**584,214**	**1,834,676**
Impaired	**–**	**–**	**–**	**504,480**	**103,030**	**–**	**–**
	17,963,051	**–**	**828,006**	**21,109,685**	**14,598,674**	**584,214**	**1,834,676**
Less: Impairment losses	**–**	**–**	**–**	**(483,107)**	**(102,469)**	**–**	**–**
	17,963,051	**–**	**828,006**	**20,626,578**	**14,496,205**	**584,214**	**1,834,676**
Restated 2016							
Neither past due nor impaired	21,096,685	1,289,891	1,112,252	19,713,973	18,031,851	2,735,224	4,096,153
Impaired	–	–	–	423,651	106,166	–	–
	21,096,685	1,289,891	1,112,252	20,137,624	18,138,017	2,735,224	4,096,153
Less: Impairment losses	–	–	–	(401,581)	(105,605)	–	–
	21,096,685	1,289,891	1,112,252	19,736,043	18,032,412	2,735,224	4,096,153

The amount of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other financial assets and derivative assets that are past due but not impaired is not material.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(c) Analysis of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other financial assets and derivative assets of the Group that are neither past due nor impaired by rating agency definition are as follows:

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Reinsurance assets RM'000	Other financial assets RM'000	Derivative assets RM'000
2017								
AAA to AA3	506,366	639,588	9,604,179	1,926,549	–	–	236,954	1,242,982
A1 to A3	644,657	91,148	1,701,590	19,215	–	–	17,602	374,346
Baa1 to Baa3	–	47,442	2,536,823	13,166	–	–	–	780
P1 to P3	2,645,688	–	–	–	–	–	2,599	88
Non-rated including:	6,207,130	832,058	10,857,782	17,086,452	1,544,698	377,685	495,753	208,471
– Bank Negara Malaysia	3,884,719	–	–	–	–	–	–	8,634
– Malaysian Government Securities	–	263,769	1,377,296	1,303,583	–	–	–	–
– Malaysian Government Investment Issues	–	548,495	3,310,678	5,296,360	–	–	–	–
– Malaysia Treasury Bills	–	16,559	–	–	–	–	–	–
– Corporate bond/sukuk	–	3,235	5,849,040	6,550,697	–	–	–	–
– Khazanah bonds	–	–	50,785	105,673	–	–	–	–
– Negotiable instruments of deposits	–	–	121,436	3,697,694	–	–	–	–
– Others	2,322,411	–	148,547	132,445	1,544,698	377,685	495,753	199,837
	10,003,841	1,610,236	24,700,374	19,045,382	1,544,698	377,685	752,908	1,826,667

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(c) Analysis of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other financial assets and derivative assets of the Group that are neither past due nor impaired by rating agency definition are as follows (continued):

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Reinsurance assets RM'000	Other financial assets RM'000	Derivative assets RM'000
2016									
AAA to AA3	611,812	1,289,891	634,804	10,610,088	2,947,732	–	–	1,818,286	1,657,955
A1 to A3	–	–	–	3,518,023	44,043	–	–	–	330,164
Baa1 to Baa3	–	–	–	2,560,971	13,674	–	–	–	24,421
P1 to P3	5,552,924	13,698	1,000	–	–	–	–	–	3,433
Non-rated including:	8,862,662	–	997,944	7,315,244	18,359,093	2,054,375	287,126	538,184	2,059,445
– Bank Negara Malaysia	6,307,104	–	–	–	–	–	–	–	–
– Malaysian Government Securities	–	–	479,119	1,469,989	2,236,862	–	–	–	–
– Malaysian Government Investment Issues	–	–	499,148	2,227,247	5,037,022	–	–	–	–
– Corporate bond/sukuk	–	–	19,677	3,416,359	5,243,683	–	–	–	–
– Other foreign government securities	–	–	–	4,592	–	–	–	–	–
– Khazanah bonds	–	–	–	48,462	101,094	–	–	–	–
– Negotiable instruments of deposits	–	–	–	–	4,702,294	–	–	–	–
– Others	2,555,558	–	–	148,595	1,038,138	2,054,375	287,126	538,184	2,059,445
	15,027,398	1,303,589	1,633,748	24,004,326	21,364,542	2,054,375	287,126	2,356,470	4,075,418

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(c) Analysis of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other financial assets and derivative assets of the Bank that are neither past due nor impaired by rating agency definition are as follows:

Bank	Short term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Other financial assets RM'000	Derivative assets RM'000
2017						
AAA to AA3	10,393,046	29,895	8,366,224	1,784,716	236,954	1,254,831
A1 to A3	541,940	91,148	1,681,238	–	17,602	374,346
Baa1 to Baa3	–	47,441	2,536,823	13,166	–	780
P1 to P3	1,670,985	–	–	–	–	–
Non-rated including:	5,357,080	659,522	8,020,920	12,697,762	329,658	204,719
– Bank Negara Malaysia	2,483,870	–	–	–	–	8,634
– Malaysian Government Securities	–	263,769	1,238,204	1,303,583	–	–
– Malaysian Government Investment Issues	–	375,959	2,521,291	4,503,836	–	–
– Malaysian Treasury Bills	–	16,559	–	–	–	–
– Corporate bond/sukuk	–	3,235	4,061,607	4,835,967	–	–
– Khazanah bonds	–	–	–	72,312	–	–
– Negotiable instruments of deposits	–	–	121,436	1,859,604	–	–
– Others	2,873,210	–	78,382	122,460	329,658	196,085
	17,963,051	828,006	20,605,205	14,495,644	584,214	1,834,676

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(c) Analysis of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other financial assets and derivative assets of the Bank that are neither past due nor impaired by rating agency definition are as follows (continued):

Bank Restated	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Other financial assets RM'000	Derivative assets RM'000
2016							
AAA to AA3	9,539,848	1,289,891	124,485	9,129,701	2,646,010	1,818,286	2,016,753
A1 to A3	–	–	–	3,125,077	23,853	–	330,164
Baa1 to Baa3	–	–	–	2,520,529	13,674	–	24,421
P1 to P3	7,537,782	–	–	–	–	–	–
Non-rated including:	4,019,055	–	987,767	4,938,666	15,348,314	916,938	1,724,815
– Bank Negara Malaysia	3,235,528	–	–	–	–	–	–
– Malaysian Government Securities	–	–	479,119	1,334,125	2,216,567	–	–
– Malaysian Government Investment Issues	–	–	488,971	1,395,086	4,388,725	–	–
– Other foreign government securities	–	–	–	4,592	–	–	–
– Corporate bond/sukuk	–	–	19,677	2,125,957	4,719,106	–	–
– Khazanah bonds	–	–	–	–	69,103	–	–
– Negotiable instruments of deposits	–	–	–	–	3,807,060	–	–
– Others	783,527	–	–	78,906	147,753	916,938	1,724,815
	21,096,685	1,289,891	1,112,252	19,713,973	18,031,851	2,735,224	4,096,153

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below:

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets FVTPL~ RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
2017										
Agriculture, hunting, forestry and fishing	–	–	665,136	221,271	4,596,643	–	–	116	1,128,143	6,611,309
Mining and quarrying	–	–	–	15,189	1,104,009	–	–	443	1,374,661	2,494,302
Manufacturing	–	–	50,279	101,718	8,382,839	–	–	16,808	7,596,468	16,148,112
Electricity, gas and water	–	22	1,937,734	1,285,454	2,281,809	–	–	22,106	868,800	6,395,925
Construction	–	–	630,898	313,950	10,970,485	–	–	64	8,614,723	20,530,120
Real estate	–	5,006	1,420,309	429,877	3,785,629	–	–	–	16,804	5,657,625
Purchase of landed property	–	–	–	–	12,785,567	–	–	–	1,619	12,787,186
Wholesale & retail trade and restaurant & hotel	–	–	–	–	9,919,896	–	–	22,196	–	9,942,092
General commerce	–	–	20,205	657,021	1,511,868	–	–	–	6,123,514	8,312,608
Transport, storage and communication	–	22,005	2,561,159	1,555,563	8,262,971	–	–	91,477	886,852	13,380,027
Finance, insurance and business services	5,060,055	663,607	7,431,227	6,064,009	13,629,058	–	377,685	1,680,321	9,449,255	44,355,217
Government and government agencies	4,587,341	919,596	9,007,993	8,136,287	5,811,969	–	–	5,359	–	28,468,545
Purchase of securities	–	–	–	–	1,408,136	1,602,925	–	–	–	3,011,061
Purchase of transport vehicles	–	–	–	–	33	–	–	–	–	33
Consumption credit	–	–	–	–	1,648,773	–	–	–	4,717,839	6,366,612
Others	356,445	–	996,805	265,604	73,266,064	–	–	742,802	13,726,790	89,354,510
	10,003,841	1,610,236	24,721,745	19,045,943	159,365,749	1,602,925	377,685	2,581,692	54,505,468	273,815,284

~ Excludes equity instrument amounting to RM954,033,000.

@ Excludes equity instrument amounting to RM1,094,871,000.

Excludes collective impairment allowance amounting to RM1,064,286,000.

^ Excludes collective impairment allowance of RM3,331,000.

* Other financial assets include other assets amounting to RM755,025,000 and derivative assets amounting to RM1,826,667,000.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below (continued):

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets FVTPL~ RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
2016											
Agriculture, hunting, forestry and fishing	–	–	–	1,641,761	221,420	4,580,224	–	–	1,212,567	2,094,121	9,750,093
Mining and quarrying	–	–	–	–	–	1,795,171	–	–	–	1,829,035	3,624,206
Manufacturing	–	–	16,390	50,739	127,086	8,372,951	–	–	35,950	8,368,738	16,971,854
Electricity, gas and water	–	–	1,030	1,755,268	1,321,154	1,318,005	–	–	20,845	802,076	5,218,378
Construction	–	–	–	924,549	655,440	8,800,499	–	–	40	7,921,008	18,301,536
Real estate	–	–	–	409,409	29,619	7,429,214	–	–	–	278	7,868,520
Purchase of landed property	–	–	–	–	–	10,967,633	–	–	–	7,077,470	18,045,103
Wholesale & retail trade and restaurant & hotel	–	–	–	20,100	–	9,409,399	–	–	3,393	6,402,593	15,835,485
General commerce	–	–	–	65,374	600,626	1,359,491	–	–	–	–	2,025,491
Transport, storage and communication	–	–	–	1,401,027	976,939	8,194,780	–	–	150,512	1,312,936	12,036,194
Finance, insurance and business services	8,025,392	–	503,818	8,892,893	6,505,573	12,430,315	–	287,126	3,389,749	7,589,830	47,624,696
Government and government agencies	6,714,759	1,303,589	1,112,510	7,725,117	10,093,001	5,209,743	–	–	309,198	–	32,467,917
Purchase of securities	–	–	–	–	–	1,366,279	2,107,392	–	123	1,899,550	5,373,344
Purchase of transport vehicles	–	–	–	–	–	53	–	–	–	–	53
Consumption credit	–	–	–	–	–	2,260,458	–	–	–	3,241,660	5,502,118
Others	287,247	–	–	1,140,159	834,245	69,988,925	–	–	1,310,275	4,597,897	78,158,748
	15,027,398	1,303,589	1,633,748	24,026,396	21,365,103	153,483,140	2,107,392	287,126	6,432,652	53,137,192	278,803,736

~ Excludes equity instrument amounting to RM690,975,000.

@ Excludes equity instrument amounting to RM1,083,266,000.

Excludes collective impairment allowance amounting to RM1,132,836,000.

^ Excludes collective impairment allowance of RM16,609,000.

* Other financial assets include other assets amounting to RM2,357,234,000 and derivative assets amounting to RM4,075,418,000.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below:

Bank	Short term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets FVTPL RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
2017								
Agriculture, hunting, forestry and fishing	–	–	484,748	101,046	2,893,062	116	814,898	4,293,870
Mining and quarrying	–	–	–	15,189	272,349	17	1,636,336	1,923,891
Manufacturing	–	–	50,279	560	6,661,530	16,312	6,836,338	13,565,019
Electricity, gas and water	–	–	1,489,301	565,377	1,891,639	22,106	765,620	4,734,043
Construction	–	–	444,982	313,950	7,771,045	64	6,072,186	14,602,227
Real estate	–	5,006	1,289,144	303,590	2,425,535	–	–	4,023,275
Purchase of landed property	–	–	–	–	1,110,922	–	–	1,110,922
Wholesale & retail trade and restaurant & hotel	–	–	–	–	7,980,885	19,657	5,720,692	13,721,234
General commerce	–	–	10,189	524,255	1,468,432	–	–	2,002,876
Transport, storage and communication	–	22,005	1,836,184	1,443,496	3,118,229	91,477	686,316	7,197,707
Finance, insurance and business services	15,479,181	144,709	6,345,685	3,911,708	9,408,553	1,918,125	8,283,790	45,491,751
Government and government agencies	2,483,870	656,286	7,679,259	7,060,264	1,947,074	–	–	19,826,753
Consumption credit	–	–	–	–	1,629,870	–	4,049,504	5,679,374
Others	–	–	996,807	256,770	61,758,266	351,016	8,825,072	72,187,931
	17,963,051	828,006	20,626,578	14,496,205	110,337,391	2,418,890	43,690,752	210,360,873

@ Excludes equity instrument and perpetual notes/sukuk amounting to RM801,077,000.

Excludes collective impairment allowance amounting to RM807,074,000.

* Other financial assets include other assets amounting to RM584,214,000 and derivative assets amounting to RM1,834,676,000.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below (continued):

Bank Restated	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets FVTPL RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
2016									
Agriculture, hunting, forestry and fishing	–	–	–	1,417,084	121,344	3,334,488	1,212,567	930,409	7,015,892
Mining and quarrying	–	–	–	–	–	285,010	–	1,772,304	2,057,314
Manufacturing	–	–	16,390	51,540	127,086	6,829,468	35,237	7,306,414	14,366,135
Electricity, gas and water	–	–	–	1,377,612	998,264	938,298	160	546,731	3,861,065
Construction	–	–	–	783,764	455,267	7,165,711	40	6,548,938	14,953,720
Real estate	–	–	–	238,341	–	6,446,465	–	–	6,684,806
Purchase of landed property	–	–	–	–	–	1,820,511	–	6,022,968	7,843,479
Wholesale & retail trade and restaurant & hotel	–	–	–	20,100	–	7,658,879	3,393	5,794,060	13,476,432
General commerce	–	–	–	65,374	600,626	1,359,491	–	–	2,025,491
Transport, storage and communication	–	–	–	1,046,270	900,303	3,672,236	150,370	1,044,478	6,813,657
Finance, insurance and business services	17,861,157	–	3,287	7,461,674	6,166,074	7,977,184	4,555,955	9,200,187	53,225,518
Government and government agencies	3,235,528	1,289,891	1,092,575	6,579,994	8,294,537	2,191,052	–	–	22,683,577
Purchase of securities	–	–	–	–	–	–	–	377,032	377,032
Consumption credit	–	–	–	–	–	2,260,458	–	2,780,444	5,040,902
Others	–	–	–	694,290	368,911	60,886,670	873,655	2,730,693	65,554,219
	21,096,685	1,289,891	1,112,252	19,736,043	18,032,412	112,825,921	6,831,377	45,054,658	225,979,239

@ Excludes equity instrument and perpetual notes/sukuk amounting to RM791,209,000.

Excludes collective impairment allowance amounting to RM866,430,000.

* Other financial assets include other assets amounting to RM2,735,224,000 and derivative assets amounting to RM4,096,153,000.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting Financial Assets and Financial Liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table shows the impact of netting arrangement on:

(i) all financial assets and liabilities that are reported on the balance sheet; and
(ii) all derivative financial instruments and reverse repurchase agreement and borrowing arrangements (offsetting arrangement and financial collateral) but do not qualify for netting.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

Group	Gross amounts of recognised financial assets/ financial liabilities RM'000	Related amounts not set off in the statements of financial position: Financial instruments RM'000	Related amounts not set off in the statements of financial position: Financial collateral RM'000	Net amount RM'000
2017				
Financial assets				
Derivative assets	**1,826,667**	**(782,096)**	**(497,380)**	**547,191**
Financial liabilities				
Derivative liabilities	**2,551,504**	**(782,096)**	**(192,028)**	**1,577,380**
2016				
Financial assets				
Securities purchased under resale agreements	1,303,589	–	(2,623)	1,300,966
Derivative assets	4,075,418	(1,030,861)	(585,535)	2,459,022
Total	5,379,007	(1,030,861)	(588,158)	3,759,988
Financial liabilities				
Obligations on securities sold under repurchase agreements	362,706	(300,000)	(3,798)	58,908
Derivative liabilities	3,679,020	(1,030,861)	(1,809,451)	838,708
Total	4,041,726	(1,330,861)	(1,813,249)	897,616

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting Financial Assets and Financial Liabilities (continued)

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements (continued):

Bank	Gross amounts of recognised financial assets/ financial liabilities RM'000	Related amounts not set off in the statements of financial position: Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
2017				
Financial assets				
Derivative assets	**1,834,676**	**(782,096)**	**(497,380)**	**555,200**
Financial liabilities				
Derivative liabilities	**2,513,980**	**(782,096)**	**(192,028)**	**1,539,856**
2016				
Financial assets				
Securities purchased under resale agreements	1,289,891	–	(2,623)	1,287,268
Derivative assets	4,096,153	(1,030,861)	(585,535)	2,479,757
Total	5,386,044	(1,030,861)	(588,158)	3,767,025
Financial liabilities				
Obligations on securities sold under repurchase agreements	2,716,656	(2,660,000)	(3,798)	52,858
Derivative liabilities	3,671,822	(1,030,861)	(1,803,391)	837,570
Total	6,388,478	(3,690,861)	(1,807,189)	890,428

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) 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
2017				
Financial assets				
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
	657,404	28,051,279	1,498,869	30,207,552
Financial liabilities				
Derivative liabilities	45,947	2,505,557	–	2,551,504

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) 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):

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016				
Financial assets				
Financial assets FVTPL:	542,750	1,614,072	167,901	2,324,723
– Money market instruments	–	1,028,259	–	1,028,259
– Quoted securities	542,750	–	–	542,750
– Unquoted securities	–	585,813	167,901	753,714
Financial investments AFS:	60,185	23,910,677	1,138,800	25,109,662
– Money market instruments	–	7,063,557	–	7,063,557
– Quoted securities	60,185	–	5,171	65,356
– Unquoted securities	–	16,847,120	1,133,629	17,980,749
Derivative assets	–	4,075,418	–	4,075,418
	602,935	29,600,167	1,306,701	31,509,803
Financial liabilities				
Derivative liabilities	11,817	3,667,203	–	3,679,020

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) 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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017				
Financial assets				
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**
	3,235	**23,272,152**	**814,950**	**24,090,337**
Financial liabilities				
Derivative liabilities	**–**	**2,513,980**	**–**	**2,513,980**
Restated 2016				
Financial assets				
Financial assets FVTPL:	3,287	1,092,575	16,390	1,112,252
– Money market instruments	–	1,018,082	–	1,018,082
– Quoted securities	3,287	–	–	3,287
– Unquoted securities	–	74,493	16,390	90,883
Financial investments AFS:	–	19,720,273	806,979	20,527,252
– Money market instruments	–	5,923,414	–	5,923,414
– Quoted securities	–	–	5,171	5,171
– Unquoted securities	–	13,796,859	801,808	14,598,667
Derivative assets	–	4,096,153	–	4,096,153
	3,287	24,909,001	823,369	25,735,657
Financial liabilities				
Derivative liabilities	–	3,671,822	–	3,671,822

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments (continued)

There were no transfers between Level 1 and 2 during the financial year.

(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-tradable 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 has been performed to determine the recoverability of the instruments.

(ii) Reconciliation of fair value measurements in Level 3

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

	Group		Bank	
				Restated
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financial assets FVTPL				
Balance as at the beginning of financial year				
– As previously reported	**167,901**	153,863	**–**	–
– Effect of predecessor accounting	**–**	–	**16,390**	16,390
– As restated	**167,901**	153,863	**16,390**	16,390
Total losses recognised in income statements	**(27,067)**	(4,936)	**(16,390)**	–
Purchases	**243,928**	252,042	**–**	–
Settlements	**(10,685)**	(238,577)	**–**	–
Exchange differences	**(14,218)**	5,509	**–**	–
Balance as at the end of the financial year	**359,859**	167,901	**–**	16,390

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments (continued)

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

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

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**Restated 2016 RM'000**
Financial investments AFS				
Balance as at the beginning of financial year				
– As previously reported	**1,138,800**	1,074,704	**791,209**	657,769
– Effect of predecessor accounting	**–**	–	**15,770**	15,770
– As restated	**1,138,800**	1,074,704	**806,979**	673,539
Total gains recognised in other comprehensive income	**13,906**	10,388	**61**	30,789
Total losses recognised in income statements	**–**	(7,135)	**–**	–
Purchases	**16,001**	74,651	**10,793**	102,429
Settlements	**(17,087)**	(17,766)	**(67)**	–
Impairment losses	**(2,551)**	(549)	**(2,551)**	–
Exchange differences	**(10,059)**	4,507	**(265)**	222
Balance as at the end of the financial year	**1,139,010**	1,138,800	**814,950**	806,979

52 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(a) The fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Bank approximates the carrying amount as at the reporting date, except for the following:

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2017				
Financial assets				
Deposits and placements with banks and other financial institutions	**1,161,601**	**1,146,786**	**11,275,105**	**11,203,148**
Financial investments HTM	**19,045,943**	**18,473,067**	**14,496,205**	**13,925,578**
Loans, advances and financing	**158,301,463**	**158,437,389**	**109,530,317**	**109,660,800**
Financial liabilities				
Deposits from customers	**166,157,751**	**166,257,319**	**120,732,215**	**120,760,004**
Deposits and placements of banks and other financial institutions	**21,787,017**	**21,110,897**	**22,536,941**	**21,864,722**
Recourse obligation on loans sold to Cagamas	**1,729,606**	**1,630,200**	**1,729,606**	**1,630,200**
Subordinated obligations	**3,748,294**	**3,758,813**	**2,588,638**	**2,598,841**
Hybrid Tier-1 Capital Securities	**602,666**	**625,097**	**607,678**	**630,109**
Senior debt securities	**3,252,581**	**3,223,972**	**3,252,581**	**3,223,972**
Restated				
2016				
Financial assets				
Deposits and placements with banks and other financial institutions	1,362,448	1,410,320	9,641,121	9,580,411
Financial investments HTM	21,365,103	21,319,183	18,032,412	18,000,607
Loans, advances and financing	152,350,304	153,781,429	111,959,491	112,014,560
Financial liabilities				
Deposits from customers	165,636,253	165,682,509	127,585,747	127,595,654
Deposits and placements of banks and other financial institutions	22,700,616	22,581,140	22,686,846	22,551,613
Recourse obligation on loans sold to Cagamas	3,554,053	3,563,770	2,738,811	2,741,806
Subordinated obligations	5,543,358	5,557,266	4,592,576	4,607,301
Hybrid Tier-1 Capital Securities	602,143	636,695	607,155	641,707
Senior debt securities	5,856,389	5,788,313	5,856,389	5,788,313

52 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) The following table analyses within the fair value hierarchy of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017				
Financial assets				
Deposits and placements with banks and other financial institutions	**–**	**1,146,786**	**–**	**1,146,786**
Financial investments HTM	**–**	**15,439,592**	**3,033,475**	**18,473,067**
Loans, advances and financing	**–**	**158,437,389**	**–**	**158,437,389**
Financial liabilities				
Deposits from customers	**–**	**166,257,319**	**–**	**166,257,319**
Deposits and placements of banks and other financial institutions	**–**	**21,110,897**	**–**	**21,110,897**
Recourse obligation on loans sold to Cagamas	**–**	**1,630,200**	**–**	**1,630,200**
Subordinated obligations	**–**	**3,758,813**	**–**	**3,758,813**
Hybrid Tier-1 Capital Securities	**–**	**625,097**	**–**	**625,097**
Senior debt securities	**–**	**3,223,972**	**–**	**3,223,972**
2016				
Financial assets				
Deposits and placements with banks and other financial institutions	–	1,410,320	–	1,410,320
Financial investments HTM	–	18,385,467	2,933,716	21,319,183
Loans, advances and financing	–	153,781,429	–	153,781,429
Financial liabilities				
Deposits from customers	–	165,682,509	–	165,682,509
Deposits and placements of banks and other financial institutions	–	22,581,140	–	22,581,140
Recourse obligation on loans sold to Cagamas	–	3,563,770	–	3,563,770
Subordinated obligations	–	5,557,266	–	5,557,266
Hybrid Tier-1 Capital Securities	–	636,695	–	636,695
Senior debt securities	–	5,788,313	–	5,788,313

52 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) The following table analyses within the fair value hierarchy of the Bank's assets and liabilities not measured at fair value but for which fair value is disclosed:

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017				
Financial assets				
Deposits and placements with banks and other financial institutions	**–**	**11,203,148**	**–**	**11,203,148**
Financial investments HTM	**–**	**12,192,149**	**1,733,429**	**13,925,578**
Loans, advances and financing	**–**	**109,660,800**	**–**	**109,660,800**
Financial liabilities				
Deposits from customers	**–**	**120,760,004**	**–**	**120,760,004**
Deposits and placements of banks and other financial institutions	**–**	**21,864,722**	**–**	**21,864,722**
Recourse obligation on loans sold to Cagamas	**–**	**1,630,200**	**–**	**1,630,200**
Subordinated obligations	**–**	**2,598,841**	**–**	**2,598,841**
Hybrid Tier-1 Capital Securities	**–**	**630,109**	**–**	**630,109**
Senior debt securities	**–**	**3,223,972**	**–**	**3,223,972**
Restated				
2016				
Financial assets				
Deposits and placements with banks and other financial institutions	–	9,580,411	–	9,580,411
Financial investments HTM	–	15,947,890	2,052,717	18,000,607
Loans, advances and financing	–	112,014,560	–	112,014,560
Financial liabilities				
Deposits from customers	–	127,595,654	–	127,595,654
Deposits and placements of banks and other financial institutions	–	22,551,613	–	22,551,613
Recourse obligation on loans sold to Cagamas	–	2,741,806	–	2,741,806
Subordinated obligations	–	4,607,301	–	4,607,301
Hybrid Tier-1 Capital Securities	–	641,707	–	641,707
Senior debt securities	–	5,788,313	–	5,788,313

52 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) The fair values are based on the following methodologies and assumptions:

(i) Cash and short term funds and deposits and placements with financial institutions

For cash and short term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using prevailing market rates for the remaining term to maturity.

(iii) Financial assets FVTPL, financial investments HTM and AFS

The estimated fair value for financial assets FVTPL, financial investments HTM and AFS is based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative yield or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated future cash flows are discounted using the prevailing market rates for a similar instrument at the date of statements of financial position.

(iv) Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

The fair values of impaired loans are represented by their carrying value, net of impairment allowance.

(v) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(vi) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

52 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) The fair values are based on the following methodologies and assumptions (continued):

(vii) Deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements ('repos'), obligations on securities borrowed and bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, repos, obligations on securities borrowed and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities of six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(viii) Recourse obligation on loans sold to Cagamas

For amounts due to Cagamas with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(ix) Borrowings

For floating rate borrowings, the carrying value is generally a reasonable estimate of fair value.

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(x) Subordinated obligations

The estimated fair value of subordinated obligations is generally based on quoted and observable market prices at the date of statements of financial position.

(xi) Hybrid Tier-1 Capital Securities

The estimated fair value of Hybrid Tier-1 Capital Securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xii) Senior debt securities

The estimated fair value of senior debt securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xiii) Credit related commitments and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

(xiv) Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR

Current Year

(1) Internal reorganisation – transfer of certain businesses of RHB Investment Bank to the Bank

During the current financial year, the Bank and its wholly-owned subsidiary, RHB Investment Bank have undertaken an internal reorganisation which includes the following:

(i) Transfer of Treasury Business and Transfer of Structured Lending Business

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

Approvals from the relevant regulatory authorities have been obtained and the transfer of the businesses was effectively completed on 24 July 2017, based on the respective carrying value of the related securities and structured lending, with the corresponding goodwill in accordance with predecessor accounting at the Bank level. The business transfers do not have any significant effect to the financial results of the Bank and there is no financial impact from the Group's perspective.

(ii) Capital Repayment

The capital repayment entailed RHB Investment Bank cancelling a portion of its consolidated share capital (which includes the issued and paid-up share capital and the share premium).

The High Court of Malaya had on 18 September 2017, granted an order confirming the cancellation of 718,646,000 shares of RHB Investment Bank amounting to RM846,023,000 from the entire consolidated issued capital of RM2,333,796,000 (representing issued capital of RM818,646,000 and the share premium amount formerly in the share premium account being RM1,515,150,000) pursuant to Section 116 of the Companies Act, 2016. The capital repayment was effectively completed on 25 September 2017, and RHB Investment Bank remains a wholly-owned subsidiary of the Bank upon completion of the capital repayment.

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(1) Internal reorganisation – transfer of certain businesses of RHB Investment Bank to the Bank (continued)

The Bank has adopted the predecessor accounting to reflect the above transfer of businesses and the effects of the restatement arising therefrom are as follows:

Statements of Financial Position
As at 31 December 2016

	As previously reported RM'000	Effect of predecessor accounting RM'000	As restated RM'000
Bank			
ASSETS			
Cash and short term funds	12,430,270	–	12,430,270
Securities purchased under resale agreements	1,289,891	–	1,289,891
Deposits and placements with banks and other financial institutions	9,641,121	–	9,641,121
Financial assets at FVTPL	1,095,862	16,390	1,112,252
Financial investments AFS	19,692,075	835,177	20,527,252
Financial investments HTM	17,986,112	46,300	18,032,412
Loans, advances and financing	111,953,651	5,840	111,959,491
Other assets	3,127,293	–	3,127,293
Derivative assets	4,096,153	–	4,096,153
Statutory deposits	2,829,242	–	2,829,242
Tax recoverable	180,705	–	180,705
Deferred tax assets	55,515	2,785	58,300
Investments in subsidiaries	5,340,659	–	5,340,659
Property, plant and equipment	756,899	–	756,899
Goodwill	905,519	746,023	1,651,542
Intangible assets	335,153	–	335,153
TOTAL ASSETS	191,716,120	1,652,515	193,368,635
LIABILITIES AND EQUITY			
Deposits from customers	127,585,747	–	127,585,747
Deposits and placements of banks and other financial institutions	22,686,846	–	22,686,846
Obligations on securities sold under repurchase agreements	2,716,656	–	2,716,656
Bills and acceptances payable	286,318	–	286,318
Other liabilities	1,898,825	1,650,605	3,549,430
Derivative liabilities	3,671,822	–	3,671,822
Recourse obligation on loans sold to Cagamas	2,738,811	–	2,738,811
Borrowings	698,651	–	698,651
Subordinated obligations	4,592,576	–	4,592,576
Hybrid Tier-1 Capital Securities	607,155	–	607,155
Senior debt securities	5,856,389	–	5,856,389
TOTAL LIABILITIES	173,339,796	1,650,605	174,990,401
Share capital	4,010,045	–	4,010,045
Reserves	14,366,279	1,910	14,368,189
TOTAL EQUITY	18,376,324	1,910	18,378,234
TOTAL LIABILITIES AND EQUITY	191,716,120	1,652,515	193,368,635

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(1) Internal reorganisation – transfer of certain businesses of RHB Investment Bank to the Bank (continued)

The Bank has adopted the predecessor accounting to reflect the above transfer of businesses and the effects of the restatement arising therefrom are as follows (continued):

Statements of Cash Flow
For the financial year ended 31 December 2016

	As previously reported RM'000	Effect of predecessor accounting RM'000	As restated RM'000
Bank			
Net cash generated from operating activities	2,996,845	881,477	3,878,322
Net cash used in investing activities	(3,240,089)	(881,477)	(4,121,566)
Net cash generated from financing activities	4,395,192	–	4,395,192
Net increase in cash and cash equivalents	4,151,948	–	4,151,948
Effects of exchange rate difference	64,639	–	64,639
Cash and cash equivalents at the end of the financial year	12,430,270	–	12,430,270

(2) Proposed establishment of a share grant scheme for eligible employees and executive Directors of the Bank and its subsidiaries ('Proposed SGS')

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

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

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

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

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(2) Proposed establishment of a share grant scheme for eligible employees and executive Directors of the Bank and its subsidiaries ('Proposed SGS') (continued)

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

(i) allotment and issuance of new RHB Bank Shares by the Bank to the Selected Employees, who accepted the Grants' offers being made in writing to the Selected Employees ('Offer(s)') ('Grantee(s)');

(ii) acquisition of existing RHB Bank Shares from the Main Market of Bursa Securities by the Trustee, followed by the transfer of such RHB Bank Shares purchased by the trustee to the Grantees;

(iii) cash payment in lieu of (i) or (ii) above;

(iv) any other methods as may be permitted by the Companies Act, 2016; or

(v) any combination of any of the above.

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

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

(i) Bursa Securities, for the listing of the new RHB Bank Shares to be issued pursuant to the Proposed SGS on the Main Market of Bursa Securities;

(ii) Bursa Malaysia Depository Sdn Bhd for the transfer of existing RHB Bank Shares from the Trustee to the Grantees pursuant to the Proposed SGS at any point in time during the duration of the Proposed SGS, if required;

(iii) BNM for the increase in the issued and paid-up share capital of the Bank pursuant to the Proposed SGS;

(iv) shareholders of the Bank at an extraordinary general meeting ('EGM') to be convened; and

(v) any other relevant authorities/parties, if required.

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

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

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

(i) RHB Investment Bank, the adviser for the Proposed SGS, is required to submit a confirmation to Bursa Securities of full compliance of the Proposed SGS pursuant to paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders approving the Proposed SGS in a general meeting; and

(ii) the Bank is required to furnish Bursa Securities on a quarterly basis a summary of the total number of RHB Bank Shares listed as at the end of each quarter together with a detailed computation a listing fees payable.

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(2) Proposed establishment of a share grant scheme for eligible employees and executive Directors of the Bank and its subsidiaries ('Proposed SGS') (continued)

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

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

(i) Extension of time until 29 December 2017 to implement the Proposed SGS; and

(ii) Further extension of time from 28 April 2017 to 14 December 2017 for the Bank to comply with Paragraph 9.33(1)(b) of the Main Market Listing Requirements of Bursa Securities.

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

The Bank had on 21 December 2017 announced that it has decided to explore alternative schemes for its employees and Executive Directors. In this regard, the Bank shall not proceed with the implementation of the Proposed SGS. As such, the approval from Bursa Securities for an extension of time until 29 December 2017 above will therefore be allowed to lapse.

Prior Year

(3) Group Internal Reorganisation, Rights Issue, Distribution and Capital Repayment and Transfer of Listing Status

(a) Group Internal Reorganisation

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

(i) The entire equity interests in the following subsidiaries, associates and joint ventures ('Identified Assets') from the former holding company, RHB Capital under a Share Sale Agreement dated 6 April 2016, for a total cash consideration of approximately RM3.32 billion:

(i) RHB Investment Bank and all its subsidiaries, associates and joint ventures;

(ii) RHB Insurance Berhad;

(iii) RHB Finexasia.Com Sdn Bhd and its subsidiary, RHB Stock188.Com Sdn Bhd;

(iv) RHB Capital (Jersey) Limited and its subsidiary, RHB (Philippines) Inc.;

(v) RHB Kawal Sdn Bhd;

(vi) RHBF Sdn Bhd;

(vii) RHB Equities Sdn Bhd;

(viii) Malaysian Trustees Berhad; and

(ix) RHB Trustees Berhad.

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR (CONTINUED)

Prior Year (continued)

(3) Group Internal Reorganisation, Rights Issue, Distribution and Capital Repayment and Transfer of Listing Status (continued)

(a) Group Internal Reorganisation (continued)

(i) The entire equity interests in the following subsidiaries, associates and joint ventures ('Identified Assets') from the former holding company, RHB Capital under a Share Sale Agreement dated 6 April 2016, for a total cash consideration of approximately RM3.32 billion (continued):

The consideration was arrived at based on a 'willing-buyer, willing-seller' basis after taking into consideration the audited net assets/net liabilities and/or the audited net book value of the Identified Assets as extracted from the audited financial statements of the respective subsidiaries of RHB Capital as at 31 December 2014.

The Group has adopted predecessor accounting and accordingly, the corresponding amounts for previous year are restated to reflect the combined results of both entities.

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

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

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

(b) Rights Issue

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

(c) Distribution and Capital Repayment

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

(d) Transfer of Listing Status

The Bank has assumed the listing status of RHB Capital, and has been admitted to the Official List of Bursa Securities in place of RHB Capital, with the listing of and quotation for the entire issued and paid-up share capital of the Bank on the Main Market of Bursa Securities on 28 June 2016.

The Transfer of Listing Status will enable the shareholders to have a direct participation in the equity and envisaged growth of the Group as well as enable the Group to gain direct access to the capital markets to raise funds for its continued growth, to gain recognition and corporate stature through its listing status and further enhance its corporate reputation and assist the Group in expanding its customer base.

54 EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

(1) 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 subject to the approvals of BNM and State Securities Commission of Vietnam ('Vietnam SSC'). With the signing of the CSPA, the Bank will submit an application to BNM for the approval of the Proposed Acquisition and 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').

Upon completion of the Proposed Acquisition and subject to approval from Vietnam SSC for the Conversion. VSEC will become a wholly-owned subsidiary of RHB Investment Bank.

The Proposed Acquisition is expected to be completed by the second quarter of 2018.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Tan Sri Azlan Zainol and Dato' Khairussaleh Ramli, being two of the Directors of RHB Bank Berhad state that, in the opinion of the Directors, the financial statements set out on pages 7 to 192 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2017 and financial performance of the Group and of the Bank for the financial year ended on 31 December 2017 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 27 February 2018.

TAN SRI AZLAN ZAINOL
CHAIRMAN

DATO' KHAIRUSSALEH RAMLI
GROUP MANAGING DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, Syed Ahmad Taufik Albar, the Officer primarily responsible for the financial management of RHB Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 7 to 192 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

SYED AHMAD TAUFIK ALBAR

Subscribed and solemnly declared by the abovenamed Syed Ahmad Taufik Albar at Kuala Lumpur in Malaysia on 27 February 2018.

COMMISSIONER FOR OATHS
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RHB BANK BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 192.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans, advances and financing for the Group and the Bank Refer to accounting policy 20(a), critical accounting estimate (a) and Notes 7 and 39 of the financial statements. This is an area of focus as the Directors make significant judgements over both timing of recognition of impairment and the estimation of the amount of any such impairment. In Corporate and Business Banking, a material portion of impairment is individually assessed. The Directors focused on how impairment events other than a payment default are identified particularly on the impact of a prolonged recovery period of global oil prices on the creditworthiness of the borrowers. Judgement is required to determine whether a loss event has occurred, and when loss event has been identified, the amount of the impairment provision. For all other segments, the impairment is assessed collectively for portfolios of loans, advances and financing based on models. The assumptions used in the models require significant judgement by the Directors.	Individual assessment We evaluated the design and operating effectiveness of the controls over the process of identification of loss event and the process of forecasting future cash flows to determine the impairment amount. In addition, we tested a sample of loans selected based on risk, focusing on borrowers related to the oil and gas industry, and formed our judgement whether the Directors' assessment on the occurrence of loss event was appropriate. Where a loss event had been identified, we checked the forecasts of future cash flows prepared by the Directors to calculate the amount of impairment provision. We assessed the reasonableness of the assumptions underlying the forecasted cash flows. In addition, we compared the collateral values assumed in the cash flow forecasts to external valuation reports. Collective assessment We assessed and tested the design and operating effectiveness of the controls over the collection of data which formed the basis of assumptions used in the model and the accuracy of calculation of impairment amount. Furthermore, we assessed the reasonableness of these assumptions based on our industry knowledge and experience. Based on the above procedures, the results of our evaluation of the impairment provision are consistent with the Directors' assessment.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill for the Group	
Refer to accounting policy 21, critical accounting estimate (b) and Note 17 of the financial statements. As required by MFRS 136, an annual impairment assessment is performed on the goodwill balance of RM2,649.3 million. The recoverable amount of each cash generating unit ("CGU") with allocated goodwill is determined based on the higher of value in use ("VIU") and fair value less cost of disposal. The Directors have determined VIU to be the recoverable amount of these CGU. We focused on this area due to the size of the carrying amount of the goodwill, which represented 1.15% of total assets and because the Directors' make significant estimates about the future cash flows of these CGU and the discount rate applied to each CGU.	We tested the Directors' impairment assessment of goodwill by performing the following procedures: – agreed the cash flow projection of each CGU to the approved budget by the Directors for the respective CGU. We also compared previous projection to actual result of each CGU to assess the reasonableness of assumptions used in the cash flow projections; – assessed reasonableness of discount rates which reflects the specific risk relating to each CGU based on external information. – evaluated the reasonableness of growth rates beyond three years ("Terminal Growth Rates") based on historical results, economic outlook and industry forecasts; – performed sensitivity analysis over Terminal Growth Rates and discount rates used in the determination of the VIU cash flows to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount of each CGU. Based on the evidence obtained we found that the assumptions used by the Directors in the impairment assessment of goodwill were consistent with our understanding.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditors' report, and the 2017 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SOO HOO KHOON YEAN
02682/10/2019 J
Chartered Accountant

Kuala Lumpur
27 February 2018

BASEL II PILLAR 3 DISCLOSURES

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LIST OF TABLES

STATEMENT BY GROUP MANAGING DIRECTOR

In accordance with the requirements of Bank Negara Malaysia's Guideline on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), and on behalf of the Board of Directors and Senior Management of RHB Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of RHB Bank Berhad for the year ended 31 December 2017 are accurate and complete.

DATO' KHAIRUSSALEH BIN RAMLI
Group Managing Director

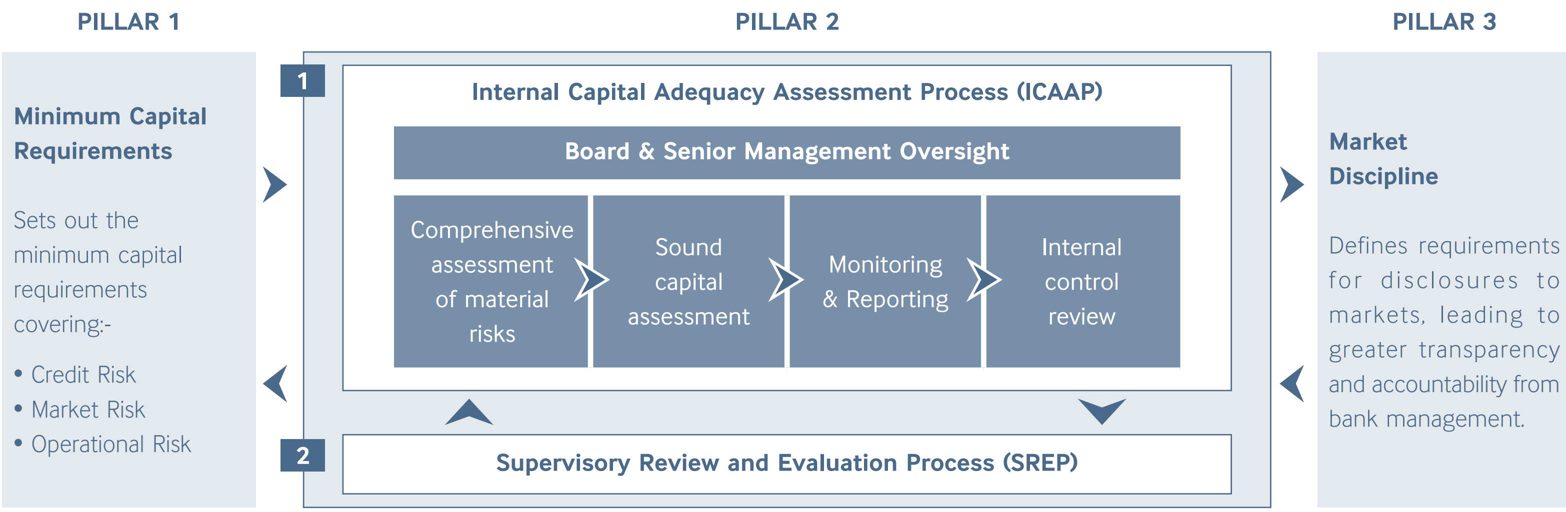
1.0 INTRODUCTION

This document describes RHB Bank Berhad's risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements as outlined in the Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia (BNM's Pillar 3 Guidelines).

BNM's guidelines on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) provide and specify the approaches for quantifying the risk-weighted assets for credit risk, market risk and operational risk.

Basel II introduces a more risk-based approach to regulatory capital with a distinct charge for operational risk in addition to the existing credit and market risk capital charges. Basel II is designed to be a catalyst for more advanced risk management techniques, enterprise-wide culture of risk management and improved corporate governance and public disclosure.

The Basel II approach based on the three pillars can be diagrammatically depicted as below:



Pillar 1 provides guidelines for calculation of risk-weighted assets for credit risk, market risk and operational risk, and the minimum amount of regulatory capital that banks must hold against the risks they assume.

For the purpose of complying with regulatory requirements under Basel II Pillar 1, the approaches adopted by the respective banking entities within the Group are as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	Internal Ratings-Based Approach	Standardised Approach	Basic Indicator Approach
RHB Islamic Bank Berhad	Standardised Approach		
RHB Investment Bank Berhad			

1.0 INTRODUCTION (CONTINUED)

Pillar 2 comprises two components as follows:

- Placing obligations on banks to develop an Internal Capital Adequacy Assessment Process, and setting capital targets that commensurate with the banking institution's risk profile and control environment; and
- Placing obligations on the supervisory authority to evaluate how well banking institutions are assessing their capital needs relative to their risks and to intervene, where appropriate.

Pillar 3 covers external communication of risk and capital information by banks. The purpose of the Pillar 3 disclosures is to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2 by encouraging market efficiency through a set of disclosure requirements that will allow market participants to assess information on banking institutions' capital structures, risk exposures, risk management processes, and hence, their overall capital adequacy.

Basis of Disclosure

The annual Pillar 3 disclosure report is published in accordance with BNM's Pillar 3 Guidelines. This disclosure report has been verified and approved internally in line with the RHB Banking Group: Basel II Pillar 3 Disclosure Policy.

Comparative Information

This document covers the qualitative and quantitative information for financial year ended 31 December 2017 with comparative quantitative information of the preceding financial year 2016.

Frequency of Disclosure

The qualitative disclosures contained herein are updated on an annual basis and more frequently, if there are significant changes in the interim reporting period. The disclosures on capital adequacy and structure are made on a quarterly basis and all other quantitative disclosures are made on a semi-annual basis in accordance to the Group's reporting period.

Medium and Location of Disclosure

The Group's Pillar 3 disclosure report is made available under the Investor Relations section of the Group's website at www.rhbgroup.com as a separate report in the Group's Annual Report 2017, after the notes to the Financial Statements.

2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Bank Berhad's information is presented on a consolidated basis, ie RHB Bank Berhad with its overseas operations and its subsidiaries, and is referred to as "RHB Bank Group" or "the Group".

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Bank Group are fully consolidated from the date it obtains control until the date such control ceases. Refer to Note 14 to the financial statements for list of consolidated entities.

The Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, except where the types of investment to be deducted from eligible capital as guided by BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components).

RHB Bank Group offers Islamic banking financial services via its wholly-owned subsidiary company, RHB Islamic Bank Berhad (RHB Islamic Bank).

The transfer of funds or regulatory capital within RHB Bank Group is subject to shareholders' and regulatory approval.

During the financial year 2017, RHB Bank Berhad (the Bank) and its wholly owned subsidiary, RHB Investment Bank Berhad (RHB Investment Bank) have undertaken an internal reorganisation which includes:

i. Transfer of treasury business and structured lending business with the corresponding goodwill of RHB Investment Bank to the Bank in July 2017. For the purpose of this disclosure, the Bank has re-presented the Risk-Weighted Assets of the Bank to reflect the transfer of the treasury business and structured lending business for the year ended 31 December 2016 to provide better representation on comparative information.
ii. Capital repayment which entailed RHB Investment Bank cancelling a portion of its consolidated share capital amounting to RM846,023,000 in September 2017. RHB Investment Bank remains a wholly-owned subsidiary of the Bank upon completion of the capital repayment.

During the financial year 2017, there were no capital deficiencies in RHB Bank Berhad or any of its subsidiaries.

3.0 CAPITAL MANAGEMENT

The overall capital management objective is to manage capital prudently and to maintain a strong capital position to drive sustainable business growth and seek strategic opportunities to enhance shareholders' value, and be in line with its risk appetite. Capital adequacy is the extent to which capital resources on the Group's balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of the Group to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. The Group aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting regulatory requirements.

With a comprehensive capital management, the Group aims to have a sound capital management practice that is aligned to BNM's ICAAP requirements.

The management of capital involves capital strategy, capital planning and capital allocation/structuring/optimisation.

- **Capital Strategy**

  Capital strategy includes the determination of target capital under both normal and stressed market conditions and considers the business risk and strategic objectives, external credit ratings, and capital adequacy requirements. A comprehensive capital adequacy assessment is conducted at least annually to ensure that the target capital level is appropriate.

3.0 CAPITAL MANAGEMENT (CONTINUED)

- **Capital Planning**

Based on strategic direction and regulatory requirements, the Group formulates a comprehensive and forward looking capital plan to:

(i) support its overall risk profile and forecast the capital demand for material risks for which capital held is deemed appropriate and aligned with the Group's risk appetite;

(ii) provide adequate capital for business growth, changes in asset mix or to cover unanticipated losses.

The capital plan describes the actions required to raise capital in a timely manner in both normal and stressed conditions as assumed in the stress scenarios. For capital planning purposes, capital adequacy is assessed in the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that the Group maintains adequate capital on a forward-looking basis. The Group also establishes a capital contingency funding plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, are reviewed by the Group Chief Financial Officer and deliberated at the Group Capital and Risk Committee (GCRC) for endorsement, and submitted to Board Risk Committee (BRC) and the Board for approval.

- **Capital Allocation/Structuring/Optimisation**

The Group determines the amount of capital allocated to each entity and business line based on capital performance target and available funding. An efficient allocation of capital drives returns for the Group's shareholders.

Capital structuring affects the Group through its impact on cash flow and cost of capital. The Group adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, the Group determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

The Group optimises its capital by integrating risk-based capital into strategy and aligning this with performance measurement.

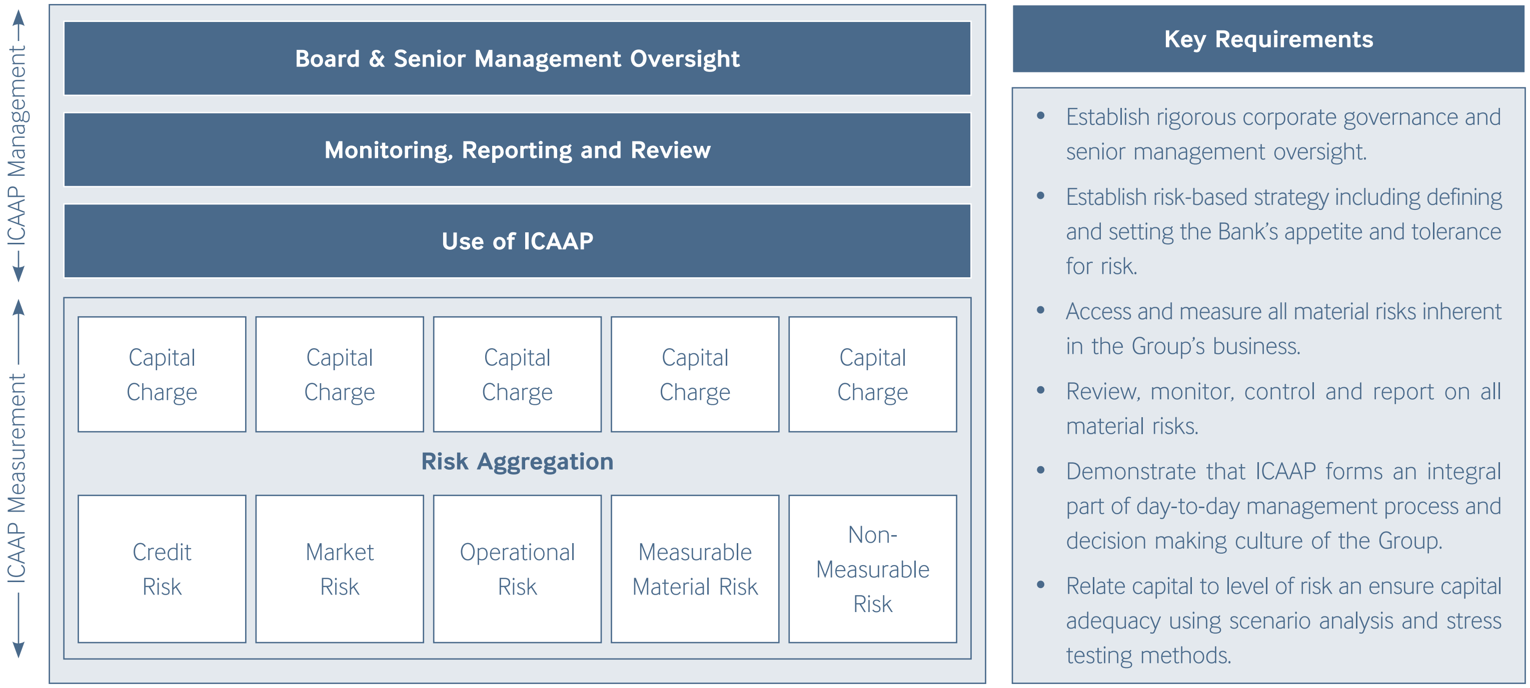
The Group also aims to achieve a balance between dividend pay-out and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.1 Internal Capital Adequacy Assessment Process (ICAAP)

In line with BNM's Guideline on ICAAP under the Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2) and Capital Adequacy Framework for Islamic Banks (CAFIB) – Internal Capital Adequacy Assessment Process (Pillar 2), the Group has implemented ICAAP with the objective to forge a strong alignment between risk and capital. Capital adequacy is assessed in relation to the Group's risk profile, and strategies are in place to maintain appropriate capital levels.

The ICAAP Framework developed and adopted across the Group summarises the key ICAAP requirements into two functional categories, namely; ICAAP Measurement and ICAAP Management as depicted below:



3.2 Basel III Implementation

The implementation of Basel III for capital components by BNM in Malaysia has commenced with effect from 1 January 2013. Under the Basel III rules, banking institutions are required to strengthen the quality of their capital by maintaining higher minimum capital requirements and holding capital buffers namely the capital conservation buffer and the countercyclical capital buffer. However, the requirements are subject to a series of transitional arrangements with a gradual phase-in commencing 2013.

The Group has implemented BNM's liquidity standards on Liquidity Coverage Ratio (LCR) effective from 1 June 2015 after reporting the LCR under observation since June 2012. BNM has adopted the phased-in arrangement for Malaysian banking institutions to comply with the minimum requirement of 60% in 2015 with incremental of 10% each year thereafter until 100% from 1 January 2019 onwards. The Group continues to report on Net Stable Funding Ratio (NSFR) under observation. The result produced during the observation period facilitates the Group's strategy in managing the appropriate balance sheet structure for achieving optimal NSFR.

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.3 Capital Adequacy Ratios

BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) sets out the general requirements concerning regulatory capital adequacy and the components of eligible regulatory capital. As of 1 January 2015, banking institutions are required to maintain, at all times, the following minimum capital adequacy ratios:

Calendar Year	Common Equity Tier I (CET I) Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
2015 onwards	4.50%	6.00%	8.00%

In addition, the Group is required to maintain additional capital buffers in the form of CET I capital above the minimum CET I, Tier I and Total Capital ratios set out above. The capital buffers shall comprise of capital conservation buffer (CCB) and countercyclical capital buffer (CCyB). The CCB is intended to enable the banking system to withstand future periods of stress and will be phased-in as follows:

Calendar Year	CCB
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

CCyB is determined based on the weighted average of the prevailing CCyB rates applied in the jurisdictions in which the Group has credit exposures. This buffer is intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive. Application of CCyB above the minimum capital ratios is in the range of 0.0% to 2.5%. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies.

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.3 Capital Adequacy Ratios (continued)

The capital ratios of RHB Bank Berhad on consolidated basis (RHB Bank Group), RHB Bank Berhad on global basis (RHB Bank), RHB Islamic Bank and RHB Investment Bank as at 31 December 2017 and 31 December 2016 are:

Table 1: Capital Adequacy Ratios

	RHB Bank Group		RHB Bank		RHB Islamic Bank		RHB Investment Bank	
	2017	2016	2017	Restated 2016	2017	2016	2017	2016
Before proposed dividends:								
Common Equity Tier I Capital Ratio	**14.228%**	13.328%	**13.523%**	12.586%	**10.376%**	10.868%	**34.995%**	29.623%
Tier I Capital Ratio	**14.485%**	13.614%	**13.833%**	12.930%	**10.376%**	10.868%	**34.995%**	29.623%
Total Capital Ratio	**17.500%**	17.406%	**16.266%**	14.959%	**14.134%**	14.002%	**39.878%**	29.623%
After proposed dividends:								
Common Equity Tier I Capital Ratio	**13.907%**	13.111%	**13.108%**	12.318%	**10.376%**	10.868%	**34.995%**	29.623%
Tier I Capital Ratio	**14.164%**	13.398%	**13.418%**	12.662%	**10.376%**	10.868%	**34.995%**	29.623%
Total Capital Ratio	**17.179%**	17.189%	**15.851%**	14.690%	**14.134%**	14.002%	**39.878%**	29.623%

The capital ratios are above the minimum level required by BNM.

3.4 Minimum Capital Requirements and Risk-Weighted Assets ('RWA')

The following table shows the breakdown of RWA by risk types as at 31 December 2017 and 31 December 2016:

Table 2: Risk-Weighted Assets ('RWA') by Risk Types

	RHB Bank Group		RHB Bank		RHB Islamic Bank		RHB Investment Bank	
Risk Types	2017 RM'000	2016 RM'000	2017 RM'000	Restated 2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Credit RWA	**108,296,294**	113,882,724	**85,500,785**	92,579,559	**34,726,152**	29,623,743	**718,961**	1,269,201
Credit RWA Absorbed by PSIA	**–**	–	**–**	–	**(7,269,199)**	(5,665,344)	**–**	–
Market RWA	**4,960,017**	4,846,916	**2,872,562**	3,733,756	**240,688**	63,426	**610,542**	676,232
Operational RWA	**11,516,719**	10,828,115	**8,260,751**	8,283,570	**1,397,487**	1,200,381	**905,417**	1,151,279
Total RWA	**124,773,030**	129,557,755	**96,634,098**	104,596,885	**29,095,128**	25,222,206	**2,234,920**	3,096,712

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets ('RWA') (continued)

The following tables show the breakdown of RWA by risk types and the corresponding capital requirement as at 31 December 2017 and 31 December 2016:

Table 3a: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2017

	RWA				Minimum Capital Requirements			
Risk Types	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Credit Risk, of which	**108,296,294**	**85,500,785**	**27,456,953**	**718,961**	**8,663,704**	**6,840,063**	**2,196,556**	**57,517**
Under Foundation Internal Rating Based ('F-IRB')	*45,346,432*	*37,489,502*	–	–	*3,627,714*	*2,999,160*	–	–
Under Advanced Internal Rating Based ('A-IRB') Approach	*30,985,108*	*25,224,217*	–	–	*2,478,809*	*2,017,938*	–	–
Under Standardised Approach	*31,964,754*	*22,787,066*	*34,726,152*	*718,961*	*2,557,181*	*1,822,965*	*2,778,092*	*57,517*
Absorbed by PSIA under Standardised Approach	–	–	*(7,269,199)*	–	–	–	*(581,536)*	–
Market Risk								
Under Standardised Approach	4,960,017	2,872,562	240,688	610,542	*396,801*	*229,805*	19,255	48,843
Operational Risk								
Under Basic Indicator Approach	11,516,719	8,260,751	1,397,487	905,417	*921,338*	*660,860*	111,799	72,433
Total	**124,773,030**	**96,634,098**	**29,095,128**	**2,234,920**	**9,981,843**	**7,730,728**	**2,327,610**	**178,793**

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets ('RWA') (continued)

The following tables show the breakdown of RWA by risk types and the corresponding capital requirement as at 31 December 2017 and 31 December 2016: (continued)

Table 3b: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2016

	RWA				Minimum Capital Requirements			
Risk Types	RHB Bank Group RM'000	RHB Bank Restated RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000	RHB Bank Group RM'000	RHB Bank Restated RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Credit Risk, of which	113,882,724	92,579,559	23,958,399	1,269,201	9,110,618	7,406,365	1,916,672	101,536
Under Foundation Internal Rating Based ('F-IRB')	*36,819,775*	*36,899,457*	–	–	*2,945,582*	*2,951,957*	–	–
Under Advanced Internal Rating Based ('A-IRB') Approach	*28,848,438*	*24,180,840*	–	–	*2,307,875*	*1,934,467*	–	–
Under Standardised Approach	*48,214,511*	*31,499,262*	*29,623,743*	*1,269,201*	*3,857,161*	*2,519,941*	*2,369,899*	*101,536*
Absorbed by PSIA under Standardised Approach	–	–	*(5,665,344)*	–	–	–	*(453,227)*	–
Market Risk								
Under Standardised Approach	4,846,916	3,733,756	63,426	676,232	*387,753*	*298,700*	5,074	54,099
Operational Risk								
Under Basic Indicator Approach	10,828,115	8,283,570	1,200,381	1,151,279	*866,249*	*662,686*	96,030	92,102
Total	**129,557,755**	**104,596,885**	**25,222,206**	**3,096,712**	**10,364,620**	**8,367,751**	**2,017,776**	**247,737**

Capital requirement for the three risk types is derived by multiplying the risk-weighted assets by 8%.

Credit RWA reduced mainly due to reduction in exposures to financial institutions and the migration of Specialised Lending/Financing, Islamic Corporate and Islamic Term Financing-i Collateralised by ASB portfolios from Standardised Approach to the Internal Ratings-Based Approach for consolidated reporting of regulatory capital requirement at RHB Bank Group level. RHB Islamic Bank continues to report the said portfolios for its regulatory capital requirements purposes under Standardised Approach.

4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components). These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by the Group. Tier I capital consists primarily of ordinary share capital, share premium, retained profits, other reserves and hybrid Tier I capital securities. Tier II capital consists of subordinated obligations and collective impairment allowance. Refer to Notes 27 and 28 to the Financial Statements for the terms of these capital instruments.

BNM had on 3 May 2017, issued a Revised Policy Document on Capital Funds and Capital Funds for Islamic Banks (Revised Policy Document) and the revised component of capital funds shall exclude share premium and reserve fund. The Revised Policy Document is only applicable for banking institutions operating in Malaysia.

The following table represents the capital position of RHB Bank Group and RHB Bank as at 31 December 2017 and 31 December 2016:

Table 4: Capital Structure

	RHB Bank Group		RHB Bank@	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**Restated 2016 RM'000**
Common Equity Tier I Capital/Tier I Capital				
Paid up ordinary share capital	**6,994,103**	4,010,045	**6,994,103**	4,010,045
Share premium	**–**	2,984,058	**–**	2,984,058
Retained profits	**13,249,895**	7,987,701	**11,019,987**	7,228,090
Other reserves	**667,019**	5,857,844	**450,926**	4,399,075
Available for sale ('AFS') reserves	**275,224**	82,091	**272,449**	115,361
Less:				
Goodwill	**(2,633,383)**	(2,633,383)	**(1,651,542)**	(1,651,542)
Intangible assets (include associated deferred tax liabilities)	**(447,837)**	(370,192)	**(390,769)**	(316,088)
55% of cumulative gains arising from change in value of AFS instruments	**(151,373)**	(45,150)	**(149,847)**	(63,449)
Shortfall of eligible provisions to expected losses under the IRB approach	**–**	(308,827)	**–**	(296,432)
Investment in subsidiaries*	**(120,542)**	(91,176)	**(3,436,416)**	(3,084,205)
Other deductions#	**(35,272)**	(85,550)	**(30,965)**	(82,630)
Deferred tax assets	**(44,629)**	(120,584)	**(10,542)**	(77,557)
Total Common Equity Tier I Capital	**17,753,205**	**17,266,877**	**13,067,384**	**13,164,726**
Hybrid Tier I Capital Securities**	**300,000**	360,000	**300,000**	360,000
Qualifying non-controlling interests recognised as Tier I Capital	**20,207**	11,677	**–**	–
Total Tier I Capital	**18,073,412**	**17,638,554**	**13,367,384**	**13,524,726**

4.0 CAPITAL STRUCTURE (CONTINUED)

Table 4: Capital Structure (continued)

	RHB Bank Group		RHB Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	Restated 2016 RM'000
Tier II Capital				
Subordinated obligations subject to gradual phase out treatment ***	**300,000**	2,400,000	**300,000**	2,400,000
Subordinated obligations meeting all relevant criteria	**2,249,028**	1,499,641	**2,249,028**	1,499,641
Qualifying capital instruments of a subsidiary issued to third parties+	**385,523**	539,456	**–**	–
Surplus eligible provisions over expected losses	**457,989**	–	**376,282**	–
Collective impairment allowances and regulatory reserves^	**399,560**	533,379	**284,839**	277,942
Less:				
Investment in subsidiaries*	**(30,135)**	(60,783)	**(859,104)**	(2,056,137)
Total Tier II Capital	**3,761,965**	**4,911,693**	**2,351,045**	**2,121,446**
Total Capital	**21,835,377**	**22,550,247**	**15,718,429**	**15,646,172**

@ 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 I Capital Securities that are recognised as Tier I capital instruments are subject to gradual phase out treatment effective from 1 January 2013 as prescribed under paragraph 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.

Includes the qualifying regulatory reserves under the standardised approach for non-impaired loans/financing of the Group and Bank of RM268,407,000 (31 December 2016: RM283,467,000) and RM202,172,000 (Restated 31 December 2016: RM165,720,000) respectively.

5.0 RISK MANAGEMENT

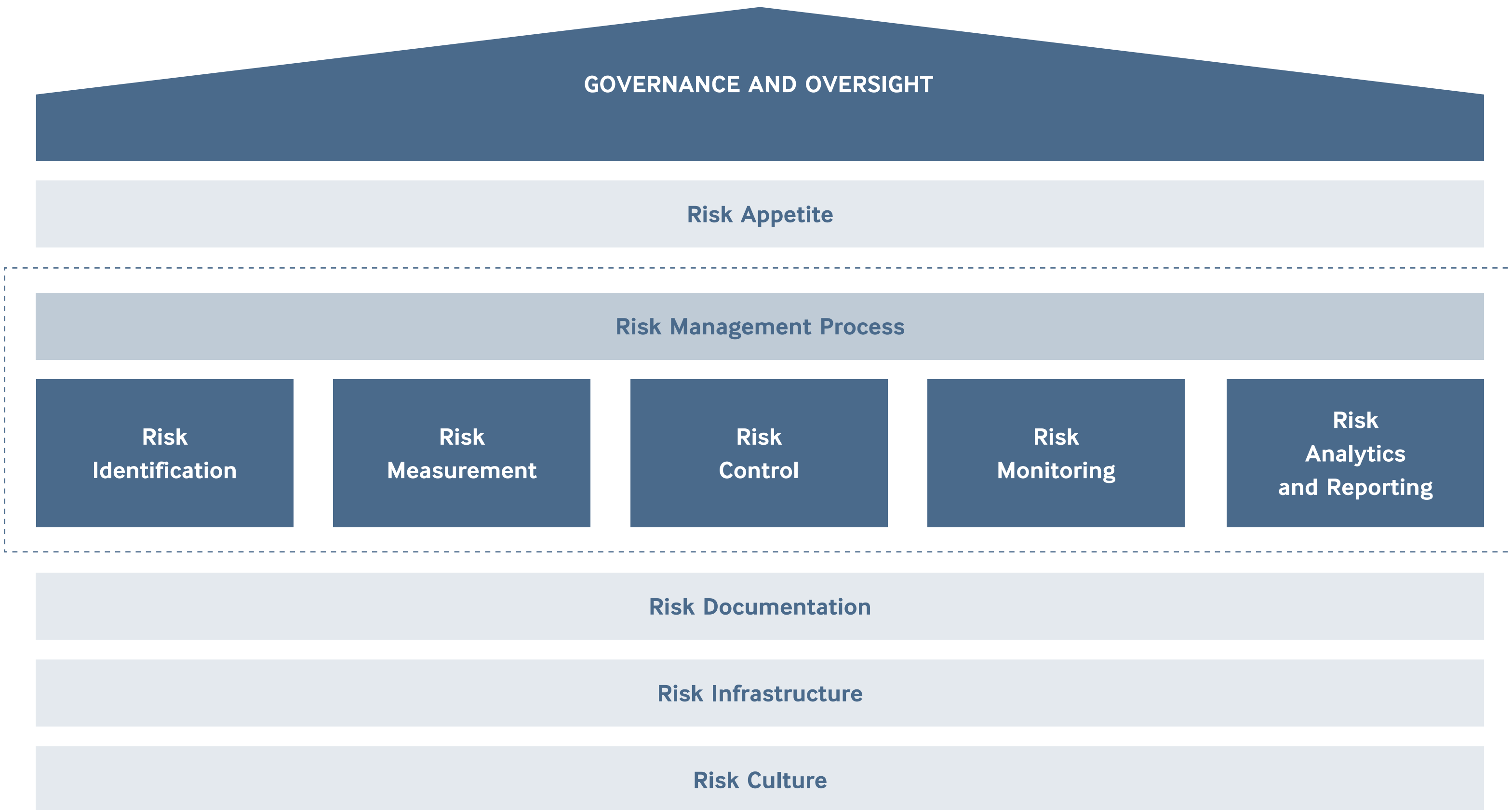
Risk is inherent in the Group's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Group is exposed to a range of other risk types such as market, liquidity, operational, legal, Shariah, strategic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

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

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

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

The Group Risk Management Framework is represented in the following diagram:



The following sections describe some of these risk management content areas.

5.0 RISK MANAGEMENT (CONTINUED)

OVERARCHING RISK MANAGEMENT PRINCIPLES

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

- Risk governance from the Boards of Directors of various operating entities within the Group;
- Clear understanding of risk management ownership;
- Institutionalisation of a risk-focused organisation;
- Alignment of risk management to business strategies; and
- Optimisation of risk-adjusted returns.

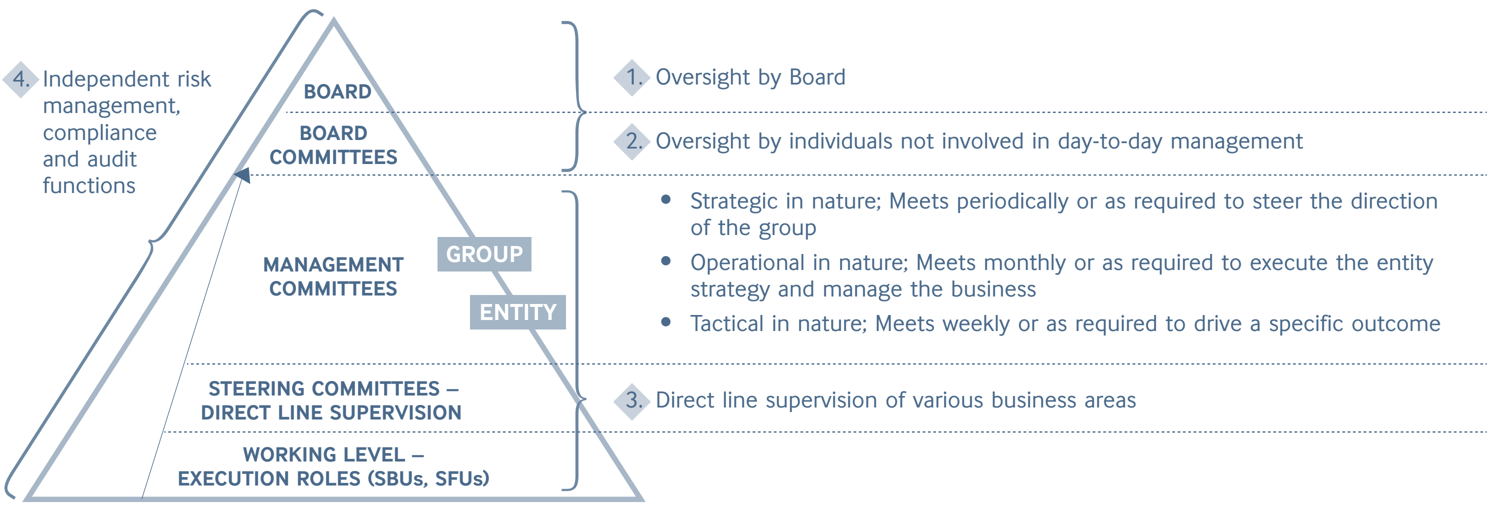
Principle 1: Risk Governance from the Boards of Directors of various operating entities within the Group

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

RISK GOVERNANCE AND ORGANISATION

The Board of Directors (Board), through the BRC, GCRC and the Group Risk & Credit Management function, establishes the risk appetite and risk principles for the Group and relevant entities. The BRC is the principal Board Committee that provides oversight over risk management activities for the Group to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models. An Islamic Risk Management Committee (IRMC) was established to assist the Board of RHB Islamic Bank on risk issues relevant and unique to RHB Islamic Bank.

The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the GCRC comprising Senior Management of the Group and which reports to the BRC/IRMC and the Group Management Committee (GMC). There are other committees set up to manage specific areas of risks in the Group. An overview of this governance framework at Group level is as below:



5.0 RISK MANAGEMENT (CONTINUED)

RISK CULTURE

Principle 2: Clear Understanding of Risk Management Ownership

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Group. The Group adopts the principle that 'Risk and Compliance is Everyone's Responsibility'.

The strategic business units (SBUs) and strategic functional units (SFUs) of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risks. The business units manage certain defined risks supported by the services provided by the functional units, including the risk management function. The approach is based on the 'three lines of defence' model as depicted below:

FIRST LINE **Business/Functional Level**	• Responsible for managing day-to-day risks and compliance issues • Business Risk and Compliance Officer is to assist business/functional unit in day-to-day risks and compliance matters
SECOND LINE **Group Risk Management & Group Compliance**	• Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters
THIRD LINE **Group Internal Audit**	• Provide independent assurance to the Board that risk and compliance management functions effectively as designed

RISK ENVIRONMENT AND INFRASTRUCTURE

Principle 3: Institutionalisation of a Risk-Focused Organisation

In addition to risk ownership, a risk-focused culture is promoted throughout the Group through strengthening of the central risk management functions and continuous reinforcement of a risk and control environment within the Group. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits.

Central Risk Management Function

Group Risk & Credit Management function is independent of the business function to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. The said function is headed by the Group Chief Risk Officer.

The roles and responsibilities of the Group Chief Risk Officer include:

- Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Group;
- Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models;
- Developing a pro-active, balanced and risk-attuned culture within the Group;
- Advising Senior Management, the GCRC, BRC/IRMC and the Board on risk issues and their possible impact on the Group in the achievement of its objectives and strategies; and
- Administering the delegation of discretionary powers to Management personnel within the Group.

5.0 RISK MANAGEMENT (CONTINUED)

Central Risk Management Function (continued)

Group Risk & Credit Management consisting of Group Risk Management, Group Credit Management and Group Risk Operations provides independent oversight on business activities and implements the Group Risk Management Framework in order to protect and safeguard for the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Key areas for which Group Risk Management is responsible for include the Group's risk policy and framework, day-to-day risk measurement and monitoring, providing timely risk analysis to management, and ensuring compliance to regulatory risk reporting requirements.

Group Credit Management oversees the Group-wide credit evaluation and assessment, approval and credit monitoring functions by providing credit risk assessment assurance on credit proposals, highlighting key risks and potential problematic accounts, and improving credit process efficiency.

Group Risk Operations is responsible for strategising and implementing a comprehensive enterprise-wide risk governance framework, and managing the development of robust risk management infrastructure and tools, aligned with the Group's strategy for growth and keeping pace with the market requirements and competitive business environment. Group Risk Operations drives the operationalisation of the Group's risk transformation initiatives in establishing risk management as a valuable business partner.

Risk and Control Environment

The business and functional heads are accountable for risk management in their businesses and functions, and for overseas operations where they have governance responsibilities. The business and functional units have clear segregation of duties to ensure that business processes are functioning effectively. There is accountability delegated to the appropriate authority to enable them to execute their respective authorities in meeting the business strategies without compromising the risk management process.

The primary responsibility for managing risks, therefore, rests with the business managers who are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits.

The risk management processes within the Group seek to identify, measure, monitor and control risk so that risk exposures are adequately managed and the expected returns adequately compensate the risks.

- Identification: The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate and ensure the risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary.
- Measurement: Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency.
- Controlling and Monitoring: Controls, triggers and limits are used to manage risk exposures and to facilitate early identification of potential problem on a timely basis.
- Analytics and Reporting: Risk analysis and reports are prepared at the respective entities and consolidated level as well as business level are regularly escalated to the senior management and relevant Boards to ensure that the risks remain within the established appetite and to support an informed decision-making process.

5.0 RISK MANAGEMENT (CONTINUED)

Risk and Control Environment (continued)

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation and infrastructure. Towards this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are implemented consistently across the Group.

In terms of risk infrastructure, the Group has organised its resources and talents into specific functions, and invested into technology, including data management to support the Group's risk management activities.

RISK APPETITE

Principle 4: Alignment of Risk Management to Business Strategies

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

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

Principle 5: Optimisation of Risk-Adjusted Returns

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

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

6.0 CREDIT RISK

Credit Risk Definition

Credit risk is the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's lending/financing, trade finance and its funding, underwritings, investment and trading activities from both on and off-balance sheet transactions.

6.1 Credit Risk Management Oversight and Organisation

The Group Credit Committee (GCC) is the senior management committee empowered to approve or reject all financial investments, counterparty credit and lending/financing up to the defined threshold limits.

GCC will direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Group's loan/asset book. GCC also acts as the body which, through the BRC, recommends to the respective Boards, on matters pertaining to credit risk (such as credit and underwriting evaluation/approval/procedure, and delegated lending/financing authorities).

The Group Investment Underwriting Committee (GIUC) deliberates, approves and rejects stockbroking/equities/futures business related proposals such as equity underwriting, equity derivatives and structured products, and share margin financing.

The BCC's main functions are (i) affirming, vetoing or imposing more stringent conditions on credits of the Group which are duly approved by the GCC and/or GIUC, (ii) overseeing the management of impaired and high risk accounts, and (iii) approving credit transactions to connected parties up to the defined threshold limits. BCC also endorses policy loans/financing and loans/financing required by BNM to be referred to the respective Boards for approval.

The Group Credit Management has the functional responsibility to ensure that internal processes and credit underwriting standards are adhered to before financing proposals are approved. All financing proposals are firstly assessed for its credit worthiness by the originating business units before being evaluated by an independent credit manager and decided upon by the management.

All financing exposure limits are approved within a defined credit approval authority framework. Large financing exposures are further subject to post approval credit review by Group Internal Audit.

With the exception of credit applications for consumer and approved products under program lending/financing which can be approved by business units' supervisors, all other credit facilities are subject to independent assessment by a team of dedicated and experienced credit evaluators in Head Office. For proper checks and controls, joint approval is required for all discretionary lending between business and independent credit underwriters. Loans/financing which are beyond the delegated lending authority limits will be escalated to the relevant committees for approval.

Within Group Risk Management, the Group Credit Risk Management has the functional responsibility for credit risk management, portfolio risk monitoring, risk reporting and development of credit policies and guidelines. The Group also conducts regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

Regular risk reporting is made to the GCRC, IRMC, BRC and the Board. These reports include various credit risk aspects such as portfolio quality, expected losses, and concentration risk exposures by business portfolio. Such reporting allows Senior Management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.

6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach

The Group's credit risk management framework is founded upon BNM's Guideline on Best Practices for the Management of Credit Risk. The Group abides by its Group Credit Policy which supports the development of a strong credit culture with the objective of maintaining a diversified portfolio, and a reliable and satisfactory risk-weighted return. Industry best practices are instilled in the continual updating of the Group Credit Policy.

The Group's credit risk management process is documented in the Group Credit Guidelines (GCG) and the Group Credit Procedures Manual (GCPM) which set out the operational procedures and guidelines governing the credit processes within the Group.

The GCG and GCPM have been designed to ensure that:

- The process of credit initiation, administration, supervision and management of loans/financing and advances are carried out consistently and uniformly by the business origination and other credit support functions within the Group.
- Procedures and guidelines governing the credit function are in compliance with the credit policies of the Group.

Lending/Financing to Corporate and Institutional Customers

Loans/financing to corporate and institutional customers are individually evaluated and risk-rated. Credit underwriters identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment activities, the Group is also exposed to credit risks from trading, derivative and debt securities activities. Relevant credit guidelines are established to govern the credit risk via guidance on derivatives, hedging and investment related activities of the different exposures.

Lending/Financing to Consumers and Small Businesses

For the consumer and small business sectors, credit risk is managed on a portfolio basis. Such products include residential mortgages/home financing, credit cards, auto loans/financing, commercial property loans/financing, personal financing, ASB financing and business loans/financing. Loans/financing are underwritten under product programmes that clearly define the target market, underwriting criteria, terms of financing, maximum exposure, credit origination guidelines and verification process. Scoring models are used in the credit decision process to enable objective risk evaluation and consistent decisions, cost efficient processing, and behavioural score monitoring of expected portfolio performance.

6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach (continued)

Lending/Financing to Share Margin Financing

Loans/financing to share margin clients are based on credit/financing facilities made available to these clients for trading or redemption of securities that are listed in Bursa Malaysia Berhad in accordance with the Bursa Securities Rules.

For share margin financing, credit risk is mitigated through the establishment of appropriate approving authority structure/matrix for the extension of trading/credit limits. Within clearly defined guidelines approved by the Board and in line with applicable laws and regulations, credit risk management also encompasses the systematic credit assessment, close monitoring of limits, exposures and concentration risk to counterparties or issuer, through timely management reporting procedures.

Credit Risk Measurement

Along with judgement and experience, risk measurement or quantification plays a critical role in making informed risk taking and portfolio management decisions. As the nature of credit risk varies by financing type, the Group applies different credit risk measuring tools, so that the credit risk of each financing type is appropriately reflected. These measurement tools are developed for the material credit exposures, which fall under the IRB Approach.

The followings represent the dimensions considered in the credit risk measurement:

1. Probability of Default (PD)

For corporate/non-retail financing, the probability of default is measured from obligor (or customer) rating obtained from the risk rating system to determine obligor's level of default risk. The risk rating of each obligor is regularly reviewed to ensure that it actually reflects the debtor's/customer's updated default risk. For retail exposures/financing, the default risk is measured via different credit scoring or behavioural scoring model.

2. Loss Given Default (LGD)

For corporate financing, LGD is determined via the credit risk mitigation adjustment, in which collateral and security will determine the level of LGD for a specific transaction. For retail financing, LGD is captured at respective segment (or pool) level.

3. Exposure at Default (EAD)

EAD is calculated from the current outstanding balance and availability of committed financing line. In this regard, the key factor is the Group's obligation related to the available financing line. For corporate financing, the EAD is measured at an individual obligor exposure as per BNM's Guideline on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets). For retail financing, the principle of credit risk measurement is similar, but measured on a pooled basis, based on internal models.

6.0 CREDIT RISK (CONTINUED)

6.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The management of the following off-balance sheet exposures of the Group is in accordance to the credit risk management approach as set out under Section 6.2 of this document:

- Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that its customer cannot meet its obligations to third-parties. These exposures carry the same credit risk as loans/financing even though they are contingent in nature;
- Documentary and commercial letters of credit, which are undertakings by the Group on behalf of its customers. These exposures are usually collateralised by the underlying shipment of goods to which they relate;
- Commitments to extend financing, which includes the unutilised or undrawn portions of financing facilities;
- Unutilised credit card lines; and
- Principal or notional amount of derivative financial instruments.

Counterparty Credit Risk

Counterparty Credit Risk is the risk that the entity with whom one has entered into a financial contract (the counterparty to the contract) will fail to fulfil their side of the contractual agreement (eg they default). Counterparty risk is typically defined as arising from two broad classes of financial products:

- Over-the-counter derivatives such as interest rate/profit rate swaps, FX forwards and credit default swaps.
- Securities financing transactions such as repos and reverse repos; and securities borrowing and lending.

Derivative financial instruments are primarily entered into for hedging purposes. The Group (excluding RHB Islamic Bank) takes trading derivative positions, within pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at the time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

All outstanding financial derivative positions are marked-to-market on a daily basis. The Group monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action.

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches

The following tables show the credit exposures or EAD as at 31 December 2017 compared with 31 December 2016, segregated by:

- the various types of asset classes, showing details of the exposures by type of approaches, before and after credit risk mitigation (CRM), the corresponding RWA and capital requirements;
- disclosure on off-balance sheet and counterparty credit risk;
- geographical distribution;
- industry sector;
- residual maturity; and
- disclosures under the Standardised Approach by risk weights.

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5a: Summary of Credit Exposures with Credit Risk Mitigation ('CRM') by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2017

RHB Bank Group Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under Standardised Approach ('SA')				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	26,392,116	26,392,116	1,221,227	97,698
Public Sector Entities	8,284,169	8,284,169	406,245	32,500
Banks, Development Financial Institutions & MDBs	11,914,477	11,914,477	3,683,421	294,674
Insurance/Takaful Cos, Securities Firms & Fund Managers	641,748	639,406	600,285	48,023
Corporates	27,882,075	26,023,314	14,058,978	1,124,718
Regulatory Retail	7,078,996	6,127,334	5,296,694	423,736
Residential Mortgages	1,088,699	1,080,128	382,985	30,639
Higher Risk Assets	17,843	17,843	26,765	2,141
Other Assets	5,151,881	5,151,881	2,625,597	210,048
Securitisation Exposures	–	–	–	–
Equity Exposures	648,100	648,100	648,100	51,848
Defaulted Exposures	482,027	468,452	510,690	40,855
Total On-Balance Sheet Exposures	**89,582,131**	**86,747,220**	**29,460,987**	**2,356,880**
Off-Balance Sheet Exposures				
OTC Derivatives	570,560	566,788	296,356	23,708
Off-balance sheet exposures other than OTC derivatives or credit derivatives	5,670,434	5,086,036	2,204,361	176,349
Defaulted Exposures	15,028	14,470	3,050	244
Total Off-Balance Sheet Exposures	**6,256,022**	**5,667,294**	**2,503,767**	**200,301**
Total On and Off-Balance Sheet Exposures under SA	**95,838,153**	**92,414,514**	**31,964,754**	**2,557,181**
Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Corporates, of which	**55,197,965**	**55,747,280**	**35,784,636**	**2,862,770**
Corporate Exposures (excluding exposures with firm size adjustments)	*26,212,808*	*27,144,961*	*16,825,276*	*1,346,022*
Corporate Exposures (with firm size adjustments)	*24,609,731*	*24,630,342*	*16,085,440*	*1,286,835*
Specialised Lending Exposures (Slotting Approach)				
Project Finance	*1,436,305*	*1,410,019*	*1,145,043*	*91,603*
Income Producing Real Estate	*2,939,121*	*2,561,958*	*1,728,877*	*138,310*
Defaulted Exposures	2,339,147	1,789,832	–	–
Total On-Balance Sheet Exposures	**57,537,112**	**57,537,112**	**35,784,636**	**2,862,770**

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5a: Summary of Credit Exposures with Credit Risk Mitigation ('CRM') by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2017 (continued)

RHB Bank Group Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under F-IRB Approach (continued)				
Off-Balance Sheet Exposures				
OTC Derivatives	652,253	652,253	606,211	48,497
Off-balance sheet exposures other than OTC derivatives or credit derivatives	10,368,500	10,368,500	6,388,806	511,104
Defaulted Exposures	14,381	14,381	–	–
Total Off-Balance Sheet Exposures	11,035,134	11,035,134	6,995,017	559,601
Exposures under A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	78,254,234	78,256,259	25,257,420	2,020,593
Residential Mortgages Exposures	*37,997,311*	*37,997,311*	*9,813,518*	*785,081*
Qualifying Revolving Retail Exposures	*1,969,774*	*1,969,774*	*1,447,524*	*115,802*
Hire Purchase Exposures	*7,502,173*	*7,502,173*	*2,742,715*	*219,417*
Other Retail Exposures	*30,784,976*	*30,787,001*	*11,253,663*	*900,293*
Defaulted Exposures	1,259,725	1,257,700	1,772,486	141,799
Total On-Balance Sheet Exposures	79,513,959	79,513,959	27,029,906	2,162,392
Off-Balance Sheet Exposures				
OTC Derivatives	–	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,565,030	9,565,030	2,161,581	172,927
Defaulted Exposures	20,646	20,646	39,747	3,180
Total Off-Balance Sheet Exposures	9,585,676	9,585,676	2,201,328	176,107
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	157,671,881	157,671,881	72,010,887	5,760,870
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			76,331,540	6,106,523
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	253,510,034	250,086,395	108,296,294	8,663,704

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5b: Summary of Credit Exposures with Credit Risk Mitigation ('CRM') by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2016

RHB Bank Group Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under Standardised Approach ('SA')				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	28,735,480	28,735,480	975,817	78,065
Public Sector Entities	7,409,112	7,404,457	413,148	33,052
Banks, Development Financial Institutions & MDBs	18,585,477	18,552,250	5,208,800	416,705
Insurance/Takaful Cos, Securities Firms & Fund Managers	1,142,978	1,142,978	1,142,978	91,438
Corporates	39,556,058	36,968,888	25,028,484	2,002,279
Regulatory Retail	6,691,533	6,262,231	5,252,087	420,166
Residential Mortgages	2,220,777	2,203,047	949,077	75,926
Higher Risk Assets	28	28	42	3
Other Assets	6,630,381	6,630,381	2,531,571	202,526
Securitisation Exposures	–	–	–	–
Equity Exposures	638,338	638,338	653,913	52,313
Defaulted Exposures	689,434	665,763	751,412	60,113
Total On-Balance Sheet Exposures	**112,299,596**	**109,203,841**	**42,907,329**	**3,432,586**
Off-Balance Sheet Exposures				
OTC Derivatives	5,698,138	4,936,890	1,825,119	146,009
Off-balance sheet exposures other than OTC derivatives or credit derivatives	5,276,593	4,876,606	3,478,505	278,281
Defaulted Exposures	11,218	11,218	3,558	285
Total Off-Balance Sheet Exposures	**10,985,949**	**9,824,714**	**5,307,182**	**424,575**
Total On and Off-Balance Sheet Exposures under SA	**123,285,545**	**119,028,555**	**48,214,511**	**3,857,161**
Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Corporates, of which	44,207,633	44,209,343	28,184,246	2,254,739
Corporate Exposures (excluding exposures with firm size adjustments)	*24,601,509*	*24,601,560*	*14,426,520*	*1,154,121*
Corporate Exposures (with firm size adjustments)	*19,606,124*	*19,607,783*	*13,757,726*	*1,100,618*
Specialised Lending Exposures (Slotting Approach)				
Project Finance	–	–	–	–
Income Producing Real Estate	–	–	–	–
Defaulted Exposures	*2,119,516*	*2,117,806*	–	–
Total On-Balance Sheet Exposures	**46,327,149**	**46,327,149**	**28,184,246**	**2,254,739**

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5b: Summary of Credit Exposures with Credit Risk Mitigation ('CRM') by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2016 (continued)

RHB Bank Group Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under F-IRB Approach (continued)				
Off-Balance Sheet Exposures				
OTC Derivatives	1,740,253	1,740,253	928,582	74,287
Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,866,379	7,866,379	5,622,808	449,824
Defaulted Exposures	74,068	74,068	–	–
Total Off-Balance Sheet Exposures	**9,680,700**	**9,680,700**	**6,551,390**	**524,111**
Exposures under A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	72,003,014	72,003,014	23,290,415	1,863,233
Residential Mortgages Exposures	*33,704,933*	*33,704,933*	*8,823,342*	*705,867*
Qualifying Revolving Retail Exposures	*1,903,964*	*1,903,964*	*1,421,868*	*113,749*
Hire Purchase Exposures	*7,881,176*	*7,881,176*	*2,881,806*	*230,545*
Other Retail Exposures	*28,512,941*	*28,512,941*	*10,163,399*	*813,072*
Defaulted Exposures	1,413,647	1,413,647	1,843,511	147,481
Total On-Balance Sheet Exposures	**73,416,661**	**73,416,661**	**25,133,926**	**2,010,714**
Off-Balance Sheet Exposures				
OTC Derivatives	1,116	1,116	759	61
Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,668,190	8,668,190	2,031,420	162,514
Defaulted Exposures	22,970	22,970	49,403	3,952
Total Off-Balance Sheet Exposures	**8,692,276**	**8,692,276**	**2,081,582**	**166,527**
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	**138,116,786**	**138,116,786**	**61,951,144**	**4,956,091**
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			**65,668,213**	**5,253,457**
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	**261,402,331**	**257,145,341**	**113,882,724**	**9,110,618**

Note: All performing corporate exposures are classified under the broad asset class category of Corporates instead of the five sub classes of Specialised Lending.

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 6a: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2017

RHB Bank Group Nature of Item	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Direct credit substitutes	1,713,757		1,682,543	981,583
Transaction related contingent items	5,241,528		2,599,468	1,390,640
Short term self liquidating trade related contingencies	1,062,958		211,337	184,242
NIFs and obligations under underwriting agreement	–		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	629,085		629,085	–
Foreign exchange related contracts	28,160,757	377,145	1,062,992	798,348
1 year or less	*24,502,998*	*238,965*	*597,634*	*330,457*
Over 1 year to 5 years	*3,014,928*	*138,180*	*343,220*	*354,977*
Over 5 years	*642,831*	*–*	*122,138*	*112,914*
Interest/profit rate related contracts	2,813,217	48,759	159,469	104,219
1 year or less	*890,507*	*27,123*	*27,574*	*1,623*
Over 1 year to 5 years	*1,198,389*	*21,180*	*56,923*	*48,130*
Over 5 years	*724,321*	*456*	*74,972*	*54,466*
Equity related contracts	7,262	–	436	–
1 year or less	*7,262*	*–*	*436*	*–*
Over 1 year to 5 years	*–*	*–*	*–*	*–*
Over 5 years	*–*	*–*	*–*	*–*
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	86,738,920	583,798	1,244,661	323,958
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of over 1 year	27,782,044		18,656,257	7,526,462
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of up to 1 year	2,215,137		527,105	290,190
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	15,860,958		103,479	100,470
Total	**172,225,623**	**1,009,702**	**26,876,832**	**11,700,112**

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 6b: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2016

RHB Bank Group Nature of Item	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Direct credit substitutes	1,958,320		1,925,426	1,162,224
Transaction related contingent items	4,974,915		2,458,073	1,371,854
Short term self liquidating trade related contingencies	965,839		191,317	101,690
NIFs and obligations under underwriting agreement	76,000		38,000	38,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	307,856		307,856	2,328
Foreign exchange related contracts	102,083,344	3,882,705	6,086,137	2,379,279
1 year or less	*93,465,618*	*3,006,533*	*4,422,483*	*1,521,275*
Over 1 year to 5 years	*7,442,666*	*788,821*	*1,394,264*	*722,782*
Over 5 years	*1,175,060*	*87,351*	*269,390*	*135,222*
Interest/profit rate related contracts	40,955,396	204,562	1,044,540	372,772
1 year or less	*11,067,109*	*21,511*	*35,514*	*12,808*
Over 1 year to 5 years	*26,387,742*	*114,187*	*638,519*	*213,453*
Over 5 years	*3,500,545*	*68,864*	*370,507*	*146,511*
Equity related contracts	14,368	125	987	80
1 year or less	*14,368*	*125*	*987*	*80*
Over 1 year to 5 years	–	–	–	–
Over 5 years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	–	–	–	–
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of over 1 year	22,964,647		15,653,554	7,836,940
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of up to 1 year	2,821,168		556,610	230,508
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	19,068,447		1,096,425	444,479
Total	**196,190,300**	**4,087,392**	**29,358,925**	**13,940,154**

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 7a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2017

RHB Bank Group Exposure Class	Malaysia (include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Laos RM'000	Hong Kong RM'000	Indonesia RM'000	Total RM'000
Exposures under Standardised Approach									
Sovereigns & Central Banks	22,501,519	3,082,408	342,482	80,820	946,981	248,870	–	–	27,203,080
Public Sector Entities	7,696,140	611,951	426,336	–	–	–	–	–	8,734,427
Banks, Development Financial Institutions & MDBs	9,418,629	4,300,857	181,947	164,592	280,090	4,549	42,733	87,810	14,481,207
Insurance/Takaful Cos, Securities Firms & Fund Managers	630,968	33,708	9,279	–	–	–	17,964	1,544	693,463
Corporates	24,153,128	2,424,039	1,727,179	75,464	1,082,150	52,895	138,095	78,696	29,731,646
Regulatory Retail	5,348,790	1,417,282	104,323	99,474	773,793	167,359	88,102	48,807	8,047,930
Residential Mortgages	106,573	1,022,003	–	–	–	–	–	–	1,128,576
Higher Risk Assets	17,458	35	249	–	101	–	–	–	17,843
Other Assets	4,074,139	568,799	235,070	10,725	46,727	17,691	62,442	136,288	5,151,881
Total Exposures under Standardised Approach	73,947,344	13,461,082	3,026,865	431,075	3,129,842	491,364	349,336	353,145	95,190,053
Exposures under IRB Approach									
Corporates, of which	61,282,887	7,289,359	–	–	–	–	–	–	68,572,246
Corporate Exposures (excluding exposures with firm size adjustments)	*29,901,433*	*3,427,241*	–	–	–	–	–	–	*33,328,674*
Corporate Exposures (with firm size adjustments)	*25,959,398*	*3,275,840*	–	–	–	–	–	–	*29,235,238*
Specialised Lending Exposures (Slotting Approach)									
Project Finance	*1,428,008*	*586,278*	–	–	–	–	–	–	*2,014,286*
Income Producing Real Estate	*3,994,048*	–	–	–	–	–	–	–	*3,994,048*
Retail, of which	89,099,635	–	–	–	–	–	–	–	89,099,635
Residential Mortgages Exposures	*39,677,873*	–	–	–	–	–	–	–	*39,677,873*
Qualifying Revolving Retail Exposures	*3,153,267*	–	–	–	–	–	–	–	*3,153,267*
Hire Purchase Exposures	*7,601,363*	–	–	–	–	–	–	–	*7,601,363*
Other Retail Exposures	*38,667,132*	–	–	–	–	–	–	–	*38,667,132*
Total Exposures under IRB Approach	150,382,522	7,289,359	–	–	–	–	–	–	157,671,881
Total Exposures under Standardised and IRB Approaches	224,329,866	20,750,441	3,026,865	431,075	3,129,842	491,364	349,336	353,145	252,861,934

Note: This table excludes equity and securitisation exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 7b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2016

RHB Bank Group Exposure Class	Malaysia (include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Laos RM'000	Hong Kong RM'000	Indonesia RM'000	Total RM'000
Exposures under Standardised Approach									
Sovereigns & Central Banks	24,885,324	2,716,710	646,622	66,182	661,507	254,006	–	–	29,230,351
Public Sector Entities	6,881,414	530,997	486,570	–	–	–	–	–	7,898,981
Banks, Development Financial Institutions & MDBs	15,981,470	6,867,566	129,337	237,921	522,351	29,153	52,485	93,733	23,914,016
Insurance/Takaful Cos, Securities Firms & Fund Managers	745,607	554,104	2,661	–	–	–	15,453	1	1,317,826
Corporates	37,079,365	3,390,176	1,735,705	77,530	911,768	48,269	597,592	59,595	43,900,000
Regulatory Retail	4,959,963	1,515,930	27,356	105,836	701,482	134,078	–	–	7,444,645
Residential Mortgages	482,150	1,826,979	–	1,442	–	–	–	–	2,310,571
Higher Risk Assets	36	–	–	–	–	–	–	–	36
Other Assets	5,421,286	567,348	240,827	7,199	47,147	16,861	65,464	264,649	6,630,781
Total Exposures under Standardised Approach	**96,436,615**	**17,969,810**	**3,269,078**	**496,110**	**2,844,255**	**482,367**	**730,994**	**417,978**	**122,647,207**
Exposures under IRB Approach									
Corporates, of which	48,141,853	7,865,996	–	–	–	–	–	–	56,007,849
Corporate Exposures (excluding exposures with firm size adjustments)	*26,660,199*	*5,089,381*	–	–	–	–	–	–	*31,749,580*
Corporate Exposures (with firm size adjustments)	*21,481,654*	*2,776,615*	–	–	–	–	–	–	*24,258,269*
Specialised Lending Exposures (Slotting Approach)									
Project Finance	–	–	–	–	–	–	–	–	–
Income Producing Real Estate	–	–	–	–	–	–	–	–	–
Retail, of which	82,108,937	–	–	–	–	–	–	–	82,108,937
Residential Mortgages Exposures	*35,125,445*	–	–	–	–	–	–	–	*35,125,445*
Qualifying Revolving Retail Exposures	*3,025,076*	–	–	–	–	–	–	–	*3,025,076*
Hire Purchase Exposures	*7,985,976*	–	–	–	–	–	–	–	*7,985,976*
Other Retail Exposures	*35,972,440*	–	–	–	–	–	–	–	*35,972,440*
Total Exposures under IRB Approach	**130,250,790**	**7,865,996**	**–**	**–**	**–**	**–**	**–**	**–**	**138,116,786**
Total Exposures under Standardised and IRB Approaches	**226,687,405**	**25,835,806**	**3,269,078**	**496,110**	**2,844,255**	**482,367**	**730,994**	**417,978**	**260,763,993**

Note: This table excludes equity and securitisation exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 8a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2017

RHB Bank Group

Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Communication RM'000	Finance, Insurance/ Takaful, Real Estate & Business RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	–	–	–	–	–	–	–	10,762,728	16,440,352	–	–	27,203,080
Public Sector Entities	–	–	–	–	50,285	3,007	126,870	378,777	8,175,488	–	–	8,734,427
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	–	14,481,207	–	–	–	14,481,207
Insurance/Takaful Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	–	693,463	–	–	–	693,463
Corporates	625,456	762,777	2,799,617	1,173,455	2,801,275	2,548,883	1,639,538	14,131,600	798,722	2,450,323	–	29,731,646
Regulatory Retail	11,101	4,309	180,290	1,239	168,144	296,740	57,650	191,246	15,919	7,121,292	–	8,047,930
Residential Mortgages	–	–	–	–	–	–	–	–	–	1,128,576	–	1,128,576
Higher Risk Assets	–	–	3	–	–	–	–	17,828	–	12	–	17,843
Other Assets	–	–	–	–	–	–	26,787	507,518	–	–	4,617,576	5,151,881
Total Exposures under Standardised Approach	636,557	767,086	2,979,910	1,174,694	3,019,704	2,848,630	1,850,845	41,164,367	25,430,481	10,700,203	4,617,576	95,190,053
Exposures under IRB Approach												
Corporates, of which	5,154,938	1,762,028	8,316,480	3,382,398	12,431,387	8,524,139	8,011,527	16,019,643	4,969,706	–	–	68,572,246
Corporate Exposures (excluding exposures with firm size adjustments)	*2,107,527*	*1,301,698*	*3,934,275*	*2,713,743*	*4,284,027*	*2,872,700*	*4,705,382*	*7,241,643*	*4,167,679*	–	–	*33,328,674*
Corporate Exposures (with firm size adjustments)	*3,047,411*	*95,562*	*4,003,804*	*225,259*	*5,045,384*	*5,371,125*	*3,306,145*	*7,338,521*	*802,027*	–	–	*29,235,238*
Specialised Lending Exposures (Slotting Approach)												
Project Finance	–	*364,768*	*378,401*	*443,396*	*827,721*	–	–	–	–	–	–	*2,014,286*
Income Producing Real Estate	–	–	–	–	*2,274,255*	*280,314*	–	*1,439,479*	–	–	–	*3,994,048*
Retail, of which	95,252	16,882	954,392	2,574	978,740	3,017,175	239,969	2,002,576	151,786	81,640,289	–	89,099,635
Residential Mortgages Exposures	–	–	–	–	–	–	–	–	–	*39,677,873*	–	*39,677,873*
Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	*3,153,267*	–	*3,153,267*
Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	*7,601,363*	–	*7,601,363*
Other Retail Exposures	*95,252*	*16,882*	*954,392*	*2,574*	*978,740*	*3,017,175*	*239,969*	*2,002,576*	*151,786*	*31,207,786*	–	*38,667,132*
Total Exposures under IRB Approach	5,250,190	1,778,910	9,270,872	3,384,972	13,410,127	11,541,314	8,251,496	18,022,219	5,121,492	81,640,289	–	157,671,881
Total Exposures under Standardised and IRB Approaches	5,886,747	2,545,996	12,250,782	4,559,666	16,429,831	14,389,944	10,102,341	59,186,586	30,551,973	92,340,492	4,617,576	252,861,934

Note: This table excludes equity and securitisation exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 8b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2016

RHB Bank Group Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Communication RM'000	Finance, Insurance/ Takaful, Real Estate & Business RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	–	–	–	–	–	–	–	14,957,284	14,273,067	–	–	29,230,351
Public Sector Entities	–	–	–	12,824	–	428	126,626	378,975	7,380,128	–	–	7,898,981
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	–	23,914,016	–	–	–	23,914,016
Insurance/Takaful Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	–	1,317,826	–	–	–	1,317,826
Corporates	2,357,383	611,618	3,135,946	2,658,130	4,734,432	2,314,931	3,951,222	19,624,935	1,703,719	2,807,684	–	43,900,000
Regulatory Retail	66,257	26,299	361,954	4,497	314,180	417,469	185,786	318,741	42,032	5,707,430	–	7,444,645
Residential Mortgages	–	–	–	–	–	–	–	–	–	2,310,571	–	2,310,571
Higher Risk Assets	–	–	–	–	–	–	–	–	–	36	–	36
Other Assets	–	–	–	–	–	–	28,132	455,529	–	–	6,147,120	6,630,781
Total Exposures under Standardised Approach	**2,423,640**	**637,917**	**3,497,900**	**2,675,451**	**5,048,612**	**2,732,828**	**4,291,766**	**60,967,306**	**23,398,946**	**10,825,721**	**6,147,120**	**122,647,207**
Exposures under IRB Approach												
Corporates, of which	5,260,218	1,743,790	8,132,956	866,968	7,935,966	7,479,865	6,206,480	13,532,084	4,849,522	–	–	56,007,849
Corporate Exposures (excluding exposures with firm size adjustments)	*2,597,967*	*1,632,076*	*4,435,109*	*655,910*	*3,798,509*	*2,782,776*	*4,311,486*	*7,518,091*	*4,017,656*	–	–	*31,749,580*
Corporate Exposures (with firm size adjustments)	*2,662,251*	*111,714*	*3,697,847*	*211,058*	*4,137,457*	*4,697,089*	*1,894,994*	*6,013,993*	*831,866*	–	–	*24,258,269*
Specialised Lending Exposures (Slotting Approach)												
Project Finance	–	–	–	–	–	–	–	–	–	–	–	–
Income Producing Real Estate	–	–	–	–	–	–	–	–	–	–	–	–
Retail, of which	95,153	17,905	847,974	2,956	868,724	3,028,891	204,468	1,805,034	304,118	74,933,714	–	82,108,937
Residential Mortgages Exposures	–	–	–	–	–	–	–	–	–	*35,125,445*	–	*35,125,445*
Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	*3,025,076*	–	*3,025,076*
Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	*7,985,976*	–	*7,985,976*
Other Retail Exposures	*95,153*	*17,905*	*847,974*	*2,956*	*868,724*	*3,028,891*	*204,468*	*1,805,034*	*304,118*	*28,797,217*	–	*35,972,440*
Total Exposures under IRB Approach	**5,355,371**	**1,761,695**	**8,980,930**	**869,924**	**8,804,690**	**10,508,756**	**6,410,948**	**15,337,118**	**5,153,640**	**74,933,714**	**–**	**138,116,786**
Total Exposures under Standardised and IRB Approaches	**7,779,011**	**2,399,612**	**12,478,830**	**3,545,375**	**13,853,302**	**13,241,584**	**10,702,714**	**76,304,424**	**28,552,586**	**85,759,435**	**6,147,120**	**260,763,993**

Note: This table excludes equity and securitisation exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 9a: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2017

RHB Bank Group Exposure Class	One year or less RM'000	More than one to five years RM'000	Over five years RM'000	Total RM'000
Exposures under Standardised Approach				
Sovereigns & Central Banks	9,381,601	9,020,029	8,801,450	27,203,080
Public Sector Entities	2,511,950	5,052,914	1,169,563	8,734,427
Banks, Development Financial Institutions & MDBs	9,167,341	4,011,617	1,302,249	14,481,207
Insurance/Takaful Cos, Securities Firms & Fund Managers	25,176	331,647	336,640	693,463
Corporates	7,701,975	12,651,315	9,378,356	29,731,646
Regulatory Retail	2,197,457	1,395,340	4,455,133	8,047,930
Residential Mortgages	369	25,830	1,102,377	1,128,576
Higher Risk Assets	385	–	17,458	17,843
Other Assets	–	–	5,151,881	5,151,881
Total Exposures under Standardised Approach	**30,986,254**	**32,488,692**	**31,715,107**	**95,190,053**
Exposures under IRB Approach				
Corporates, of which	32,743,453	16,003,396	19,825,397	68,572,246
Corporate Exposures (excluding exposures with firm size adjustments)	*17,336,405*	*8,175,060*	*7,817,209*	*33,328,674*
Corporate Exposures (with firm size adjustments)	*13,388,803*	*7,020,077*	*8,826,358*	*29,235,238*
Specialised Lending Exposures (Slotting Approach)				
Project Finance	*794,021*	*4,590*	*1,215,675*	*2,014,286*
Income Producing Real Estate	*1,224,224*	*803,669*	*1,966,155*	*3,994,048*
Retail, of which	3,791,609	9,862,283	75,445,743	89,099,635
Residential Mortgages Exposures	*30,023*	*351,032*	*39,296,818*	*39,677,873*
Qualifying Revolving Retail Exposures	*171,045*	*2,982,138*	*84*	*3,153,267*
Hire Purchase Exposures	*133,356*	*3,331,726*	*4,136,281*	*7,601,363*
Other Retail Exposures	*3,457,185*	*3,197,387*	*32,012,560*	*38,667,132*
Total Exposures under IRB Approach	**36,535,062**	**25,865,679**	**95,271,140**	**157,671,881**
Total Exposures under Standardised and IRB Approaches	**67,521,316**	**58,354,371**	**126,986,247**	**252,861,934**

Note: This table excludes equity and securitisation exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 9b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2016

RHB Bank Group Exposure Class	One year or less RM'000	More than one to five years RM'000	Over five years RM'000	Total RM'000
Exposures under Standardised Approach				
Sovereigns & Central Banks	10,633,407	8,747,409	9,849,535	29,230,351
Public Sector Entities	960,610	5,286,114	1,652,257	7,898,981
Banks, Development Financial Institutions & MDBs	17,732,801	4,499,597	1,681,618	23,914,016
Insurance/Takaful Cos, Securities Firms & Fund Managers	60,285	393,904	863,637	1,317,826
Corporates	14,267,797	14,064,775	15,567,428	43,900,000
Regulatory Retail	1,479,229	1,855,380	4,110,036	7,444,645
Residential Mortgages	284,918	35,802	1,989,851	2,310,571
Higher Risk Assets	–	–	36	36
Other Assets	131,688	–	6,499,093	6,630,781
Total Exposures under Standardised Approach	**45,550,735**	**34,882,981**	**42,213,491**	**122,647,207**
Exposures under IRB Approach				
Corporates, of which	33,083,596	10,892,014	12,032,239	56,007,849
Corporate Exposures (excluding exposures with firm size adjustments)	*20,331,499*	*6,785,057*	*4,633,024*	*31,749,580*
Corporate Exposures (with firm size adjustments)	*12,752,097*	*4,106,957*	*7,399,215*	*24,258,269*
Specialised Lending Exposures (Slotting Approach)				
Project Finance	–	–	–	–
Income Producing Real Estate	–	–	–	–
Retail, of which	6,861,991	6,808,887	68,438,059	82,108,937
Residential Mortgages Exposures	*25,463*	*330,414*	*34,769,568*	*35,125,445*
Qualifying Revolving Retail Exposures	*3,025,076*	–	–	*3,025,076*
Hire Purchase Exposures	*132,056*	*3,457,423*	*4,396,497*	*7,985,976*
Other Retail Exposures	*3,679,396*	*3,021,050*	*29,271,994*	*35,972,440*
Total Exposures under IRB Approach	**39,945,587**	**17,700,901**	**80,470,298**	**138,116,786**
Total Exposures under Standardised and IRB Approaches	**85,496,322**	**52,583,882**	**122,683,789**	**260,763,993**

Note: This table excludes equity and securitisation exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Standardised Approach for Other Portfolios

The Standardised Approach is applied to portfolios that are classified as permanently exempted from the IRB Approach, and those portfolios that are currently in transition to the IRB Approach. Under this Standardised Approach, the risk weights are prescribed by BNM based on the asset class to which the exposure is assigned.

The following tables show RHB Bank Group's credit exposures for its portfolios with the corresponding risk weights and RWA under the Standardised Approach, after credit risk mitigation:

Table 10a: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2017

RHB Bank Group Exposure Class	Sovereigns & Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance/ Takaful Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
Supervisory Risk Weights (%)												
0%	25,684,900	7,270,697	91,163	–	7,403,856	–	–	–	2,120,337	–	42,570,953	–
20%	331,751	1,032,462	9,264,250	35,468	806,156	188	–	–	507,432	–	11,977,707	2,395,542
35%	–	–	–	–	–	–	1,057,281	–	–	–	1,057,281	370,048
50%	8,637	426,337	4,759,999	21,493	175,883	18,416	33,777	–	–	–	5,444,542	2,722,271
64.5%	–	–	–	–	11,413,511	–	–	–	–	–	11,413,511	7,361,715
75%	–	–	–	–	–	3,885,631	–	–	–	–	3,885,631	2,914,223
100%	1,177,792	–	365,795	633,385	7,575,373	2,839,694	28,506	–	2,524,112	648,100	15,792,757	15,792,757
150%	–	–	–	–	218,972	35,317	–	17,843	–	–	272,132	408,198
Total Exposures	**27,203,080**	**8,729,496**	**14,481,207**	**690,346**	**27,593,751**	**6,779,246**	**1,119,564**	**17,843**	**5,151,881**	**648,100**	**92,414,514**	**31,964,754**

Table 10b: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2016

RHB Bank Group Exposure Class	Sovereigns & Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance/ Takaful Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
Supervisory Risk Weights (%)												
0%	27,593,314	6,368,572	25,203	–	5,343,524	–	–	–	3,734,705	–	43,065,318	–
20%	702,807	1,039,069	16,484,248	–	2,940,539	70	–	–	455,529	–	21,622,262	4,324,452
35%	–	–	–	–	–	–	1,760,395	–	–	–	1,760,395	616,138
50%	–	486,570	6,613,750	–	856,075	19,476	55,182	–	–	–	8,031,053	4,015,527
64.5%	–	–	–	–	11,737,486	–	–	–	–	–	11,737,486	7,570,679
75%	–	–	–	–	–	4,572,611	422,608	–	–	–	4,995,219	3,746,414
100%	934,230	–	30,152	1,317,826	19,919,749	2,263,756	54,416	–	2,440,547	607,187	27,567,863	27,567,863
150%	–	–	–	–	177,550	40,222	–	36	–	31,151	248,959	373,438
Total Exposures	**29,230,351**	**7,894,211**	**23,153,353**	**1,317,826**	**40,974,923**	**6,896,135**	**2,292,601**	**36**	**6,630,781**	**638,338**	**119,028,555**	**48,214,511**

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings

For exposures such as sovereigns, corporate and banking institutions, external ratings from approved external credit assessment institutions (ECAIs), where available, are used to calculate the risk-weighted assets and regulatory capital.

The process used to map ECAIs issuer ratings or comparable ECAIs issue ratings, are in accordance to the standards prescribed by BNM. Approved ECAIs are as follows:

- Standard & Poor's (S&P);
- Moody's Investor Services (Moody's);
- Fitch Ratings (Fitch);
- Malaysian Rating Corporation Berhad (MARC);
- RAM Rating Services Berhad (RAM); and
- Rating and Investment Information, Inc (R&I).

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose.

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

The following tables show the Group's credit exposures for 31 December 2017 compared with 31 December 2016, according to the ratings by ECAIs:

Table 11a: Rated Exposures According to Ratings by External Credit Assessment Institutions ('ECAIs') as at 31 December 2017

RHB Bank Group

Ratings of Corporates by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Public Sector Entities		667,371	9,820	–	–	8,052,305
Insurance/Takaful Cos, Securities Firms & Fund Managers		35,468	21,493	–	–	633,385
Corporates		7,585,883	636,635	175,402	–	19,195,831

Short Term Ratings of Corporates by Approved ECAIs						
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	R&I	a-1+, a-1	a-2	a-3	b, c	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, Development Financial Institutions & MDBs		–	–	–	–	–
Corporates		–	–	–	–	–

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

The following tables show the Group's credit exposures for 31 December 2017 compared with 31 December 2016, according to the ratings by ECAIs: (continued)

Table 11a: Rated Exposures According to Ratings by External Credit Assessment Institutions ('ECAIs') as at 31 December 2017 (continued)

RHB Bank Group

Ratings of Sovereigns and Central Banks by Approved ECAIs	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		2,934,753	22,657,953	350,871	946,981	–	312,522

Ratings of Banking Institutions by Approved ECAIs	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		6,821,722	3,911,071	1,569,563	80,837	–	2,098,014

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

The following tables show the Group's credit exposures for 31 December 2017 compared with 31 December 2016, according to the ratings by ECAIs: (continued)

Table 11b: Rated Exposures According to Ratings by External Credit Assessment Institutions ('ECAIs') as at 31 December 2016

RHB Bank Group

Ratings of Corporates by Approved ECAIs						
	Moody's	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM	**AAA to AA3**	**A1 to A3**	**BBB1 to BB3**	**B to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B1 to D**	**Unrated**
	R&I	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
Exposure Class		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Public Sector Entities		437,216	5,463,705	–	–	1,993,290
Insurance/Takaful Cos, Securities Firms & Fund Managers		–	–	–	–	1,317,826
Corporates		9,260,460	2,301,627	225,619	3,288	29,043,860

Short Term Ratings of Corporates by Approved ECAIs						
	Moody's	**P-1**	**P-2**	**P-3**	**Others**	**Unrated**
	S&P	**A-1**	**A-2**	**A-3**	**Others**	**Unrated**
	Fitch	**F1+, F1**	**F2**	**F3**	**B to D**	**Unrated**
	RAM	**P-1**	**P-2**	**P-3**	**NP**	**Unrated**
	MARC	**MARC-1**	**MARC-2**	**MARC-3**	**MARC-4**	**Unrated**
	R&I	**a-1+, a-1**	**a-2**	**a-3**	**b, c**	**Unrated**
Exposure Class		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Banks, Development Financial Institutions & MDBs		–	–	–	–	–
Corporates		140,069	–	–	–	–

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

The following tables show the Group's credit exposures for 31 December 2017 compared with 31 December 2016, according to the ratings by ECAIs: (continued)

Table 11b: Rated Exposures According to Ratings by External Credit Assessment Institutions ('ECAIs') as at 31 December 2016 (continued)

RHB Bank Group

Ratings of Sovereigns and Central Banks by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		5,672,531	21,933,945	646,623	657,063	–	320,189

Ratings of Banking Institutions by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		12,468,404	5,814,979	3,562,201	31,241	–	1,276,528

6.0 CREDIT RISK (CONTINUED)

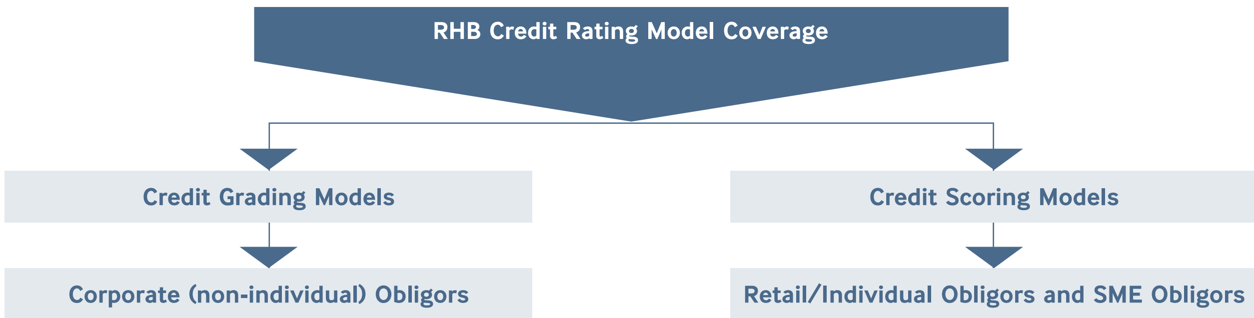
6.6 Internal Credit Rating Models

Internal credit rating models are an integral part of the Group's credit risk management, decision-making process, and regulatory capital calculations. These internal credit rating models are developed by Group Risk Operations with active participation by the relevant credit experts from the Group's functional units and/or business units.

Internal rating model development and implementation process have been established to govern the development and validation of rating models and the application of these models. Specifically, all newly developed models prior to implementation, material changes of the rating systems and validation results must be endorsed by GCRC and approved by BRC. All models are also subject to independent validation by the Model Validation Team before implementation to ensure that all aspects of the model development process have been satisfied. In addition, the models are also subject to annual review and independent validation by the Model Validation Team to ensure that they are performing as expected.

Credit risk/rating models can be broadly classified into:

- Credit Grading Models
- Credit Scoring Models



The credit grading models for corporate (or non-individual) obligors are used to risk rate the creditworthiness of the corporate obligors/guarantors/debt issuers based on their financial standing (such as gearing, expenses and profit) and qualitative aspects (such as management effectiveness and industry environment). Different rating models will be applied subject to the obligor's asset and sales volume to create further risk differentiation.

The credit scoring models are for large volume of exposures that are managed on a portfolio basis, which includes program lending/financing for small and medium-sized enterprises (SMEs). These models are developed through statistical modelling and applied onto the portfolio accordingly. For portfolios where data are readily available or when more granular segmentation is required to support business strategy, more models will be developed and deployed.

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Application of Internal Ratings

The three components of expected loss, the PD, LGD and EAD are used in variety of applications that measure credit risk across the entire portfolio.

- Credit Approval : PD models are used in the credit approval process in both retail and non-retail portfolios. In high-volume retail portfolios, application scorecard and behaviour scorecard are used as one of the risk management tools.
- Policy : Policies are established to govern the use of ratings in credit decisions and monitoring as well as impairment.
- Reporting : Reports are generated to Senior Management on a monthly basis on the performance of the rating models to show the distribution of the credit exposures by risk rating and monitoring of their performance.
- Capital Management : The capital management and allocation plan takes into consideration the projected RWA computed based on internal rating.
- Risk Limits : The internal ratings are used in establishing the Group's various internal limits (such as industry risk limit).
- Risk Reward and Pricing : PD, EAD and LGD metrics are used to assess profitability of deals to allow for risk-informed pricing considerations and strategic decisions.

F-IRB for Non-Retail Portfolios

The major non-retail portfolios of the Group are on the Foundation Internal Ratings-Based (F-IRB) approach for regulatory capital requirements. Under this approach, internal rating models are used to estimate the PD for each obligor, while the LGD and EAD parameters are prescribed by BNM. The PD rating model is statistically calibrated, with overlay of qualitative factors and notching guide to arrive at the credit rating.

A-IRB for Retail Portfolios

For regulatory capital requirements, the Group has adopted the Advanced Internal Ratings-Based (A-IRB) approach for the retail portfolios, ie residential mortgages, credit cards, auto loans/financing, commercial property financing, Amanah Saham Bumiputera financing and program lending/financing. The Group is continuously working on migrating its relevant significant portfolio under the Standardised Approach towards IRB compliance. The risk estimates – PD, LGD and EAD; are calibrated for these retail portfolios/pools. In addition, credit scorecard and behavioural scorecard are developed and implemented for use in credit approval decision support such as limit setting, credit score cut-off and approval, monitoring and reporting.

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

The following tables set out the exposures subject to the Supervisory Risk Weights, exposures under IRB Approach by PD Band, expected loss (EL) range, exposure weighted-average LGD and exposure weighted-average risk weight:

Table 12: Exposures Subject to the Supervisory Risk Weights under the IRB Approach as at 31 December 2017

Disclosure on Specialised Lending Exposures under the Supervisory Slotting Criteria

RHB Bank Group	Exposure After Credit Risk Mitigation					
Supervisory Categories/Risk Weights	**Strong RM'000**	**Good RM'000**	**Satisfactory RM'000**	**Weak RM'000**	**Default RM'000**	**Total RM'000**
Specialised Lending Exposures						
Project Finance	63,310	1,487,517	395,538	–	–	1,946,365
Income Producing Real Estate	1,561,093	1,686,683	48,690	–	–	3,296,466
Total Exposures after Credit Risk Mitigation	1,624,403	3,174,200	444,228	–	–	5,242,831
Total Risk-Weighted Assets	899,221	2,530,881	510,862	–	–	3,940,964

Note: There is no corresponding disclosures in the previous reporting period

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13a: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default ('LGD') and Exposure Weighted Average Risk Weight as at 31 December 2017

RHB Bank Group Probability of Default ('PD') Range	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Non-Retail Exposures				
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 1	23,185,378	41.82	51.91	8,625,637
>1 to 4	3,861,551	40.96	102.66	1,296,848
>4 to 12	5,754,459	19.30	68.68	3,271,376
>12 to <100	185,673	34.35	179.43	116,003
Default or 100	1,107,116	41.82	–	–
Total for Corporate Exposures (excluding exposures with firm size adjustments)	**34,094,177**			**13,309,864**
Corporate Exposures (with firm size adjustments)				
0 to 1	15,797,297	37.74	43.76	4,873,943
>1 to 4	7,236,922	37.05	79.40	2,641,646
>4 to 12	4,948,193	35.54	103.14	1,412,116
>12 to <100	555,729	33.39	142.18	125,613
Default or 100	697,097	36.97	–	–
Total for Corporate Exposures (with firm size adjustments)	**29,235,238**			**9,053,318**
Total Non-Retail Exposures	**63,329,415**			**22,363,182**
Retail Exposures				
Residential Mortgages Exposures				
0 to 3	33,427,612	16.38	18.97	1,094,875
>3 to 10	3,795,272	16.53	54.91	48,746
>10 to 20	1,083,326	16.38	82.03	7,070
>20 to <100	843,684	16.43	85.37	1,892
Default or 100	527,979	16.44	102.09	8,716
Total for Residential Mortgages Exposures	**39,677,873**			**1,161,299**

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13a: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default ('LGD') and Exposure Weighted Average Risk Weight as at 31 December 2017 (continued)

RHB Bank Group Probability of Default ('PD') Range	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Retail Exposures (continued)				
Qualifying Revolving Retail Exposures				
0 to 3	1,471,545	58.02	27.99	3,652,029
>3 to 10	1,147,030	57.72	74.90	635,251
>10 to 20	282,657	56.58	118.01	109,136
>20 to <100	189,864	53.77	148.93	69,731
Default or 100	62,171	54.11	410.67	–
Total for Qualifying Revolving Retail Exposures	3,153,267			4,466,147
Hire Purchase Exposures				
0 to 3	6,841,856	43.79	31.86	–
>3 to 10	238,329	46.76	68.71	–
>10 to 20	327,169	45.50	87.41	–
>20 to <100	94,819	46.27	119.24	–
Default or 100	99,190	46.63	199.25	–
Total Hire Purchase Exposures	7,601,363			–
Other Retail Exposures				
0 to 3	20,879,105	18.91	17.00	6,868,768
>3 to 10	15,215,868	34.99	53.21	2,494,358
>10 to 20	836,336	38.42	74.58	63,278
>20 to <100	1,146,817	18.40	42.27	24,625
Default or 100	589,006	62.03	139.26	9,874
Total Other Retail Exposures	38,667,132			9,460,903
Total Retail Exposures	89,099,635			15,088,349
Total Non-Retail & Retail Exposures under IRB Approach Exposures	152,429,050			37,451,531

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13b: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default ('LGD') and Exposure Weighted Average Risk Weight as at 31 December 2016

RHB Bank Group Probability of Default ('PD') Range	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Non-Retail Exposures				
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 1	19,481,796	36.15	37.07	6,150,896
>1 to 4	7,708,987	40.11	96.15	3,322,752
>4 to 12	2,561,453	36.59	121.91	302,442
>12 to <100	292,737	15.55	73.46	7,227
Default or 100	1,704,607	42.28	–	–
Total for Corporate Exposures (excluding exposures with firm size adjustments)	**31,749,580**			**9,783,317**
Corporate Exposures (with firm size adjustments)				
0 to 1	7,502,883	40.82	44.58	3,338,942
>1 to 4	12,539,192	38.03	74.45	4,211,151
>4 to 12	3,425,450	37.83	105.61	1,135,710
>12 to <100	303,476	39.03	154.55	50,324
Default or 100	487,268	39.83	–	–
Total for Corporate Exposures (with firm size adjustments)	**24,258,269**			**8,736,127**
Total Non-Retail Exposures	**56,007,849**			**18,519,444**
Retail Exposures				
Residential Mortgages Exposures				
0 to 3	29,275,577	16.29	18.54	768,498
>3 to 10	2,072,389	16.44	46.86	23,828
>10 to 20	1,237,409	16.42	78.20	19,346
>20 to <100	1,935,508	16.37	83.32	4,279
Default or 100	604,562	16.47	109.26	3,072
Total for Residential Mortgages Exposures	**35,125,445**			**819,023**

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13b: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default ('LGD') and Exposure Weighted Average Risk Weight as at 31 December 2016 (continued)

RHB Bank Group Probability of Default ('PD') Range	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Retail Exposures (continued)				
Qualifying Revolving Retail Exposures				
0 to 3	1,337,512	57.76	28.22	2,678,238
>3 to 10	1,152,399	57.40	74.63	440,024
>10 to 20	255,708	56.02	113.63	75,440
>20 to <100	212,248	53.09	144.32	17,701
Default or 100	67,209	51.25	347.28	1,775
Total for Qualifying Revolving Retail Exposures	**3,025,076**			**3,213,178**
Hire Purchase Exposures				
0 to 3	7,005,805	43.70	30.47	–
>3 to 10	308,180	46.47	68.20	–
>10 to 20	433,181	45.25	87.38	–
>20 to <100	134,009	46.01	118.08	–
Default or 100	104,801	46.38	196.24	–
Total Hire Purchase Exposures	**7,985,976**			**–**
Other Retail Exposures				
0 to 3	17,915,966	19.11	16.76	6,291,916
>3 to 10	14,958,764	32.33	49.12	2,564,427
>10 to 20	800,766	43.27	84.10	149,010
>20 to <100	1,636,898	16.00	36.96	58,894
Default or 100	660,046	48.07	120.19	19,898
Total Other Retail Exposures	**35,972,440**			**9,084,145**
Total Retail Exposures	**82,108,937**			**13,116,346**
Total Non-Retail & Retail Exposures under IRB Approach Exposures	**138,116,786**			**31,635,790**

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 14a: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weight as at 31 December 2017

RHB Bank Group Expected Losses ('EL') Range	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Retail Exposures			
Residential Mortgages Exposures			
0 to 1	36,200,242	21.24	1,132,894
>1 to 10	3,143,399	89.23	28,175
>10 to <100	274,868	28.39	230
100	59,364	–	–
Total Residential Mortgages Exposures	39,677,873		1,161,299
Qualifying Revolving Retail Exposures			
0 to 1	1,163,335	41.76	3,053,985
>1 to 10	1,750,903	75.52	1,340,354
>10 to <100	239,029	139.96	71,808
100	–	–	–
Total Qualifying Revolving Retail Exposures	3,153,267		4,466,147
Hire Purchase Exposures			
0 to 1	6,634,928	30.95	–
>1 to 10	810,593	87.10	–
>10 to <100	112,179	161.39	–
100	43,663	–	–
Total Hire Purchase Exposures	7,601,363		–
Other Retail Exposures			
0 to 1	27,569,914	14.95	6,939,541
>1 to 10	10,266,012	84.86	2,507,373
>10 to <100	703,696	103.23	13,989
100	127,510	10.78	–
Total Other Retail Exposures	38,667,132		9,460,903
Total Retail Exposures	89,099,635		15,088,349

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 14b: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weight as at 31 December 2016

RHB Bank Group Expected Losses ('EL') Range	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000
Retail Exposures			
Residential Mortgages Exposures			
0 to 1	31,470,189	20.55	795,452
>1 to 10	3,078,590	95.27	23,158
>10 to <100	567,487	42.23	413
100	9,179	–	–
Total Residential Mortgages Exposures	**35,125,445**		**819,023**
Qualifying Revolving Retail Exposures			
0 to 1	1,046,275	42.57	2,235,183
>1 to 10	1,749,354	75.04	958,523
>10 to <100	229,425	134.97	19,472
100	22	–	–
Total Qualifying Revolving Retail Exposures	**3,025,076**		**3,213,178**
Hire Purchase Exposures			
0 to 1	6,795,310	29.61	–
>1 to 10	1,003,231	86.44	–
>10 to <100	140,246	148.55	–
100	47,189	–	–
Total Hire Purchase Exposures	**7,985,976**		**–**
Other Retail Exposures			
0 to 1	25,675,833	14.32	6,399,370
>1 to 10	9,388,565	84.97	2,659,600
>10 to <100	712,566	106.69	25,175
100	195,476	3.82	–
Total Other Retail Exposures	**35,972,440**		**9,084,145**
Total Retail Exposures	**82,108,937**		**13,116,346**

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 15: Exposures under IRB Approach by Actual Losses versus Expected Losses

RHB Bank Group Exposure Class	Actual Losses as at 31 December 2017 RM'000	Expected Losses as at 31 December 2016 RM'000	Actual Losses as at 31 December 2016 RM'000	Expected Losses as at 31 December 2015 RM'000
Corporates, of which				
Corporate Exposures (excluding exposures with firm size adjustments)	**140,376**	135,160	88,942	190,294
Corporate Exposures (with firm size adjustments)	**81,499**	199,755	114,698	194,309
Retail, of which				
Residential Mortgages Exposures	**27,457**	195,862	46,594	193,942
Qualifying Revolving Retail Exposures	**120,430**	104,439	51,918	27,747
Hire Purchase Exposures	**14,683**	76,478	33,147	101,591
Other Retail Exposures	**38,446**	484,144	103,165	269,290
Total	**422,891**	**1,195,838**	**438,464**	**977,173**

Actual losses are derived from impairment allowances and write-offs during the year, while expected losses (EL) measures the loss expected from the Group's credit exposures as at 31 December of the preceding year.

A comparison of actual losses and EL provides some insight of the predictive power of the IRB approach models used by the Group; however the two metrics are not directly comparable due to the differences in methodology. In particular, the EL used in this comparison is the forecast credit loss from the counterparty defaults of the Group's exposures over a one-year period and is computed as the product of PD, LGD and EAD for the Group's exposures as at 31 December of the preceding year.

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control

Credit Risk Mitigation

The Group generally does not grant credit facilities solely on the basis of collateral provided. All credit facilities are granted based on the credit standing of the borrower/customer, source of repayment and debt/financing servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed, subject to the Group's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Recognised collaterals where relevant, include both financial and physical assets. Financial collaterals include cash deposits, shares and unit trusts, while physical collateral includes land and buildings and vehicles. Apart from financial collateral and physical collateral, the Group has defined standards on the acceptance of guarantors as credit risk mitigants.

Collateral is valued in accordance with the Group's policy on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collaterals/securities pledged is monitored periodically, analysed and updated concurrently with the annual/periodic renewal of facilities, as well as updated into the Group's collateral system.

The Group also accepts non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debenture and assignment of contract proceeds, subject to internal guidelines on eligibility. Currently, the Group does not employ the use of derivative credit instruments and on-balance sheet netting to mitigate its financing exposures. Where possible, the Group enters into International Swaps and Derivatives Association (ISDA) Master Agreement with its derivative and swap counterparties as the master agreement provides the legal certainty that the credit exposures between counterparties will be netted.

Equity securities or collaterals acquired arising from debt conversions are accounted for as disposal of the loan/financing and acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as impairment of the relevant asset or business rather than as impairment of the original instrument.

The Group has established mechanism to monitor credit and market concentration within its credit mitigation.

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

The following tables show the credit risk mitigation of portfolios under the Standardised Approach and IRB Approach respectively as at 31 December 2017 compared with 31 December 2016:

Table 16a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2017

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	26,392,116	–	–
Public Sector Entities	8,284,169	6,892,447	–
Banks, Development Financial Institutions & MDBs	11,914,477	91,163	–
Insurance/Takaful Cos, Securities Firms & Fund Managers	641,748	–	2,342
Corporates	27,882,075	7,337,048	1,858,761
Regulatory Retail	7,078,996	188	951,662
Residential Mortgages	1,088,699	–	8,571
Higher Risk Assets	17,843	–	–
Other Assets	5,151,881	–	–
Securitisation Exposures	–	–	–
Equity Exposures	648,100	–	–
Defaulted Exposures	482,027	66,808	13,574
Total On-Balance Sheet Exposures	89,582,131	14,387,654	2,834,910
Off-Balance Sheet Exposures			
OTC Derivatives	570,560	–	3,772
Off-balance sheet exposures other than OTC derivatives or credit derivatives	5,670,434	378,250	584,398
Defaulted Exposures	15,028	14,341	559
Total Off-Balance Sheet Exposures	6,256,022	392,591	588,729
Total On and Off-Balance Sheet Exposures	95,838,153	14,780,245	3,423,639

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

The following tables show the credit risk mitigation of portfolios under the Standardised Approach and IRB Approach respectively as at 31 December 2017 compared with 31 December 2016: (continued)

Table 16b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2016

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	28,735,480	–	–
Public Sector Entities	7,409,112	6,068,572	4,655
Banks, Development Financial Institutions & MDBs	18,585,477	25,203	–
Insurance/Takaful Cos, Securities Firms & Fund Managers	1,142,978	–	–
Corporates	39,556,058	4,011,118	2,587,171
Regulatory Retail	6,691,533	70	429,302
Residential Mortgages	2,220,777	–	17,729
Higher Risk Assets	28	–	–
Other Assets	6,630,381	–	–
Securitisation Exposures	–	–	–
Equity Exposures	638,338	–	–
Defaulted Exposures	689,434	5,142	23,672
Total On-Balance Sheet Exposures	**112,299,596**	**10,110,105**	**3,062,529**
Off-Balance Sheet Exposures			
OTC Derivatives	5,698,138	–	465,032
Off-balance sheet exposures other than OTC derivatives or credit derivatives	5,276,593	516,667	729,432
Defaulted Exposures	11,218	10,206	–
Total Off-Balance Sheet Exposures	**10,985,949**	**526,873**	**1,194,464**
Total On and Off-Balance Sheet Exposures	**123,285,545**	**10,636,978**	**4,256,993**

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

The following tables show the credit risk mitigation of portfolios under the Standardised Approach and IRB Approach respectively as at 31 December 2017 compared with 31 December 2016: (continued)

Table 17a: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2017

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000	Gross Exposures Covered by Other Eligible Collateral RM'000
On-Balance Sheet Exposures				
Corporates, of which	55,197,965	10,361,714	5,537,788	12,212,055
Corporate Exposures (excluding exposures with firm size adjustments)	*26,212,808*	*5,448,231*	*3,575,161*	*2,384,929*
Corporate Exposures (with firm size adjustments)	*24,609,731*	*4,510,034*	*1,962,627*	*9,827,126*
Specialised Lending Exposures (Slotting Approach)				
Project Finance	*1,436,305*	*26,286*	–	–
Income Producing Real Estate	*2,939,121*	*377,163*	–	–
Retail, of which	78,254,234	16,474	8,030,444	52,711,716
Residential Mortgages Exposures	*37,997,311*	–	–	*37,815,564*
Qualifying Revolving Retail Exposures	*1,969,774*	–	–	–
Hire Purchase Exposures	*7,502,173*	–	–	–
Other Retail Exposures	*30,784,976*	*16,474*	*8,030,444*	*14,896,152*
Defaulted Exposures	3,598,872	551,340	62,104	1,313,914
Total On-Balance Sheet Exposures	137,051,071	10,929,528	13,630,336	66,237,685
Off-Balance Sheet Exposures				
OTC Derivatives	652,253	224,826	185	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	19,933,530	1,915,552	965,397	9,384,577
Defaulted Exposures	35,027	–	6,186	19,990
Total Off-Balance Sheet Exposures	20,620,810	2,140,378	971,768	9,404,567
Total On and Off-Balance Sheet Exposures	157,671,881	13,069,906	14,602,104	75,642,252

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

The following tables show the credit risk mitigation of portfolios under the Standardised Approach and IRB Approach respectively as at 31 December 2017 compared with 31 December 2016: (continued)

Table 17b: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2016

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000	Gross Exposures Covered by Other Eligible Collateral RM'000
On-Balance Sheet Exposures				
Corporates, of which	44,207,633	4,832,944	5,270,534	10,952,848
Corporate Exposures (excluding exposures with firm size adjustments)	*24,601,509*	*3,162,408*	*4,094,357*	*3,590,080*
Corporate Exposures (with firm size adjustments)	*19,606,124*	*1,670,536*	*1,176,177*	*7,362,768*
Specialised Lending Exposures (Slotting Approach)				
Project Finance	–	–	–	–
Income Producing Real Estate	–	–	–	–
Retail, of which	72,003,014	29,783	7,991,083	25,953,927
Residential Mortgages Exposures	*33,704,933*	–	–	*22,162,968*
Qualifying Revolving Retail Exposures	*1,903,964*	–	–	–
Hire Purchase Exposures	*7,881,176*	–	–	–
Other Retail Exposures	*28,512,941*	*29,783*	*7,991,083*	*3,790,959*
Defaulted Exposures	3,533,163	1,710	111,112	758,373
Total On-Balance Sheet Exposures	**119,743,810**	**4,864,437**	**13,372,729**	**37,665,148**
Off-Balance Sheet Exposures				
OTC Derivatives	1,741,369	–	144,603	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	16,534,569	442,183	711,895	1,956,220
Defaulted Exposures	97,038	–	3,700	3,280
Total Off-Balance Sheet Exposures	**18,372,976**	**442,183**	**860,198**	**1,959,500**
Total On and Off-Balance Sheet Exposures	**138,116,786**	**5,306,620**	**14,232,927**	**39,624,648**

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Credit Concentration Risk

Risk concentration refers to an exposure with the potential to produce losses that are substantial enough to threaten the financial condition of a banking institution. Risk concentrations can materialise from excessive exposures to a single counterparty or group of connected counterparties, a particular instrument or a particular market segment.

The Group manages the diversification of its portfolio to avoid undue credit concentration risk. Credit concentration risk exists in lending/financing to single customer groups, borrowers/customers engaged in similar activities, or diverse groups of borrowers/customers that could be affected by similar economic or other factors. To manage this concentration risk, exposure limits are established for single borrowing/financing groups and industry segments. Analysis of any single large exposure and group of exposures is regularly conducted and the lending/financing units undertake regular account updates, monitoring and management of these exposures.

Industry and sector-specific analysis are also incorporated within the overall credit risk management regiment. In this respect, the Group seeks to continually update lending or financing guidelines based on periodic reviews and updates of industry and sector risk factors and economic outlook. This facilitates better management of credit concentration risk.

Credit Monitoring and Annual Reviews

The Group regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are generated for Senior Management, GCRC, IRMC, BRC and Board, containing information on key environmental, political and economic trends across portfolios and countries, portfolio delinquency with major credit delinquency, and loan/financing impairment performance.

In addition to the on-going qualitative assessment by the account relationship managers, reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic condition and account conduct. Specific loans/financings may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Group believes that heightened risk exists in a particular industry, or the borrower/customer exhibits early warning signals such as defaulted on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Within Group Risk & Credit Management, there is a mechanism in place for credit monitoring to flag-out problematic loans/financing (watch list accounts) for intensive monitoring under Enhanced Account Management (EAM). These are accounts which may be exhibiting early distress patterns or in the early stages of delinquency but not yet in default.

For these cases, Watchlist Credit Management department will work closely with the Area Account Relationship Managers (ARMs) to rehabilitate the accounts after discussion with the borrower/customer to determine the root cause of the problem and this may result in rescheduling, restructuring or "exit relationship" strategies to be applied. For the larger accounts, regular position update meetings are held with ARMs to review or revise these strategies. The EAM guidelines are refined from time to time, to better identify, monitor and resolve such accounts. Dedicated teams are established (at business units as well as credit evaluation) to conduct independent assessment and manage the watch list portfolios. These teams are tasked with identifying and implementing strategies to address lending/business relationships under EAM.

Group Internal Audit conducts independent post-approval reviews on a sampling basis to ensure that the quality of credit appraisals and approval standards is in accordance with the credit underwriting standards and financing policies established by the Group's management, and relevant laws and regulations.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing

The Group adopts BNM's guidelines on Classification and Impairment Provisions for Loans/Financing. The principles in this guidelines are in line with those applicable under the International Financial Reporting Standards compliant framework, the Malaysian Financial Reporting Standards 139.

The borrower/customer assessed under Impairment Allowances (IA) shall be classified as impaired under any one of the following situations:

1. When the principal or interest/profit or both, of any facility(s) of the borrower/customer is past due for more than 90 days or 3 months.
2. In the case of revolving facilities (eg overdraft facilities), the borrower/customer of the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months.
3. Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, the loan/financing exhibits weaknesses (refer to impairment triggers) that would render it to be classified as impaired.
4. Where repayments of the loans/financing are scheduled on intervals of 3 months or longer, the borrower/customer is classified as impaired as soon as a default occurs, unless the borrower/customer or the loan/financing does not exhibit any weakness (refer to impairment triggers) that would render it to be classified as impaired.
5. In the case of share margin financing, the borrower/customer is classified as impaired when the equity has fallen below the threshold level of the outstanding balance as determined in accordance to Rules of Bursa Securities and/or relevant regulatory body.
6. Upon occurrence of any one or more Mandatory Status Triggers (MSTs) or any two or more Ancillary Status Triggers (ASTs). These MSTs and ASTs are pre-defined trigger events approved by the Group to facilitate impairment classification.

Note:
For R&R facilities, the borrower/customer shall be classified as impaired in accordance with paras 1 to 5 above based on the revised or restructured terms.

Individual Assessment – Impairment Triggers

For borrowers/customers (with threshold of RM5 million and above per borrower/customer) under individual assessment, the Group performs impairment assessment when any one of the MSTs or any two of the ASTs events occurred. Consequently, these borrowers/customers will be classified as impaired even though no impairment allowance may be required after impairment assessment.

Individual Impairment Allowances

Borrowers/customers under individual assessment and triggered either by any one of the MSTs or any two of the ASTs will be classified as impaired. Consequently, impairment assessment is to be carried out on these impaired borrowers/customers, based on reasonable and well documented estimates of the future cashflows/realisations of collateral that is expected to recover from the impaired borrowers/customers ie net present value of future cashflows are discounted based on original effective interest/profit rates and compared against carrying amount. Any impairment on the shortfalls will be provided in full immediately.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

Collective Impairment Allowances

Collective impairment applies to all other accounts (impaired and non-impaired) that do not fall within the threshold of individual assessment. The impairment assessment for accounts under collective assessment are as follows:

1. Segmentation is applied to group of loans/financing, both impaired and non-impaired, based on similar credit risk characteristics, for the purpose of assessing impairment and computing historical default rates and loss rates.
2. PD model is established with standard loss identification period (by months) and Point of No Return (by months in arrears). PD model adopted could either be migration analysis model or flow rate model. The approaches to migration analysis model could be either by way of outstanding balances or number of accounts.
3. LGD model establishes loss rate at the point in time when the loss event occurred ie, based on actual incurred loss model.

Re-classification and Recovery of Impaired Borrowers/Customers

An impaired borrower/customer may be re-classified as a non-impaired status under the following situations:

1. When the loan/financing repayment of the impaired borrower/customer has improved with the principal or interest/profit or both, of its facilities with the Group being past due by 90 days or 3 months or less.
2. In the case of revolving facilities (eg overdraft facilities), the facility shall be re-classified as non-impaired where the overdue outstanding amount in excess of the approved limit has improved to 90 days or 3 months.
3. Where repayments of the loans/financings are scheduled on intervals of 3 months or longer, the loan/financing is re-classified as non-impaired as soon as the overdue scheduled repayments are settled.

Write-Off of Impaired Loans/Financing

All loans/financing that satisfy any one of the following criteria, may be recommended for write-off:

1. Deemed irrecoverable, worthless and with slim prospect of recovery.
2. Waiver/discount already given under approved composite settlement schemes.
3. Abandoned project with no sign of revival. The definition of abandoned project must be in compliance with the definition stated under valuation for abandoned projects.
4. For retail and scored loans/financing, the write-off may be expedited for those with ageing of 12 months and above, provided legal action has reached at least writ of summon filed.
5. In the case of credit card and unsecured personal financing, aging is 6 months and above and the write-off is automatic.

Partial write-offs of impaired loans/financing is permitted for the shortfall portion in outstanding balance over the security value which is uncollectible and worthless; and the Group is in the final stage of realising the security/collateral; or in the case of approved composite settlement arrangement, the waiver portion. Further shortfall if any, arising from the disposal of all securities and upon receipt of the sale proceeds, shall be written-off immediately.

This policy of impairment loans/financing write-off is intended to provide a timely and consistent methodology for loans/financing to be written-off and to reflect the true value of assets in the Group's books.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Bank Group's impaired and past due loans/financing and allowances by industry sector as at 31 December 2017 compared with 31 December 2016:

Table 18a: Impaired and Past Due Loans/Financing and Allowances for Impairment by Industry Sector as at 31 December 2017

RHB Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Agriculture	41,399	23,373	14,112	31,136
Mining & Quarrying	184,356	838	45,631	5,014
Manufacturing	463,885	71,922	195,493	93,117
Electricity, Gas & Water Supply	78,878	39	19,253	13,208
Construction	678,263	44,227	94,789	95,268
Wholesale, Retail Trade, Restaurants & Hotels	421,187	129,290	130,329	158,902
Transport, Storage & Communication	310,992	8,111	113,277	55,626
Finance, Insurance/Takaful, Real Estate & Business	337,736	136,426	45,644	158,184
Education, Health & Others	12,343	1,638,982	3,072	20,567
Household	1,038,351	7,257,318	100,092	420,282
Others	398	2	–	12,982
Total	**3,567,788**	**9,310,528**	**761,692**	**1,064,286**

Table 18b: Impaired and Past Due Loans/Financing and Allowances for Impairment by Industry Sector as at 31 December 2016

RHB Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Agriculture	46,795	9,687	14,471	38,715
Mining & Quarrying	288,746	5,589	–	11,785
Manufacturing	1,007,404	55,994	544,885	102,409
Electricity, Gas & Water Supply	85,519	68	39,977	14,132
Construction	164,359	46,904	66,713	88,911
Wholesale, Retail Trade, Restaurants & Hotels	331,152	72,930	86,969	142,579
Transport, Storage & Communication	153,317	13,114	49,858	53,093
Finance, Insurance/Takaful, Real Estate & Business	384,139	149,353	76,094	168,854
Education, Health & Others	33,524	1,111,877	2,810	24,693
Household	1,247,816	7,885,067	115,230	475,021
Others	7,178	25,171	2,321	12,644
Total	**3,749,949**	**9,375,754**	**999,328**	**1,132,836**

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following table shows the charges/(write-back) and write-offs for impairment by industry sector as at 31 December 2017 compared with 31 December 2016:

Table 19: Net Charges/(Write-back) and Write-Offs for Impairment by Industry Sector

RHB Bank Group	Twelve Months Period Ended 2017		Twelve Months Period Ended 2016	
Industry Sector	Net Charges/ (Write-back) for Individual Impairment Allowances RM'000	Write-Offs RM'000	Net Charges/ (Write-back) for Individual Impairment Allowances RM'000	Write-Offs RM'000
Agriculture	–	(71)	13,976	(511)
Mining & Quarrying	3,849	–	–	(23)
Manufacturing	50,914	(398,659)	155,429	(44,207)
Electricity, Gas & Water Supply	17,193	(648)	39,967	–
Construction	47,602	(25,761)	11,592	(19,651)
Wholesale, Retail Trade, Restaurants & Hotels	73,989	(46,596)	65,140	(47,288)
Transport, Storage & Communication	92,824	(66,004)	50,033	(392)
Finance, Insurance/Takaful, Real Estate & Business	(7,037)	(5,455)	64,600	3,672
Education, Health & Others	303	(311)	(583)	(224)
Household	30,713	(257,809)	73,624	(271,024)
Others	(480)	(4,646)	1,554	(3,488)
Total	**309,870**	**(805,960)**	**475,332**	**(383,136)**

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Bank Group's impaired and past due loans/financing & allowances by geographical distribution as at 31 December 2017 compared with 31 December 2016:

Table 20a: Impaired and Past Due Loans/Financing and Allowances for Impairment by Geographical Distribution as at 31 December 2017

RHB Bank Group Geographical Distribution	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Malaysia	**1,839,499**	**7,354,629**	**227,297**	**985,564**
Labuan Offshore	**275,857**	**–**	**97,825**	**10,982**
Singapore	**1,268,365**	**1,697,606**	**306,086**	**33,511**
Thailand	**37,295**	**–**	**18,767**	**15,452**
Brunei	**7,492**	**28,476**	**680**	**1,642**
Cambodia	**63,103**	**186,739**	**38,149**	**15,679**
Hong Kong	**69,800**	**–**	**69,799**	**–**
Laos	**6,377**	**43,078**	**3,089**	**1,456**
Total	**3,567,788**	**9,310,528**	**761,692**	**1,064,286**

Table 20b: Impaired and Past Due Loans/Financing and Allowances for Impairment by Geographical Distribution as at 31 December 2016

RHB Bank Group Geographical Distribution	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Malaysia	2,597,474	7,778,644	580,258	1,049,692
Labuan Offshore	481,559	–	78,065	14,193
Singapore	516,184	1,425,073	236,423	36,433
Thailand	29,365	–	24,700	14,089
Brunei	10,006	26,440	2,345	1,910
Cambodia	39,630	132,483	31,690	15,462
Hong Kong	73,007	–	44,565	–
Laos	2,724	13,114	1,282	1,057
Total	**3,749,949**	**9,375,754**	**999,328**	**1,132,836**

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show the reconciliation of changes to loan/financing impairment allowances as at 31 December 2017 compared with 31 December 2016:

Table 21: Reconciliation of Changes to Loan/Financing Impairment Allowances

RHB Bank Group	2017 RM'000	2016 RM'000
Individual Impairment Allowance		
Balance as at the beginning of financial year	**999,328**	593,147
Net allowance made	**309,870**	475,332
Amount written off	**(517,524)**	(89,043)
Transfer from impairment of financial investments HTM	–	2,570
Exchange differences	**(29,982)**	17,322
Balance as at the end of financial year	**761,692**	**999,328**

RHB Bank Group	2017 RM'000	2016 RM'000
Collective Impairment Allowance		
Balance as at the beginning of financial year	**1,132,836**	1,202,106
Net allowance made	**225,669**	222,739
Amount written off	**(288,436)**	(294,093)
Exchange differences	**(5,783)**	2,084
Balance as at the end of financial year	**1,064,286**	**1,132,836**

7.0 SECURITISATION EXPOSURES

In the course of its business, the Group has undertaken securitisations of its own originated assets, as well as its clients on asset securitisation exercises as part of its debt capital markets services for external clients. The Group securitises its own assets primarily for capital management purposes.

The Group undertakes the following roles in the securitisation activities (either singularly or in combination):

- Originator and servicer of securitised assets;
- Asset-backed securities marketing, syndication and trading;
- Structuring of the securitisation transaction;
- Provider of liquidity facilities to self-originated and third-party transactions; and
- Investor of third-party securitisations (where the bank is not originator or sponsor).

Summary of Accounting Policies for Securitisation Activities

The accounting policies governing initial recognition, valuation and recognition of gains and losses governing financial assets are detailed in Note A4 (Summary of Significant Accounting policies/Financial Assets) and A20 (Summary of Significant Accounting policies/Impairment of Financial Assets) of the Statutory Financial Statements.

ECAIs Used For Securitisation Process

In general, the Group engages external credit assessment institutions such as RAM and MARC to assign credit ratings for securitisations of its own originated assets.

The table below shows the Securitisation exposures in the Banking Book as at 31 December 2017 compared with 31 December 2016:

Table 22: Disclosure on Securitisation Exposure in the Banking Book

RHB Bank Group	Total Exposures Securitised		Impaired	
Underlying Assets	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Traditional Securitisation (Banking Book Exposure)				
Originated by the Bank				
Collateralised Loan Obligation (Corporate Loans)	–	–	–	57,321
Total	**–**	**–**	**–**	**57,321**

Capital Treatment for Securitisation Exposures

The Group applies the Standardised Approach to calculate the credit risk capital requirements in accordance with BNM's Guideline.

The Group do not have any net exposure after CRM for securitisation in its Banking Book during the financial years 2017 and 2016. The Group also do not have any securitisation exposure in its Trading Book.

8.0 MARKET RISK

Market risk is the risk of loss arising from adverse movements in market indicators, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices.

The Group transacts financial instruments such as debt papers and financial derivative instruments. Derivative instruments are contracts whose characteristics and value are derived from the underlying instruments that can be a reference to interest/profit rates, exchange rates, debt paper, or equity and indices. These include futures, forwards, swaps, and options transactions.

The Group has an established Group Trading Book Policy Statement as guidance for market risk management. This is reviewed regularly and/or upon change in significant event that has a material impact on policy compliance or regulatory changes.

The Group Asset and Liability Committee (Group ALCO) and GCRC perform a critical role in the management of market risk and supports the IRMC and BRC in the overall market risk management. Both committees meet regularly and is the forum where strategic and tactical decisions are made for the management of market risk; this includes the development of the Group's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

The Group Market Risk Management within Group Risk Management is the working level that forms a centralised function to support Senior Management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.

Market Risk Assessment

The Group applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk (VaR), sensitivity analysis and stress testing.

The Group adopts a systematic approach in managing these risks by types of instruments and nature of exposure. Market risk is primarily monitored and controlled via a structure of limits and triggers ie cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.

In addition, the Group conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities may be undertaken by the specific business units within the allocated limits. All trading positions are monitored independently on a daily basis and in accordance to the established escalation procedures and the key actions to be undertaken.

Hedging Activities

Hedging activities designated for hedge accounting are governed by the Group's Hedging Policy that prescribes the overall hedge activities that can be executed by the Group and the subsequent control procedures such as effectiveness measurement and reporting to Group ALCO.

Hedging instruments used to mitigate these risks include derivatives such as options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through the Group's treasury functions with the approval of Group ALCO.

8.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2017 and 31 December 2016 are shown in the tables below:

Table 23a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2017

RHB Bank Group Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	103,638,724	102,590,571	2,261,348	180,908
Equity Risk	723,305	132,813	1,324,844	105,987
Foreign Currency Risk	827,307	217,219	813,209	65,057
Options Risk	1,834,723	255,506	560,616	44,849
Total			**4,960,017**	**396,801**

RHB Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk	104,913,051	104,038,827	2,172,051	173,764
Equity Risk	–	–	–	–
Foreign Currency Risk	424,132	105,468	410,034	32,803
Options Risk	1,660,445	122,694	290,477	23,238
Total			**2,872,562**	**229,805**

RHB Islamic Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Profit Rate Risk	9,548,359	9,373,985	199,064	15,925
Equity Risk	–	–	–	–
Foreign Currency Risk	41,624	25,128	41,624	3,330
Options Risk	–	–	–	–
Total			**240,688**	**19,255**

8.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2017 and 31 December 2016 are shown in the tables below: (continued)

Table 23a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2017 (continued)

RHB Investment Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk	57,480	57,269	357	29
Equity Risk	148,674	132,190	67,446	5,395
Foreign Currency Risk	346,940	293,163	346,940	27,755
Options Risk	120,000	132,190	195,799	15,664
Total			**610,542**	**48,843**

For year 2017, RHB Bank did not have any exposure under

- equity risk, commodity risk, inventory risk, and
- market risk exposure absorbed by PSIA.

RHB Islamic Bank did not have any exposure under

- equity risk, commodity risk, inventory risk and options risk, and
- market risk exposure absorbed by PSIA.

RHB Bank Group did not have exposure under

- commodity risk and inventory risk, and
- market risk exposure absorbed by PSIA.

RHB Investment Bank Group and RHB Investment Bank did not have any exposure under

- commodity risk and inventory risk.
- For the Equity Position risk, the position is computed based on net long and net short position.

8.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk (continued)

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2017 and 31 December 2016 are shown in the tables below: (continued)

Table 23b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2016

RHB Bank Group Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	142,180,722	140,779,256	2,033,609	162,688
Equity Risk	373,008	37,955	814,146	65,132
Foreign Currency Risk	1,936,835	153,374	1,951,364	156,109
Options Risk	123,019	141,405	47,797	3,824
Total			**4,846,916**	**387,753**

RHB Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk	144,831,954	143,419,111	2,060,776	164,862
Equity Risk	–	–	–	–
Foreign Currency Risk	1,648,399	171,431	1,662,928	133,034
Options Risk	91,323	104,980	10,052	804
Total			**3,733,756**	**298,700**

RHB Islamic Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Profit Rate Risk	248,081	238,572	10,793	863
Equity Risk	–	–	–	–
Foreign Currency Risk	44,311	52,633	52,633	4,211
Options Risk	–	–	–	–
Total			**63,426**	**5,074**

8.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk (continued)

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2017 and 31 December 2016 are shown in the tables below: (continued)

Table 23b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2016 (continued)

RHB Investment Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk	447,062	465,025	2,945	236
Equity Risk	37,490	33,298	14,823	1,186
Foreign Currency Risk	620,666	8,760	620,666	49,653
Options Risk	30,463	33,298	37,798	3,024
Total			**676,232**	**54,099**

For year 2016, RHB Bank did not have any exposure under

- equity risk, commodity risk, inventory risk, and
- market risk exposure absorbed by PSIA.

RHB Islamic Bank did not have any exposure under

- equity risk, commodity risk, inventory risk and options risk, and
- market risk exposure absorbed by PSIA.

RHB Bank Group did not have exposure under

- commodity risk and inventory risk, and
- market risk exposure absorbed by PSIA.

RHB Investment Bank Group and RHB Investment Bank did not have any exposure under

- commodity risk and inventory risk.
- For the Equity Position risk, the position is computed based on net long and net short position.

9.0 EQUITY EXPOSURES IN THE BANKING BOOK

Equity risk is the risk of decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to the investment itself. The Group holds positions as a result of debt equity conversions and for socio-economic and non socio-economic purposes, which are deemed as non-trading instruments.

Holding of publicly traded equity investments comprise quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures are stated at fair value. Privately held equities are unquoted investments and stated at cost-adjusted for impairment loss, if any.

For debt equity conversions, the Group has established a Policy on Debt & Equity Instruments that governs the management of such exposures to ensure that these exposures are effectively managed and accounted for in the Group's books.

For regulatory capital purpose, the Group adopts the Standardised Approach to calculate the risk-weighted exposures.

The risk-weighted assets of equity investments of the Group as at 31 December 2017 and 31 December 2016 are shown in the table below:

Table 24: Equity Exposures in the Banking Book

RHB Bank Group	**Gross Credit Exposures**		**Risk-Weighted Assets**	
Equity Type	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Publicly traded				
Holdings of equity investments	**7,603**	7,555	**7,621**	7,558
Privately held				
For socio-economic purposes	**639,842**	627,299	**639,842**	641,614
For non socio-economic purpose	**3,593**	2,624	**5,024**	3,881
Other equity	**860**	860	**860**	860
Total	**651,898**	**638,338**	**653,347**	**653,913**

	2017 RM'000	**2016 RM'000**
Total Net Unrealised Gains/(Loss)	**411,798**	428,773

10.0 LIQUIDITY RISK

Liquidity risk is the risk of the Group being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the Group is unable to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group. Market liquidity risk is the risk that the Group cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

The primary role of a bank in terms of financial intermediation is the transformation of short-term deposits into long-term financing. By fulfilling the role of maturity transformation, banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risk.

Through the Group's Liquidity Risk Policy, the Group manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objective that underpins the Group's Liquidity Risk Policy includes maintaining financial market confidence at all times, protecting key stakeholders' interests and meeting regulatory liquidity requirements.

The Group ALCO supports the IRMC and BRC by performing the critical role in the management of liquidity risk, and is responsible for establishing strategies that assist in controlling and reducing any potential exposure to liquidity risk. The Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risk and the Group's balance sheet profile. Global and domestic economic data, information and events are deliberated at the Group ALCO meetings which enables the Group to determine its actions and reactions in the capital markets. The Group ALCO is also the governance body which sets interest/profit rates for liabilities products as well as reference rates for financing products and services. Group ALCO is supported by Group Asset and Liability Management (Group ALM) at the working level. Group ALM monitors liquidity risk limits/Management Action Triggers (MATs) and reports to Group ALCO the liquidity risk profile on monthly basis.

The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions. Some of the key liquidity risk management tools are top depositors' mixture, funding source mixture, maturity profile of funding sources, and contingency funding lines.

The Group has adopted the BNM's liquidity standards on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. The Group continues to report NSFR under the Basel III observation reporting to BNM.

The Group's Liquidity Incident Management Procedure establishes guidelines for managing liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure. In addition, it also identifies the individuals responsible for formulating and executing the Group's response to a liquidity event. The Group's Liquidity Incident Management Procedure also covers the entire Group's operations including foreign branch operations.

11.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book refers to the risk of the Group's earnings and economic value of equity due to the adverse movements in interest rate/benchmark rate. The risk may arise from the mismatches in the timing of re-pricing of assets and liabilities from both on and off-balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

Interest rate risk/rate of return risk in the banking book comprises:

- Re-pricing risk (mismatch risk) – Arises from timing differences in the maturity (for fixed-rate) and re-pricing (for floating-rate) of bank assets, liabilities, and off-balance sheet positions. While such re-pricing mismatches are fundamental to the business of banking, they can expose a bank's income and underlying economic value to unanticipated fluctuations as interest/benchmark rates vary;
- Basis risk – Arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics. When interest/benchmark rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or re-pricing frequencies;
- Yield curve risk – Arises when unanticipated shifts of the yield curve have adverse effects on the Group's income or underlying economic value; and
- Embedded optionality – Arises primarily from options that are embedded in many banking book positions (eg some fixed rate mortgage/home financing products give borrowers/customers the option to prepay the loan/financing early without penalty, call deposit, where customers have the option of withdrawing the deposit funds at any time).

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk/rate of return risk in the banking book. They are computed based on the re-pricing gap profile of the banking book using BNM's standard template. Assets and liabilities are bucketed based on their remaining tenure to maturity or next re-price dates. The measurement of EaR and EVE is conducted on a monthly basis.

The Group ALCO supports IRMC and BRC in establishing policies, strategies and limits for the management of balance sheet risk exposure. The Group ALM within Group Risk Management supports the Group ALCO in the monthly monitoring and reporting of the interest rate/rate of return risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest/profit income and economic value of equity, as well as to ensure that interest rate risk/rate of return risk exposures in the banking book are maintained within defined risk tolerances.

In addition, the Group ALM Policy is established to provide the governance of interest rate risk/rate of return risk in the banking book. Interest/benchmark rate sensitivity triggers are applied on earnings for the respective profit centres within the Group. The Group regularly considers the economics and necessity of increasing or reducing its interest rate risk/rate of return risk hedges.

In line with the Group ALM Policy to achieve a balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest/benchmark rates, interest rate risk/rate of return risk to earnings is controlled using MATs and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest/benchmark rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate risk/rate of return risk in the banking book in an environment of rapid financial market changes.

11.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

The impact of changes in interest/benchmark rates to net earnings and economic value as at 31 December 2017 and 31 December 2016 are shown in the following tables:

Table 25a: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2017

RHB Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value	
Currency	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000
MYR – Malaysian Ringgit	**303,373**	**(303,373)**	**(970,127)**	**970,127**
USD – US Dollar	**(81,333)**	**81,333**	**86,904**	**(86,904)**
Others[1]	**36,002**	**(36,002)**	**(21,445)**	**21,445**
Total	**258,042**	**(258,042)**	**(904,668)**	**904,668**

Table 25b: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2016

RHB Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value	
Currency	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000
MYR – Malaysian Ringgit	164,609	(164,609)	(1,033,504)	1,033,504
USD – US Dollar	(56,234)	56,234	103,721	(103,721)
Others[1]	64,396	(64,396)	(39,582)	39,582
Total	**172,771**	**(172,771)**	**(969,365)**	**969,365**

Note:
1. Inclusive of GBP, EUR, SGD, etc.
2. The EaR and EVE exposures are additive and do not take into account any correlation impact in the aggregation.
3. The earnings and economic values were computed based on the standardised approach adopted by BNM.

11.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:

- Interest/benchmark rate sensitive assets and liabilities with residual maturity or re-pricing tenure of up to one year that is not captured in the trading portfolio are slotted into time bands based on the maturity or re-pricing tenure whichever is earlier.
- A set of risk weights with its respective time band is used to project the applicable basis point interest/benchmark rate change impact.
- For assets and liabilities with non-fix maturity, eg, current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of interest/benchmark rate bearing items.

Economic value is characterised by the impact of interest/benchmark rates changes on the value of all net cash flows, ie, the effect on the economic value of the Group's assets, liabilities and off-balance sheet positions. This provides a more comprehensive view of the potential long-term effects of changes in interest/benchmark rates than is offered by the earnings perspective. The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables.

12.0 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk. Operational risk is inherent in the Group's operations and can never be eliminated entirely. The impact can be in the form of actual financial loss as well as non-financial loss such as loss of reputation, non-compliance and unsatisfactory service level to customers.

One of the Group's primary safeguards against operational risk is the existence of a sound internal control system, based on the principle of dual control checks and balances, segregation of duties, independent checks and verification processes, and a segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business and operation level.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified into:

- Analysis and Enhancement – The Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
- Education and Awareness – The Group undertakes change management activities to improve risk management knowledge, culture and practices of the Group personnel. This is aligned with the principle and requirement that the front-line business and support units of the Group, are by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence.
- Monitoring and Intervention – This is where the principal head office risk control units, including the risk management function, compliance function and the internal audit function, actively manage operational non-compliances and incidences as a second and third line of defence respectively. The second line of defence also undertakes recovery actions, including business continuity measures in cases of incidents causing disruption to business activities.

12.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Function and Organisation

The Group Operational Risk Management within Group Risk Management has functional responsibility for the development of operational risk framework, policy and methodologies, and providing guidance and information to the business units on operational risk areas. Its responsibility also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risks from new products, processes and systems are adequately managed and mitigated.

The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

Regular operational risk reporting is made to the Senior Management, the GCRC, IRMC, BRC and the Board. These reports include various operational risk information such as risk analysis, risk mitigation action plans, risk tools outcomes, risk appetite breaches, significant operational risk events and control failures, and lessons learnt. In addition, key operational risk incidents are reported to senior management daily. Such reporting enables Senior Management to identify adverse operational lapses, take prompt corrective actions, and ensure appropriate risk mitigation decision making and action plans.

Operational Risk Management Processes and Tools

The Group applies a defined operational risk management process in managing operational risk to enable an institutional and transparent operational risk management practice. The five (5) processes are as follows:

1. Establish the context;
2. Risk identification;
3. Risk analysis;
4. Risk mitigating; and
5. Risk monitoring.

The Group uses relevant operational risk tools and methodologies to support and ensure an effective operational risk management process. The following tools are being used:

- **Risk and Control Self-Assessment (RCSA)**

  RCSA is a methodology to build risk profile for each business and support unit. RCSA sets out a structured process for the identification and assessment of inherent operational risk, the effectiveness of the control environment, and the adequacy of the risk mitigation in place. The RCSA process is facilitated by the business and support units themselves jointly with personnel from Group Operational Risk Management.

- **Key Risk Indicators (KRI)**

  KRI is a measurable indicator utilised to track and monitor key operational risk exposures. KRI serves as an early warning signal; once a risk indicator exceeds the predefined threshold, a warning message is sent to a predefined list of users. Business and support units are required to monitor their risk exposures via KRIs and are required to develop specific and concrete plans to address those where indicators are unfavourable. KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up frequencies of events as a mechanism for continuous risk assessment and monitoring.

12.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Processes and Tools (continued)

- **Key Control Testing (KCT)**

  KCT is a methodology to assist business/functional units in performing assessments periodically to determine the effectiveness of key controls by evaluating whether the control procedures/activities are adequately designed to achieve the goals of the function and control objectives; and testing whether the key controls are operating as intended in actual practice. Effective KCT can lead to early detection of control weakness and deficiencies which will assist the senior management and business/functional units to quickly focus on control weakness and take concentrated efforts where they are most needed.

- **Incident Management and Loss Data Collection (IMLDC)**

  IMLDC provides structured process for the management of operational risk incidents that have occurred, from the point of discovery until resolution. Business and functional units are required to report all incidences within defined reporting timeline operational losses for further analysis of root cause to avoid further recurrence. This is also useful for reviewing the effectiveness of the RCSA and KRIs.

Risk Mitigation and Controls

Risk mitigation strategies are used to minimise risk to an acceptable level and aim to decrease the likelihood of an undesirable event and the impact on the business, should it occur. The control tools and techniques, amongst others, are as follows:

- **Strengthening internal controls**

  Internal controls are designed to commensurate operational risk exposures faced by the Group. It is mainly categorised into five components, namely:

  a. Control environment – management oversight and risk culture, which sets the tone and serves as a foundation for all other components;

  b. Risk assessment – analyses identified risks to achieve objectives and ensure risks are well managed;

  c. Control activities – policies and procedures implemented manually and/or system-based to ensure management's directives are executed effectively and efficiently;

  d. Information and communication – relevant operational risk information are captured and communicated accordingly for decision making. Such information must be effective for utilisation, delivered timely, confidentiality is preserved, conform integrity needs, comply with relevant law/regulations, sufficient availability and reliable; and

  e. Monitoring – ongoing assessment and correcting deficiencies of internal control to assure it is operating as intended.

- **Business Continuity Management**

  To mitigate the impact of unforeseen operational risk events, the Group has on-going and actively managed Business Continuity Planning (BCP) programmes for its major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCP programmes are subject to regular testing to ensure efficacy, reliability and functionality, and come under the responsibility of the Group Business Continuity Management Department.

  The Board of Directors has an oversight function through the BRC and GMC. The Group Business Continuity Steering Committee (GBCSC) is the committee that oversees the Group's business continuity framework, policies, budget and plans. The GBCSC reports to the GCRC.

12.0 OPERATIONAL RISK (CONTINUED)

Risk Mitigation and Controls (continued)

- **Outsourcing**

  With the increasing need to outsource for cost and operational efficiency, the Group's Policy on Outsourcing of Operations and Services ensures that the risk arising from outsourcing activities is adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

- **Insurance/Takaful Management**

  The Group considers risk transfer by means of insurance/Takaful to mitigate operational risk. The Group has a programme of insurance/Takaful designed to reduce its exposure to liability and to protect its assets. The Group purchases insurance/Takaful from leading insurers/Takaful providers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible. These are provided by third-party insurers/Takaful providers and will financially mitigate the economic consequences of risks.

Technology Risk

Technology Risk refers to the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise.

The Group recognises the risk arising from the advancement and reliance upon information technology to support business operations through the deployment of advance technology and online systems to provide customers with convenient and reliable products and services. The Group's Technology Risk Management Framework ensures that a governance structure is in place for the identification, assessment and management of technology risks within existing IT operations as well as prior to deployment of applications and systems for internal as well as external customers.

New Product and Services Approval Process

The Group has established a Policy on Product Development and Approval and Guidelines on Introduction of New/Variation of Products & Services Lifecycle which governs the risk management of new products, services, or significant changes thereto. The responsible units have a duty to assess the operational risk for new product launches and/or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times.

Legal Risk

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Group's legal counsel and external legal counsel to ensure that legal risk is effectively managed.

12.0 OPERATIONAL RISK (CONTINUED)

Capital Treatment for Operational Risk

Currently, the Group adopts the Basic Indicator Approach for the calculation of regulatory operational risk capital requirements. The operational risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2017 and 31 December 2016, are shown below:

Table 26a: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2017

Operational Risk	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Risk-Weighted Assets	**11,516,719**	**8,260,751**	**1,397,487**	**905,417**
Minimum Capital Requirements	**921,338**	**660,860**	**111,799**	**72,433**

Table 26b: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2016

Operational Risk	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Risk-Weighted Assets	10,828,115	8,283,570	1,200,381	1,151,279
Minimum Capital Requirements	866,249	662,686	96,030	92,102

13.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that the Group will be unable to obtain payment from customers or third-parties on their contractual obligations as a result of certain actions taken by foreign governments.

Cross-border assets comprise loans/financing and advances, interest/profit bearing deposits/placements with other banks, trade and other bills, acceptances, derivatives, certificates of deposit and other negotiable instruments, investment securities and other formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency.

The Group is guided by the Group Guidance on Cross-Border Business, particularly on ethics in business practices, key success factors in managing such business, and the internal control measures which are essential to provide adequate protection to its customers as well as the Group's interest, thus reducing the risks associated with business activities.

14.0 REPUTATIONAL RISK

Reputational risk is defined as the risk that negative publicity regarding the conduct of the Group or any of the entities within the Group, and its business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures. It also undermines public confidence in the Group, affecting the share price.

Reputational risk in the Group is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. The Group has developed and implemented a reputational risk management policy. The key elements in the management of reputational risk include:

- Practicing good corporate governance and culture of integrity to promote execution and achievement of corporate strategies and business objective.
- Manage reputational risk within a very low risk appetite with zero tolerance level reporting approach for incident that affects the Group's reputation.
- Adopt sound risk management practices that include the practice of building "reputation capital" and earning the goodwill of key stakeholder.
- Maintaining proper mechanisms to monitor and escalate material lapses/breaches of internal and regulatory policies/guidelines that may place the Group's reputation at risk.
- Maintaining proper channels of communication in dealing with internal and external stakeholders.

For the Group's overseas operations, it is the responsibility of the Country Heads to promote awareness and application of the Group's policy and procedures regarding reputational risk, in all dealings with customers, potential investors and host regulators.

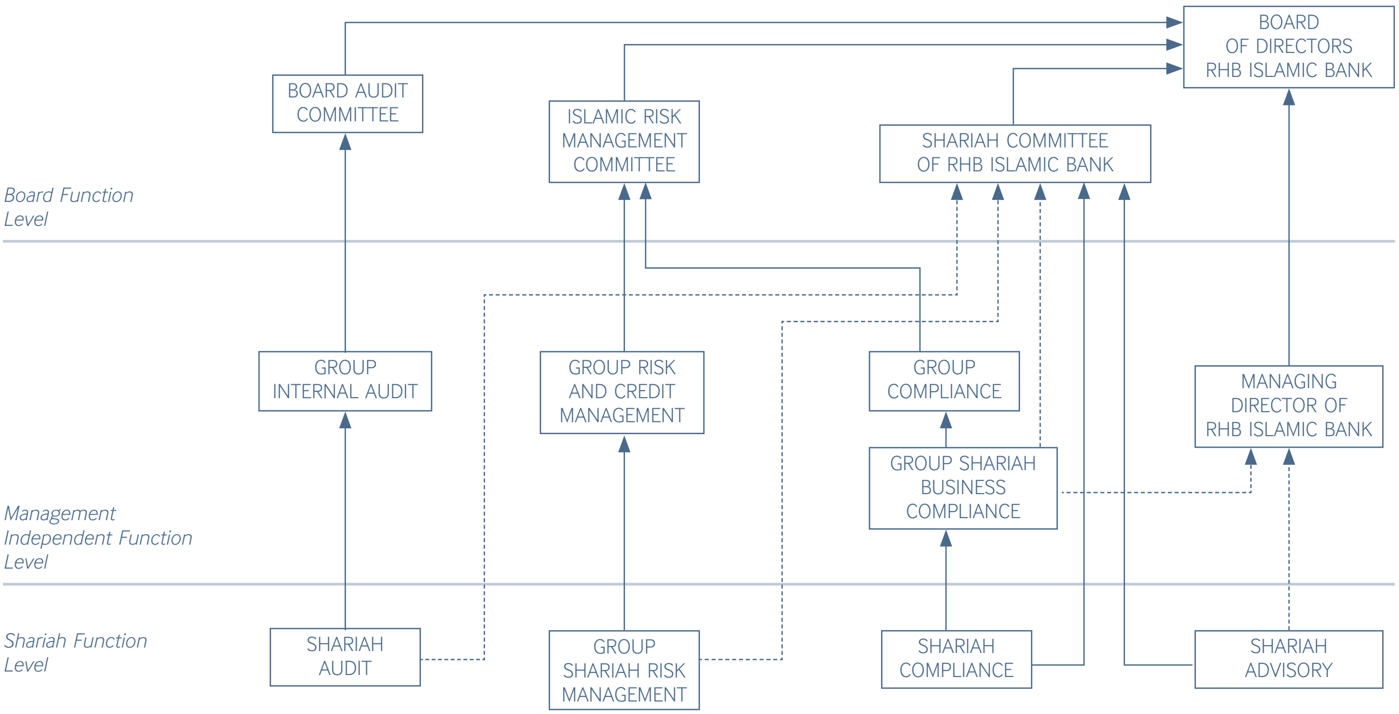
15.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE

Shariah non-compliance risk is the risk of loss arising from the failure to comply with the Shariah rules and principles as determined by the Shariah Committee of RHB Islamic Bank or any other relevant body, such as BNM's Shariah Advisory Council.

A Shariah Governance Framework has been developed with the objective of governing the entire Shariah compliance process within Islamic banking operations, and to:

- Ensure that the planning, development, and implementation of the Islamic Bank's products, services and conduct of business are in accordance with Shariah principles;
- Ensure that the Bank's operations do not contravene any of the Shariah principles and authorities' regulations related to the Shariah; and
- Act as a guide on the Bank's expectations to all personnel engaged in the Bank's activities; to ensure that all such functions are based on the Shariah principles, practices and prudence.

The reporting structure of Shariah governance is as follows:



The Shariah Committee of RHB Islamic Bank (SCR) was established under BNM's Shariah Governance Framework.

The main duties and responsibilities of SCR are to advise the Board of Directors on Shariah matters in relation to Islamic Banking business and operations, to endorse Shariah compliance manuals, to endorse and validate relevant documents as well as to provide written Shariah opinion on new products and RHB Islamic Bank's financial statements.

15.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE (CONTINUED)

On a functional basis, RHB Islamic Bank is supported by Shariah Advisory Division, Group Shariah Risk Management, Group Shariah Business Compliance and Shariah Audit.

The Head of Shariah Advisory Division reports functionally to the SCR and administratively to the Managing Director of RHB Islamic Bank. The key functions of the Shariah Advisory Division are undertaken by two sub-units, ie Shariah Advisory and Research; and Shariah Governance and Management.

The main duties and responsibilities of Shariah Advisory and Research are to conduct reviews on the Islamic products and services, provide internal Shariah advisory support to the management of RHB Islamic Bank in its daily business and operational matters, assist SCR in elaborating and discussing on pertinent Shariah issues, provide in-depth research on competitive analysis in order to help SCR in making decision and to represent RHB Islamic Bank in any Shariah-related matters. Meanwhile, the main duties and responsibilities of Shariah Governance and Management function are to ensure the internal Shariah governance as well as the internal process flow and policies and Shariah approval process is well managed and maintained in an efficient manner, ensure the Bank is in compliance with the highest standard of Shariah governance as set by BNM, serve as the secretariat of SCR and to act as the mediator between the management and the SCR, oversee the computation and distribution of zakat and fund to be channelled to charity, and conduct Shariah-related training.

The key role and responsibilities of Group Shariah Risk Management is to facilitate the process of identifying, measuring, monitoring and controlling of Shariah non-compliance risks inherent in the Islamic business and operations to mitigate any potential Shariah non-compliance events. Group Shariah Risk Management also performs independent assessment and provides support relating to Shariah non-compliance risk.

Group Shariah Business Compliance conducts review and assists the SCR in providing opinions from Shariah perspective in relation to the status of Shariah compliance of products, services and operations of the Islamic business operations. Shariah Audit provides independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the Islamic business operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance.

Any incidences of Shariah non-compliance are reported to the SCR, the GCRC, IRMC, the Board of Directors of RHB Islamic Bank and BNM. Remedial actions may include the immediate termination of the Shariah non-compliant products or services and de-recognition of Shariah non-compliant income.

There is no major Shariah non-compliant event or income arising from the Islamic products or services during the financial year 2017.

16.0 FORWARD LOOKING STATEMENTS

This document could or may contain forward looking statements that are based on current expectations as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts, and often use words such as anticipate, target, expect, estimate, intend, plan, believe, will, may, should, would, could or other words of similar expressions.

Undue reliance should not be placed on any of such statements. By their nature, forward looking statements are subject to risks and uncertainty because they relate to future events and circumstances, including, but not limited to domestic and global economic and business conditions, the effects of continued volatility in the credit markets, market-related risks such as changes in interest/profit rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, the Group's actual future results may differ materially from the plans, goals, and the expectations contained in the forward looking statements.

The Group undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether these statements are affected as a result of new information, future events or otherwise.

16.0 FORWARD LOOKING STATEMENTS (CONTINUED)

Table 27: Glossary of Terms

A-IRB	Advanced Internal Ratings-Based Approach
ARMs	Area Account Relationship Managers
BCC	Board Credit Committee
BCP	Business Continuity Planning
BNM	Bank Negara Malaysia
Board	Board of Directors
BRC	Board Risk Committee
CAFIB	Capital Adequacy Framework for Islamic Banks
CCB	Capital Conservation Buffer
CCR	Counterparty Credit Risk
CCYb	Countercyclical Capital Buffer
CET	Common Equity Tier
CRM	Credit Risk Mitigation
EAD	Exposure at Default
EAM	Enhanced Account Management
EaR	Earnings-at-Risk
ECAIs	External Credit Assessment Institutions
EL	Expected Loss
EUR	Euro Dollar
EVE	Economic Value of Equity
F-IRB	Approach Foundation Internal Ratings-Based Approach
Fitch	Fitch Ratings
GBCSC	Group Business Continuity Steering Committee
GBP	Pound Sterling
GCG	Group Credit Guidelines
GCPM	Group Credit Procedures Manual
GCRC	Group Capital and Risk Committee
GMC	Group Management Committee
Group ALCO	Group Asset and Liability Committee
Group ALM	Group Asset and Liability Management
ICAAP	Internal Capital Adequacy Assessment Process
IMLDC	Incident Management and Loss Data Collection
IRB Approach	Internal Ratings-Based Approach
IRMC	Islamic Risk Management Committee
ISDA	International Swaps and Derivatives Association
KCT	Key Control Testing
KRI	Key Risk Indicators

16.0 FORWARD LOOKING STATEMENTS (CONTINUED)

Table 27: Glossary of Terms

LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MARC	Malaysian Rating Corporation Berhad
MATs	Management Action Triggers
MDBs	Multilateral Development Banks
Moody's	Moody's Investors Service
MYR	Malaysian Ringgit
NIFs	Notes Issuance Facilities
NSFR	Net Stable Funding Ratio
OTC	Over-the-Counter
PD	Probability of Default
PSIA	Profit Sharing Investment Accounts
R&I	Rating and Investment Information, Inc
RAM	RAM Rating Services Berhad
RCSA	Risk and Control Self-Assessment
RM'000	Malaysian Ringgit in nearest thousand
RWCAF	Risk-Weighted Capital Adequacy Framework
RWA	Risk-Weighted Assets
SA	Standardised Approach
SCR	Shariah Committee of RHB Islamic Bank
SBUs	Strategic Business Units
SFUs	Strategic Functional Units
SGD	Singapore Dollar
SMEs	Small and Medium-sized Enterprises
S&P	Standard & Poor's
VaR	Value-at-Risk

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www.rhbgroup.com

RHB Bank Berhad (6171-M)
Level 9, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Tel : 603-9287 8888 Fax : 603-9281 9314

facebook.com/RHBGroup
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